

INFORMATION FOR HOMEOWNERS TO PROVIDE THEIR LICENSED BUILDING PRACTITIONERS AND OTHER SPECIALISTS

Toka Tū Ake EQC has provided this material as part of the Government's On-sold support package. The information here will assist licensed building practitioners and specialists who have been engaged by homeowners to assess and repair earthquake damage.

Toka Tū Ake EQC's role is to administer the support package, not to select or manage the licensed building practitioners (licensed builders) or other specialists, or carry out repair works.

It is important that homeowners engage licensed builders and qualified specialists only.

The contracts for any services you provide to assess and repair earthquake damage through the On-sold support package will be between you and the homeowners that engage your services.

This pack explains the On-sold support package, the expectation of how licensed builders and specialists will work with homeowners, and what homeowners require from their licensed builders and specialists to progress their application. It also provides some helpful templates.

Please read this pack carefully and if you have any questions, please speak to a claim manager/settlement specialist or email osoc@eqc.govt.nz

ABOUT THE ON-SOLD SUPPORT PACKAGE

Administered on behalf of the Government by Toka Tū Ake EQC, the On-sold support package enables eligible homeowners who bought a house in Canterbury before 15 August 2019 with a settled claim under the Earthquake

Commission Act 1993 (the EQC Act) statutory liability, but have since discovered missed earthquake damage that would require a settlement that exceeds the Act's statutory liability, to repair the earthquake damage.

The On-sold support package provides an ex gratia payment to eligible homeowners to complete their earthquake repairs by engaging licensed builders.

Homeowners will need to select and engage their own licensed builders and other specialists to carry out assessments, provide quotes and repair strategies to support their application, and complete repairs to the standards of the Act.

THE RELATIONSHIP BETWEEN HOMEOWNERS, LICENSED BUILDING PRACTITIONERS AND SPECIALISTS

Licensed builders and specialists engaged by homeowners for the support package will need to:

- Assess the earthquake damage to the property, produce an appropriate scope of works (in conjunction with a structural engineer and other experts) and provide a quote to complete those repairs.
- Complete and manage the repair work on the property.
- Engage and manage any necessary specialists or subcontractors (such as engineers, electricians and plumbers).

- Sign off on the completed work. This includes providing Producer Statements to confirm work has been done as per the design specifications and code of compliance certificates for work requiring building consent.

TOKA TŪ AKE EQC'S REQUIREMENTS FOR EARTHQUAKE DAMAGE ASSESSMENTS

Homeowners will need to provide Toka Tū Ake EQC with an assessment from their licensed builder to support their application under the On-sold support package.

Licensed builder assessments must determine the earthquake damage and associated repairs needed to bring the home up to the standards of the Act and the cost of those earthquake repairs.

This may include obtaining reports from specialist engineers (e.g. structural, geotechnical) if they are needed to fully assess the earthquake damage and determine the repair strategy. The reasonable costs of any reports will be paid by the homeowner. Specialists need to provide homeowners with a reasonable short form agreement outlining their services.

Earthquake repairs must bring homes up to the standards of the Act. This means replacing or reinstating homes to a condition substantially the same as—but not better or more extensive than—their condition 'when new'. The repairs must also comply with any applicable laws

PROVIDING A DETAILED QUOTATION

Quote(s) to homeowners for their earthquake repairs need to include all necessary details for Toka Tū Ake EQC to understand what is included in the scope of works and assess the associated quote.

This gives the homeowner and Toka Tū Ake EQC confidence that quote(s) include all necessary repairs and will help avoid delays in approving the homeowner's claim and/or construction. A detailed quote will also reduce the potential for variation requests.

Here's what must be included in an assessment and associated quote(s):

- **A clear statement showing what the assessment and quote are based on.** This includes inspections and assessments and when and by whom they were completed. It should also include other supporting information, assumptions and clarifications.
- **Elements and rooms should be separated.** All items being repaired in each area should also be clearly defined with transparent descriptions and measurements.
- **Large structural elements should be priced in detail.** Be specific to the scope of works/ engineer report and site conditions. Include adequate descriptions and measurements.
- **Include details about what all costs relate to.** Quoted items with no detail other than a general heading (e.g. "general requirements") and a cost will not be acceptable.

- **Professional fee costs should be individual and transparent.** These should not be grouped together as a lump sum (e.g. separate costs for engineering design, building consents and/or construction monitoring).
- **Subcontractor quotes.** Any subcontractor quotes should also be itemised and included in the main building contractor’s quote(s) for all repairs.
- **Co-funding.** Should the homeowner be looking to undertake any additional works /renovations at the same time as the earthquake repairs, the additional works need to be clearly identified and separated from the quote(s) for earthquake repairs.

Links for a sample earthquake repair quote, and templates for a letter of engagement and contractor quotation can be found on the last page of this guide. These are available on the Toka Tū Ake EQC website¹.

The homeowner’s Toka Tū Ake EQC settlement specialist, along with a quantity surveyor, will review quote(s) to ensure that all works outlined relate to earthquake damage and the associated costs are reasonable. The settlement specialist may have questions relating to the assessment and associated costs, which they will either discuss directly with the homeowner or with the homeowners approval, their licensed building practitioner.

STANDARDS OF REPAIR

Repairs must be completed to the standard set out in the Act. The ‘replacement value’ outlined in the Act means that homes must be reinstated or replaced to a condition substantially the same as—but not better or more extensive than—their condition ‘when new’. The repairs must also comply with any applicable laws.

This relates to costs that are reasonably incurred in doing all of the following:

- Demolishing and removing debris, but only to the extent that the demolition and removal is required to enable the residential building to be replaced or reinstated;
- Replacing or reinstating the residential building to substantially the same as (but not better or more extensive than) its condition ‘when new’. The ‘when new’ condition is modified as necessary to comply with any applicable laws;
- Complying with any applicable laws relating to replacing and reinstating the residential building; and
- Paying other fees or costs in the course of replacing or reinstating the residential building.

¹ www.eqc.govt.nz/canterbury/on-sold-over-cap-properties

What does 'when new' mean?

Where a residential building was built with materials that are no longer available, the damaged parts of the building are repaired with comparable new materials so that those parts are returned to a condition that is substantially the same as, but not better or more extensive than, when the building was built.

The 'when new' standard also applies where there have been changes to the building laws since the residential building was built.

In this case the On-sold support package will meet the costs of complying with any laws applicable to the repair or replacement of the earthquake damaged parts of the building.

Situation where reinstatement or replacement requires work on undamaged property

Sometimes, in order to replace or reinstate a damaged residential building or a damaged part of the residential building, it is necessary to do work on an undamaged part of the residential building. An example of this is the removal of undamaged floorboards in order to repair foundations.

In these situations, the On-sold support package covers:

- The cost of the work on the undamaged part of the residential building which is necessary to carry out the repair;
- The cost of reinstating the undamaged part if it was damaged in the course of the work being done on it; and

- The cost of modifying the undamaged part, if any laws require the undamaged part to be modified as a result of the work being done on it.

Whether work on an undamaged part of the residential building is necessary in order to replace or reinstate the damage will depend on the particular circumstances of each damaged residential building.

How does "replacement value" apply with respect to floor levels?

If the releveling of the floor is needed, the required releveling is determined under the Act. The releveling is on the basis of the "replacement value" standard.

The 'replacement value' standard does not mean that Toka Tū Ake EQC must necessarily replace or reinstate a residential building exactly the same as it was when it was new. This is a particular issue where a residential building has floors that were not level before an earthquake and the residential building has previously been altered to accommodate the floors not being level.

If the floors were to be completely re-levelled it could damage the other parts of the residential building that had previously been altered. In those circumstances a repair of the foundation system that does not result in the floors being completely level may be sufficient.

COMPLETING THE EARTHQUAKE REPAIRS

Once the scope of works has been agreed and the quote accepted, the work should be completed as soon as possible.

All earthquake repairs must be completed in line with the agreed scope of works and comply with any applicable regulations and laws.

If unexpected issues or variations arise during the repair process, homeowners must be informed as soon as possible, and they should raise this with their settlement specialist at Toka Tū Ake EQC.

If the homeowner wishes to undertake additional improvements to their home, it is important to note that the Government On-sold support settlement will be fixed. This means that there will be no room for variations at a later date.

Payment schedules need to be agreed with the homeowner for completed works when the contract is created.

Once the repair work has been completed, the licenced builder will need to:

- Sign off on the completed work. This includes providing Producer Statements to confirm work has been done as per the design specifications, and code of compliance certificates for work requiring building consent.
- Ensure homeowners are provided with all necessary documents related to the building work, including ongoing maintenance requirements, guarantees or warranties and any ongoing insurance policies.

- Provide invoices for items that were originally provisionally summed in the scope of work.

COMPLETING ADDITIONAL REPAIRS OR IMPROVEMENTS

The On-sold support package only covers the works required to repair missed earthquake damage, up to the standards of the Act. This means replacing or reinstating homes to a condition substantially the same as—but not better or more extensive than—their condition when new. The repairs must also comply with any applicable laws.

The homeowner might, however, wish to make additional improvements to their property at their own expense. These need to be clearly identified and separated from the quote(s) for earthquake repairs.

In this instance, if the homeowner wishes to undertake additional improvements to their home, it is important to note that the government On-sold support settlement will be fixed. This means that there will be no room for variations at a later date.

As with the earthquake repairs to be completed under the On-sold support package, the contract for any additional repairs or improvements is between the licensed building practitioner and the homeowner. The ongoing relationship and oversight of additional work will be managed by the homeowner or their project manager.

MORE INFORMATION:

For more information, please see:

- [Visit EQC's On-sold Over-Cap webpage²](#)
- [EQC Claims Manual – Residential Building³](#)

Documentation examples and templates:

- [Template: Licensed builder quotation⁴](#)
- [Template: Letter of engagement \(from Engineering New Zealand\)⁵](#)
- [Example: Earthquake repair quote \(illustrates structure and likely content\)⁶](#)

² <https://www.eqc.govt.nz/canterbury/on-sold-over-cap-properties>

³ https://www.eqc.govt.nz/sites/public_files/documents/corporate/EQC_Building_Manual_FINAL_2020.pdf

⁴ https://www.eqc.govt.nz/sites/public_files/documents/Canterbury/On-sold/Licensed-builder-quotation-template.xlsx

⁵ https://www.eqc.govt.nz/sites/public_files/documents/Canterbury/On-sold/Letter-of-engagement_full-assessment_220819.docx

⁶ https://www.eqc.govt.nz/sites/public_files/documents/Canterbury/On-sold/Example-repair-quote.pdf