



# CAVEAT PROPOSAL

Providing adequate funding for our flooded communities.

Murwillumbah & Tweed Financial Counselling Service.  
August 2022

Contact:

## 1.1 BACKGROUND

I work as a financial counsellor in the Northern Rivers. The area I work in was heavily affected by floods at the start of the year and this has had a significant impact on the emotional, physical, mental, and financial well-being of our community members. The initial response provided by our service was mainly focused on helping clients to access services and apply for grants. Six months on and the nature of the work required has changed. Clients are now in a stage where the avenues of support are becoming less and less, and the damage bills are mounting.

One of the biggest concerns are clients who are faced with structural repair bills. The support provided through the Disaster Relief Grants in NSW in many cases do not meet more than 25% of the expected cost to make their homes structurally safe and habitable again. For example, the costs of raising and restumping a three-bedroom Brisbane Queenslander is approximately \$25,000. However, there are several other additional costs to consider as part of house raising including plans, approvals, earthworks, plumbing, electrical, excavation, stairs and a concrete slab etc. These additional services can bring the total cost to approximately \$80,000 on average.<sup>1</sup>

The financial stress experienced by our community members far outweighs any financial support that we can provide. The trauma from the initial floods combined with housing instability and financial stress is compounding and is having a significant impact on their mental health and overall resilience and productivity.

Many of my clients were underinsured or not insured at all. Accessing the money needed for necessary repairs through commercial avenues is made even harder since many of them have accessed hardship support from their lenders already. Moreover, responsible lending obligations require a lender to ensure that credit provided is both suitable and that it will be able to be repaid without the consumer experiencing substantial hardship.<sup>2</sup> Considering the rising cost of living and increasing interest rates it would not necessarily be a good solution to access credit via commercial avenues even if the lender could approve it. Especially, since the odds of this exacerbating the financial hardship they are already experiencing is extremely high.

As a result, I believe it is imperative that the Government steps in to deliver an option for providing our homeowners with a sustainable option to access the necessary funds.

This proposal is for this to be provided through interest free/or low interest loans lodged as caveat on their properties. This will see the money returned when the property is sold or when the homeowner is financially stable enough to start repayments. Allowing homeowners to access adequate funds for the purpose of "Building back better" and Floodproofing for the future has the potential to be a win/win for both the homeowner and the taxpayers. Moreover, with the current state of the nationwide housing crisis every home matters. Therefore, ignoring the hardship faced by our flooded communities and considering this as a problem for the individual, will ultimately only increase the pressure for social and governmental support as their mental health is adversely affected by ongoing Secondary Stressors.

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<sup>1</sup> <https://www.raisemyhouse.com.au/2021/01/25/how-much-does-it-cost-to-raise-a-house/>

<sup>2</sup> <https://asic.gov.au/regulatory-resources/credit/responsible-lending/>

## 1.2 CASE STUDY

(JENNY HAS CONSENTED FOR ME TO SHARE HER STORY HOWEVER FOR THE PURPOSE OF PRIVACY JENNY IS NOT HER REAL NAME.)

Jenny is a single woman living in her own home on one of the worst affected streets in Murwillumbah. Jenny bought what was a very run down home 5 years ago. For the past few years Jenny has been putting her heart and soul into renovating the home. When the floods came through Murwillumbah, she was perceived as one of the lucky ones as her home was not completely inundated on the second floor. Nonetheless, the damage caused by the debris in the water saw her home left with a cracked foundation, detached stairs and the house knocked off its stumps. Although the water didn't completely inundate the living quarters, the water slightly entered the top floor and caused damage to walls, cupboards, flooring and electrical wiring. The extensive mould growth meant she had to throw out many essential household items. Moreover, she lost everything that was stored under the house such as washing machine and tools/ equipment for her pending business venture. The repair and replacement bills are expected to exceed \$100 000. But what's more, is that she is now in the dilemma of whether to spend the money on repairs; or to spend the expected \$100 000 needed to raise the house to avoid being in the same situation at the next flood.

Jenny is currently unemployed with her only source of income being the Jobseeker payment. Jenny struggled with her mental health before the flood and with added trauma of the floods she is not able to return to work this year. It is completely impossible for her to save the money to do the repairs on her limited income. Even though there is almost 65% equity in her home; because she is on Jobseeker and because she received hardship assistance from her mortgage provider, it is completely out of the question for her to increase her home loan. If Jenny were to sell her home, she would not have enough funds to buy anything in this area; and due to the housing crisis, it is questionable if she would even be able to secure a home to rent.

### 1.3 SECONDARY STRESSORS

Stephenson et al. defines secondary stressors as ongoing, unresolved factors, indirectly associated with a defined prior event resulting in emotional strain among affected individuals and acting as obstacles in a return to what is perceived as normality.<sup>3</sup> Key secondary stressors after a flood are identified among other things as damage to property and possessions, repair works, fear of reoccurring flooding and lack of confidence in or help from agencies. In addition, research show that financial resource constraints in the aftermath of a flood event can lead to severe mental hardship.<sup>4</sup> Research confirms that this type of stress experienced in the aftermath of a flooding event has an extensively detrimental effect on the mental health and challenge the coping capacity of individuals affected by floods.<sup>5</sup>

### 1.4 RICHMOND

The latest available census data show median weekly family and household incomes in Richmond NSW (being the federal electorate that Tweed sits in) are well below the national average. Richmond workers are also overrepresented in part time work and underrepresented in full time work compared to national averages. This demonstrates that climate impacts are being felt by those who can least afford them.<sup>6</sup>

Moreover, Richmond is the second most at risk federal electorate in terms of climate change. 15% of properties or around one in seven properties in Richmond electorate will be uninsurable this decade.<sup>7</sup> 20% of properties in Richmond are at high risk (22,274), 14.5% of properties are at risk to riverine flooding.<sup>8</sup> “At current funding levels, only 2 or 3 homes per year are able to be purchased or raised using DPE grant support, while there are dozens of properties in high hazard areas that have now been flooded twice in 5 years. It is also worth noting, that the purchasing power of the schemes has diminished significantly with the rapid escalation in housing prices and construction costs in the last 2 years.”<sup>9</sup>

Therefore, it is essential that the Government take action to provide our community members with solutions that provide adequate funding to meet the actual needs of our community members. In the Tweed Shire Council Submission DRAFT to the flood inquiry, it is proposed that the current budget of \$2 million for voluntary house purchase and raising schemes is increased to \$500 million over the next 2 years.<sup>10</sup>

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<sup>3</sup> Impact of secondary stressors on urban and rural communities affected by repeated flooding and the potential resulting health implications: a pilot study; J. Stephenson, M. Vaganay & R.Cameron; 14/09/2015

<sup>4</sup> An exploration of factors affecting the long term psychological impact and deterioration of mental health in flooded households; J. Lamond, Rotimi D, J & Proverbs D. G : 22/04/2015

<sup>5</sup> Impact of secondary stressors on urban and rural communities affected by repeated flooding and the potential resulting health implications: a pilot study; J. Stephenson, M. Vaganay & R.Cameron; 14/09/2015

<sup>6</sup> <https://www.tweed.nsw.gov.au/files/assets/public/documents/council/council-meetings/nsw-independent-flood-enquiry-2022-council-submission.pdf> (p.12)

<sup>7</sup> <https://www.tweed.nsw.gov.au/files/assets/public/documents/council/council-meetings/nsw-independent-flood-enquiry-2022-council-submission.pdf> (p.12)

<sup>8</sup> <https://www.tweed.nsw.gov.au/files/assets/public/documents/council/council-meetings/nsw-independent-flood-enquiry-2022-council-submission.pdf> (p.12)

<sup>9</sup> <https://www.tweed.nsw.gov.au/files/assets/public/documents/council/council-meetings/nsw-independent-flood-enquiry-2022-council-submission.pdf> (p.27)

<sup>10</sup> <https://www.tweed.nsw.gov.au/files/assets/public/documents/council/council-meetings/nsw-independent-flood-enquiry-2022-council-submission.pdf>

In contrast, in Queensland there has been affirmative action on the matter, which has seen \$741 million allocated to the Resilient homes fund. “Grants will be available to assist Queensland homeowners to repair or retrofit their homes to incorporate flood resilient design and to raise homes to reduce the impacts of future flood events.”<sup>11</sup> The NSW Government needs to step up and offer their residents solutions of the same Magnitude. Planning disaster recovery to ensure that the most vulnerable members of communities can return will result in greater resilience and community vitality.<sup>12</sup>



*The Tweed River at Murwillumbah peaked at 6.5m – 200mm higher than 2017 – and narrowly escaped more widespread flooding.*

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<sup>11</sup> <https://statements.qld.gov.au/statements/95130>

<sup>12</sup> <https://theconversation.com/disasters-can-wipe-out-affordable-housing-for-years-unless-communities-plan-ahead-the-loss-hurts-the-entire-local-economy-174880>

<sup>13</sup> <https://www.tweed.nsw.gov.au/council/news-updates/latest-news/media-releases/1320371-full-impact-of-tweeds-biggest-flood-still-to-be-revealed->

## **1.5 PROPOSAL**

Government to provide adequate funds to complete necessary repairs and flood proofing that would be lodged as a caveat on the property. The money would be returned once the homeowner is either in a position to start repayments or when the property is sold. Funding should be considered for the following:

### **1.5.1 Rebuilding more resilient homes**

Caveat grants to be available to assist eligible homeowners to repair or retrofit their homes to incorporate flood resilient design and materials. This could include replacement of floor coverings with a water-resistant finish such as tiles or polished concrete and moving power outlets to above recognized flood levels.

### **1.5.2 Raising homes**

Grants will be available to eligible homeowners to raise homes to reduce the impacts of future flood events by lifting living areas and rooms above the defined flood level.

## **1.6 PROPOSED BENEFITS:**

### **1.6.1 Homeowners would be able to access adequate funding to do necessary repairs and floodproofing in a timely fashion.**

Research shows that flooded residents primary desire is to return to normality as quickly as possible. Prolonged exposure to secondary stressors is likely to contribute to health conditions and may require greater Governmental or social support to resolve.<sup>14</sup> Therefore, it is essential to ensure that flood victims are able to attend the repairs in a timely fashion without facing unnecessary barriers.

### **1.6.2 Flood proofing measures may reduce the insurance premiums making them an affordable option again.**

The Flood Resilient Building Guidance for Queensland Homes, authored by Brisbane company James David Architect (JDA), was put to the test during February's flood disaster. More than 140 homes upgraded in line with the guidance through Brisbane City Council's (BCC) Flood Resilience Program were better protected during February's deluge. These measures allowed families to clean up and safely move back in within days.<sup>15</sup> JDA founder James Davidson said strategies like raising power points and sealing floors using skirting tiles not only saved homes, but it reduced insurance costs for residents of flood-prone suburbs where premiums were on the rise. "Some of the clients we've been working with have actually received a premium reduction between 40 and 50 per cent based on flood resilience work," he said. "Insurers are open to reducing premiums if their assets are protected."<sup>16</sup>

In 2011, a Graceville home was flooded five metres above ground level. Following the flood, the owners renovated their home to increase their flood resilience. The home was raised approximately three metres above its original height to position the finished floor level above that of a 1% (1 in 100) Annual Exceedance Probability Event. The owners recognised that the lower level of the home remained at risk of smaller, more frequent floods. Flood resilient design principles were incorporated into this lower level of the home, including rendered concrete block walls, a polished concrete floor, removable cabinetry, and an internal layout that enabled easy cleaning post-flood. The value of this approach was recognised by their insurer, with a significant reduction in their insurance premium. In the years 2012 to 2017, insurance premiums for the property were \$5,253 per annum. Following the renovations that incorporated flood resilient design strategies, the premium was reduced to \$3,133 per annum – a saving of 40 per cent.<sup>17</sup>

Making homes eligible for affordable insurance again will most likely have positive impact on the Governmental expenses at the next flooding event.

### **1.6.3 Access to funds without the additional financial stress to the homeowner, especially considering the current market and the rising costs of living.**

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<sup>14</sup> Impact of secondary stressors on urban and rural communities affected by repeated flooding and the potential resulting health implications: a pilot study; J. Stephenson, M. Vaganay & R.Cameron; 14/09/2015

<sup>15</sup> <https://www.abc.net.au/news/2022-03-22/flood-design-tips-you-should-know-qld/100926650>

<sup>16</sup> <https://www.abc.net.au/news/2022-03-22/flood-design-tips-you-should-know-qld/100926650>

<sup>17</sup> [https://www.qra.qld.gov.au/sites/default/files/2019-04/fact\\_sheet\\_-\\_improving\\_the\\_flood\\_resilience\\_of\\_queensland\\_homes\\_april\\_2019.pdf](https://www.qra.qld.gov.au/sites/default/files/2019-04/fact_sheet_-_improving_the_flood_resilience_of_queensland_homes_april_2019.pdf)

#### **1.6.4 Better return on taxpayer dollars compared to inadequate grants. Government likely to see a large percentage of the funds returned within a reasonable period as houses are turned over.**

Research also underlines that everyone is to some extent affected financially, as every natural disaster reduces the tax revenue collected and increases demands on the public purse. Data from the 2010-2011 Brisbane floods and other towns in SE Qld show that income tax revenue from the relevant population declined by 5% in the 2010/2011 financial year due to both lower incomes and higher tax deduction claims. The total cost calculated by Deloitte Access Economics was A\$14.1 billion (in 2015 dollars). This comprised A\$6.7 billion in tangible costs (such as damage to private properties and infrastructure) and A\$7.4 billion in intangibles (such as impacts on health and well-being).<sup>18</sup> Government investment in flood mitigation for the next flood is likely to provide an overall cost saving especially considering that proposal is designed to see the money actually returned.

#### **1.6.5 Flood proofing will minimize the damage bill at the next flood.**

Building precautionary measures have a significant potential to reduce flood damage of residential buildings and contents as well as it is likely to have a positive impact on the mental health of the flood impacted community members. Research show that there is a distinct link between high level of exposure and the incidence of mental-health problems. Especially for people who experience greater damages or threat of harm, financial losses and disruption to routine or employment.<sup>19</sup>The benefits of flood resilient design are far reaching and support the economic, social, and environmental recovery of a community following a flood.<sup>20</sup>

#### **1.6.6 Age pensioner and other individuals who has limited savings and earning capacity and who are unlikely to access loans through commercial avenues will still be able to access funding for necessary repairs to make their homes habitable and safe again.**

The social vulnerability of people experiencing floods has been widely investigated and has demonstrated that the most disadvantaged groups often experience disproportionate exposure to flood events<sup>21</sup> The identification of the high level of socio-economic disadvantage in flood-affected rural areas highlights the importance of targeted disaster relief, given that the disaster-affected people in the study area had the fewest resources to recover effectively. In other words, those in this study at greatest risk of inundation tend to be those most susceptible to its effects.<sup>22</sup> Therefore, a policy response is required to support our most vulnerable community members and mitigate the damage caused by these increasingly occurring events.

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<sup>18</sup> <https://theconversation.com/natural-disasters-cost-the-nation-weve-calculated-the-income-tax-revenue-lost-in-their-wake-180505>

<sup>19</sup> Mental health impacts of floods, Black Dog Institute, March 2021.

<https://www.blackdoginstitute.org.au/wp-content/uploads/2021/03/Mental-Health-Impact-of-Floods.pdf>

<sup>20</sup> The Flood Resilient Building Guidance for Queensland, Homes is a joint initiative of the Queensland Government, Brisbane City Council, Ipswich City, Council, Lockyer Valley Regional Council, Somerset Regional Council and Seqwater.

<sup>21</sup> Rolfe, M.I., Pit, S.W., McKenzie, J.W. et al. Social vulnerability in a high-risk flood-affected rural region of NSW, Australia. *Nat Hazards* 101, 631–650 (2020). <https://doi.org/10.1007/s11069-020-03887-z>  
Published 05/03/2020

<sup>22</sup> Rolfe, M.I., Pit, S.W., McKenzie, J.W. et al. Social vulnerability in a high-risk flood-affected rural region of NSW, Australia. *Nat Hazards* 101, 631–650 (2020). <https://doi.org/10.1007/s11069-020-03887-z>  
Published 05/03/2020



### **1.6.7 Reducing the need for Temporary Accommodation after a flood.**

Paddington resident, Rusty, put his ground-floor apartment through the Flood Resilient Homes Program in 2019, after enduring floods in 2011 and 2017. In 2011, it was several days before he could return home, with water and mud damaging the apartment. This time, Rusty's apartment still flooded, but he was able to return just a day later. One of the main reasons why he was able to return home so quickly is that his walls are now protected from contaminated floodwater by a row of waterproofed skirting tiles on every wall. "I've got it cleaned up so fast because of the skirting tiles they've put down, waterproofed it so high," Rusty said. "The water come up probably six and a half inches. I was able next day to get a hose and hose it out, room by room. "Then naturally after all that I had to mop and mop ... but that got most of the crappy stuff out." This supports the notion that assisting clients to floodproof their homes has the potential to reduce the cost of temporary accommodation after a flood.

### **1.6.8 Alleviate housing crisis**

A healthy vacancy rate is said to be between 3-5%.<sup>23</sup> With a vacancy rate of approximately 0.6%, every home stands as an essential contribution to alleviate the housing crises. At the start of March, the NSW government confirmed that of 4,200 damage impact assessments carried out in the region so far, 2,195 homes and businesses had been deemed uninhabitable. However due to the ongoing housing crisis many community members are returning to their structurally unsound homes just to have a roof over their head.<sup>24</sup> Living for a prolonged period in structurally unsafe, unsanitary and mould infested homes will most likely have ongoing detrimental affects on both their physical and mental health.

### **1.6.9 Avoid individuals accessing their Superannuation funds**

When withdrawing funds from your superannuation, models have shown an impact of between \$30,000 and \$90,000 when it comes to retirement (depending on your age, starting balance and returns).<sup>25</sup> Therefore leaving people with no other avenues for financial relief than to access their superannuation funds has potential to exacerbate financial hardship well into the future, especially considering that many people have already accessed their super funds for COVID relief.

## **1.7 CONCLUSION**

It is vital that the Government provides sustainable options to address the current hardship faced by the flooded communities in NSW. Prolonged exposure to Secondary stressors will have detrimental and costly consequences on the community as a whole. Furthermore, with the rising cost of living, it is unrealistic to expect the individuals to finance the necessary repairs independently. Failure to act will see loss of productivity within the exposed communities as well as having the potential to see an increased need for social housing and mental health support for years to come. Providing adequate funds will build community resilience and mitigate the impact when the inevitable next flooding event occurs.

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<sup>23</sup> <https://www.theguardian.com/australia-news/2022/mar/07/beyond-dire-how-the-queensland-and-nsw-floods-are-worsening-the-rental-crisis>

<sup>24</sup> <https://www.theguardian.com/australia-news/2022/mar/20/flood-affected-lismore-residents-with-nowhere-to-go-return-to-homes-deemed-uninhabitable>

<sup>25</sup> <https://www.abc.net.au/news/2020-05-15/super-early-withdrawal-coronavirus-covid-19/12245590>

