

14 October 2011

Canterbury Earthquake Royal Commission  
PO Box 14053  
Christchurch Airport  
Christchurch 8544

To Whom It May Concern

The Property Council should like to make a submission to you with specific respect to the report titled – “The Performance of Unreinforced Masonry Buildings in the 2010/2011 Canterbury Earthquake Swarm”.

Please find the submission enclosed.

If an opportunity arose to discuss this with you in detail, we would welcome that opportunity.

Contact details are as follows:

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If you require any further information from Property Council New Zealand, please do not hesitate to contact me, and I will be happy to provide this for you.

Thank you for your consideration.

Yours faithfully,



Daniel Newman  
Policy Director

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To: The Canterbury Earthquake Royal Commission

Re: The Performance of Unreinforced Masonry Buildings in the 2010/2011 Canterbury Earthquake Swarm

**SUBMISSION BY PROPERTY COUNCIL NEW ZEALAND INCORPORATED ON THE PERFORMANCE OF UNREINFORCED MASONRY BUILDINGS IN THE 2010/2011 CANTERBURY EARTHQUAKE SWARM**

**PROPERTY COUNCIL OF NEW ZEALAND INCORPORATED** (at the address for service given below) makes the following submission on the report titled "*The Performance of Unreinforced Masonry Buildings in the 2010/2011 Canterbury Earthquake Swarm*" ("the Report") co-authored by Associate Professor Jason Ingham and Professor Michael Griffith:

**BACKGROUND**

1. Property Council is a not for profit organisation that represents New Zealand's Commercial, Industrial, Retail, Property Funds and Multi Unit Residential Property Owners. Property Council represents all the forms of commercial property and property investment in New Zealand. Property Council's members collectively own and manage \$30 billion of commercial property investment in New Zealand.
2. Property Council actively involves itself with central, local and other government associated bodies, promoting the views, goals and ideas of our members.

**BUILDING CODE**

3. The Building Code codifies performance standards that building work must meet, and covers aspects such as structural stability, fire safety, access, moisture control, durability, services and facilities. Building plans and specifications are assessed by building consent authorities to ensure they comply with the Building Code before a building consent is issued.

4. The Building Code sets out technical clauses that contain an objective, a functional requirement, and performance criteria. The performance criteria of the Building Code correspond to the purposes of the Building Act 1991, which has been replaced by the Building Act 2004. The Building Code is being reviewed to ensure that it aligns with the 2004 Act. Property Council supports the review of the Building Code in lieu of the need to set appropriate performance standards for buildings.
5. Property Council supports the purpose of the Building Act 2004. Section 3 of the Act states that the regulation of building work, the establishment of a licensing regime for building practitioners, and the setting of performance standards for buildings is designed to ensure:

- “(a) people who use buildings can do so safely and without endangering their health; and*
- (b) buildings have attributes that contribute appropriately to the health, physical independence, and well-being of the people who use them; and*
- (c) people who use a building can escape from the building if it is on fire; and*
- (d) buildings are designed, constructed, and able to be used in ways that promote sustainable development.”*

Ensuring public safety means designing and maintaining buildings that are survivable. The Building Code must enable building and design outcomes that protect against the loss of life.

#### **COMPLIANCE WITH THE ACT AND THE CODE**

6. Provided the buildings are not dangerous, buildings should be upgraded, as the current legislation currently allows under section 112 and section 115 of the Act where upgrading of the building or a change of use occurs. Ultimately the transition to the upgrade of New Zealand’s building stock will take time, and such a transition

will need to be acknowledged in the context of the review of the Code.

7. The Report proposes (amongst other things) are single national policy for unreinforced masonry building maintenance and seismic strengthening. The Report also acknowledges the estimated cost to upgrade all of New Zealand's approximately 3,867 unreinforced masonry buildings to a minimum of 67 per cent of the New Building Standards is approximately \$2 billion. This is significantly greater than the estimated value of \$1.5 billion for the total stock of unreinforced masonry buildings. The Report acknowledged the need for a "cost effective strategy" to direct limited resources to give effect to the recommendations. Unfortunately no such strategy is proposed in the Report.
8. Property Council believes the Commission should recommend to the Government that the review of the Code should be widened to include a review of section 112 (Alterations to Existing Buildings) and section 115 (Compliance Code Requirements: change of use) of the Act. Such a review will require wide stakeholder participation given the significant financial implications of moving to a higher minimum standard against the Code.

#### **FINANCIAL IMPLICATIONS AND THE WAY FORWARD**

9. The 2010 and 2011 Canterbury earthquakes have implications for the viability of both the Canterbury region and the wider New Zealand economy. Property Council supports changes to tax policy to facilitate improvements in the performance of buildings. These changes include:
  - allowing an immediate deduction for (all or part of) the cost of rebuilding;
  - allowing a special depreciation deduction for repaired/new buildings; and
  - a permanent deferral of any depreciation recovered on new buildings.

The Report's recommendation that a single national policy for unreinforced masonry building maintenance and seismic strengthen justifies a national approach to tax reform as opposed to a change that is specific to Canterbury. Property Council

would support a national approach to tax changes that facilitate improvements in the performance of buildings.

10. The Commission should recommend that the Government allows for the deductibility of earthquake strengthening expenditure. Historically, the treatment has been that such costs must be capitalised (effectively meaning no deduction arises with the removal of tax depreciation on buildings). Given the requirements of an increasing number of councils for buildings to be earthquake strengthened to meet modern building standards, as well as the general “social good” element, there are strong arguments for making these costs deductible. Such a recommendation to the Government would go some way to providing the “cost effective strategy” referred to in the Report.

#### **OTHER MATTERS**

11. Alterations and additions plus changes of use to buildings will result in upgrading building works. However in larger, multi-tenanted properties presumably the requirement for upgrading should relate only to the particular tenancy directly affected rather than the whole building.
12. The application of earthquake policies by individual territorial authorities generally means a building’s earthquake-prone status will be recorded on the Land Information Memorandum (LIM) for the property. Once the upgrading works have been completed there should be provision for the notation on the LIM to be removed.
13. Not every region in New Zealand is located in a zone of medium to high seismic activity. While a single national policy for unreinforced masonry buildings has its advantages in terms of consistency, it is important to acknowledge that the risk of seismic activity is not even across all parts of New Zealand. It is important that the seismic and geotechnical characteristics of individual regions are taken into account when determining an approximate regulatory response (particularly in light of the financial implications of compliance with a revised Code.

**CONCLUSION**

14. Property Council requests that it be heard in respect of this submission.

**DATED this 14<sup>th</sup> day of October 2011**

A handwritten signature in blue ink, appearing to read 'C. Townsend', with a horizontal line underneath.

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**Connal Townsend, Chief Executive**

On behalf of Property Council New Zealand Incorporated

**ADDRESS FOR SERVICE:**

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