

## Questions from Kaiapoi residential red zone workshop

8 February 2012, Kaiapoi Working Men's Club

Answers provided by CERA

### *The Crown offer process*

**1. When does the nine month period start from and can it be extended? When does the offer end?**

You have nine months from the date at the top of your offer letter to accept the Crown's offer to purchase your property. At this stage no policy decisions have been made around extending the nine month offer period. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet. The offer ends when the nine month deadline expires.

**2. After the nine month period, if insurance companies and EQC have not come to agreement, will there be an extension of the timeframe?**

At this stage no policy decisions have been made around extending the nine month offer period. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet.

**3. In selecting an option, do you need to select a settlement date?**

If you want to accept the offer, you will need to see a lawyer who will prepare and submit the Agreement for Sale and Purchase from you. You need to provide your lawyer with your preferred settlement date. This date must be at least three weeks after the date the Crown's settlement agent receives your signed Agreement for Sale and Purchase, and it must be a weekday on or before 30 April 2013. Please note that due to demand, your first choice of settlement date may not be available.

*a. How much flexibility is there around the nine month timeframe and settlement dates set?*

At this stage no policy decisions have been made around extending the nine month offer period or the final settlement date of 30 April 2012. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet.

*b. Are you able to remain in the property after the settlement date, in particular after April 2013?*

The Crown requires vacant possession. You must be out of the property by the settlement date under Option 1 or Option 2.

*c. If you have engaged in the process but selected a settlement date before April 2013, what happens?*

The settlement date will be recorded in your Agreement for Sale and Purchase and is the date that the Crown will pay for and become the owner of the property. You must be out of the property by the settlement date.

*d. What about delays in getting insurance answers when taking option 2 before the nine month period? Is there the ability to change the settlement date process?*

At this stage no policy decisions have been made around extending the nine month offer period. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet.

- e. *If you decide on option 1 and sign for consent/settlement, but there is another event that totals the house which moves you into a rebuild situation, what happens prior to settlement? Can I change my option?*

No Cabinet decision has been made in relation to this scenario.

- f. *Can you change your settlement date before the nine months or settlement?*

The Crown may agree to amend your chosen settlement date provided it is changed to a weekday on or before 30 April 2013. If you wish to amend the settlement date, talk to your lawyer in the first instance. Please note that due to demand, your first choice of settlement date may not be available.

**4. What if accepting the offer in principle and the settling date is after April 2013 because availability of property, land etc? What do I do?**

You cannot accept the offer in principle. The last day for settling under the Crown offer is 30 April 2013. To accept the offer for the Crown to purchase your property, you must submit a signed Agreement for Sale and Purchase to the Crown via your lawyer.

**5. Once you accept an offer you no longer qualify for insurance payments at what point or can temporary accommodation assistance continue until you move into your new place?**

Whether you are eligible for insurance payments towards accommodation costs depends on your policy with your private insurer. The Canterbury Earthquake Temporary Accommodation Service (CETAS) provides a matching and placement service into appropriate temporary accommodation, financial assistance for additional accommodation costs and earthquake support coordination for earthquake-affected residents within greater Christchurch. CETAS can advise you of the best options for temporary accommodation available at the time. Depending on your circumstances you may be eligible to receive financial help with your temporary accommodation costs. CETAS can provide assistance with this.

**6. Under option 2, what is your obligation to the building on the land?**

The Crown becomes the owner of the buildings, fixtures and the land on the settlement date under option two.

**7. Under option two, are you obligated to follow the full process and timeframe?**

Yes.

**8. May it happen after the nine month settlement period or after April 2013?**

You have nine months from the date at the top of your offer letter to accept the Crown's offer to purchase your property.

Your preferred settlement date must be at least three weeks after the date the Crown's settlement agent receives your Agreement for Sale and Purchase signed by you and must be a weekday on or before 30 April 2013.

At this stage no policy decisions have been made around extending the nine month offer period or the final settlement date of 30 April 2012. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet.

**9. There are more people waiting for insurance outcomes. It is absolutely necessary! Can CERA intervene to get claims sorted before the 9 month settlement period and or April 2013? To make informed decisions, who do I contact and what is the process?**

You need to continue to work with your insurance company to resolve any dispute or follow the complaints procedure outlined in your insurance contract. If you feel you are being unfairly treated by your private insurer, you can take the matter to the Insurance and Savings Ombudsman.

*a. Are there delays as I am willing to engage in the process and want to make an informed decision, what happens if it is not before 9 months of April 2013? How do I get an extension?*

At this stage no policy decisions have been made around extending the nine month offer period or the final settlement date of 30 April 2012. Any variation to the requirements of the Crown offer would need to be agreed to by Cabinet.

**10. If assessed as over cap, red zone but assessed as a repair. Under option 1, why do I have to pay an excess to my insurer?**

Cabinet agreed that the Crown would bear the cost of the EQC dwelling excess but property owners bear the consequences of choosing an insurance policy that contains an excess for earthquake claims. For this reason, the vendor is liable for any excess payable in respect to any claim, and the excess is deducted from the purchase price on settlement. If, following the deduction of an excess from the purchase price, it is established that no excess is payable in respect of a claim, the Crown shall refund to the vendor the amount of the excess that was deducted.

**11. Any payments already made for repairs etc; will that be deducted from my settlement amount?**

Under option one, the Crown will pay the most recent rateable value for your land, buildings and fixtures less the following: (1) any insurance payments paid directly to you for your land, building and fixtures that you have not spent on repairing your land, buildings and fixtures. If you have received any direct payments you will need to provide evidence of the amounts that you have spent on repairs. (2) any adjustment required because your property is underinsured. (3) any rates or charges for your property that you have failed to pay.

Under option two, the Crown will pay the most recent rateable value for your land less the following: (1) any insurance payments that you have received for your land that you have not spent on repairing your land (2) any rates or charges for your property that you have failed to pay. If EQC's eventual payout to the Crown for the damage to your land is more than the rateable value for your land, the Crown will pay you the difference.

## **12. What if I do not want to accept option 1 or 2 and want to stay?**

If you decide that you do not want to accept the Crown's offer, you should be aware that:

- The Council will not be installing new services in the residential red zone.
- If only a few people remain in a street and/or area, the Council and other utility providers may reach the view that it is no longer feasible or practical to continue to maintain services to the remaining properties.
- Insurers may cancel or refuse to renew insurance policies for properties in the residential red zones.
- While no decisions have been made on the ultimate future of the land in the residential red zones, CERA does have powers under the Canterbury Earthquake Recovery Act 2011 to require you to sell your property to CERA for its market value at that time. If a decision is made in the future to use these powers to acquire your property, the market value could be substantially lower than the amount that you would receive under the Crown's offer.

## **13. If I take option 1, can I negotiate what fixtures or chattels I can take?**

Under option 1, you can take your chattels before settlement. Chattels are items that are not attached to your land or the buildings on your land and can be removed without causing damage to your property. If you would like to remove anything else from your property, please make contact with CERA to discuss no later than 10 working days before your settlement date. Once the property is owned by the Crown you won't be able to return and the property will soon become a worksite.

## **14. How long does it take to review the rateable value and what is the process?**

You can seek a review of your purchase price if:

- The area of the land recorded in the most recent rating valuation for your property is understated (this is the only ground on which you can seek a review of the purchase price paid under Option 2);
- The total floor area of the improvements recorded in the most recent rating valuation for your property is understated by more than five per cent; or
- You have undertaken consented building work on your property for which you hold a code compliance certificate that has increased the floor area of the insured buildings but has not been taken into account in the most recent rating valuation. You should check with your Council to confirm the area of the buildings that have been included in your rating valuation as in some cases the valuation has been adjusted to reflect changes in floor area but the floor area recorded in the rating valuation has not been updated.

It is important that you discuss the grounds on which you wish to seek a review of your purchase price with your lawyer. He or she will be able to confirm whether your property qualifies for a review. If it does and you wish to proceed with a review then your lawyer must confirm this in the settlement database. It is important to note that once your lawyer has confirmed in the database that you want to seek a review you cannot withdraw from the process and you will be charged a non-refundable fee of \$250. This fee will be deducted from the purchase price on settlement.

**15. If you are a landlord settling under option 2, when does the tenant have to leave and what if the tenancy agreement surpasses that date?**

If your property is tenanted you need to arrange for your tenants to be out of your property by the settlement date. You will need to give the required notice under the Residential Tenancies Act to end the tenancy. If the fixed-term tenancy extends beyond the settlement date, the landlord may need to apply to the tenancy Tribunal to end the tenancy. We recommend that you discuss this with your lawyer so that the necessary arrangements can be made.

**16. Is the full payment given by the 2013 date? I am still on the property and have not taken an option.**

If you decide to accept the Crown offer, the Crown pays for, and becomes the owner of your property on the agreed settlement date (on or before 30 April 2013)

**17. Can CERA enforce the clearing or demolition of properties if the settlement has not been reached under option 2 with their insurance company?**

If you decide to accept the Crown offer, the Crown pays for, and becomes the owner of your property (land, building, and fixtures) on the agreed settlement date (on or before 30 April 2013). Once the Crown becomes the owner, it will arrange for the property to be cleared.

**18. If option 1 is taken, does CERA take insurance payout for landscaping?**

Under Option 1, you sell the Crown your EQC and private insurer claims for any damage to the buildings and fixtures on your land. This means that the Crown will receive all payments made under those claims. Those payments may be more or less than the purchase price for your property.

You will retain the rights to any other benefits that you may have under your insurance claims including payments for damage to your contents, stress, accommodation, moving costs and loss of rent.

**19. Why is the valuation not determined at the time of the latter earthquake under the current CERA offer?**

The Crown used the latest rating valuation as the benchmark at which to set the purchase price to pay for an individual residential property. This value is well-known and determines the value for all properties in an area at the same point in time: therefore it meets the government's objectives of simplicity and certainty.

**20. Why are we forced to sell our land?**

The Crown is offering to buy insured residential properties in the residential red zone. Land in the residential red zone has been assessed as land where rebuilding is not likely to occur in the short to medium term due to obstacles posed by the significant land and infrastructure damage, and the high risk of further damage to land and buildings from aftershocks, flooding or spring tides. For this reason, Cabinet agreed that the Crown make an offer to purchase insured residential red zone properties in order to provide the certainty that property owners require in the red zone.

**21. Why can't I stay in my home until my new home is ready?**

The Crown requires vacant possession on the settlement date for the following reasons:

- There are health and safety and public liability issues.
- Many of the homes do not comply with the requirements of the Residential Tenancies Act and the Health Act.
- Properties in the red zone will not be insured by the Crown post settlement.
- Infrastructure will be decommissioned as these areas become less populated meaning that services may not be available for these properties at that time.

**22. Does every sale and purchase agreement have to have an engineering report and another report (geotech)?**

This is not required under the Crown offer.