



## Aide-memoire

### Talking points for Cabinet discussion on increasing the delivery of four bedroom KiwiBuild homes by CPM 2019 Limited

<b>Date:</b>	9 April 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	Medium	<b>Report number:</b>	AMI20/21040495

#### Information for Minister(s)

Hon Dr Megan Woods <b>Minister of Housing</b>	Note the contents of this report.
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#### Contact for discussion

Name	Position	Telephone	1 <sup>st</sup> contact
Naomi Stephen-Smith	Manager, Market and Supply Responses	+64 4 832 2433	
Joanna Gordon	Policy Director, Market and Supply Responses	+64 4 832 2403	✓
Hamish Orbell	Senior Policy Advisor, Market and Supply Responses	+64 4 832 2465	

#### Other agencies consulted

Treasury, Kāinga Ora
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#### Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> See Minister's notes <input type="checkbox"/> Needs change <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify)  <hr/>	<b>Comments</b>          
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Date returned to MHUD:

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# Aide-memoire

**For:** Hon Dr Megan Woods, Minister of Housing  
**Date:** 9 April 2021 **Security level:** In Confidence  
**Priority:** Medium **Report number:** AMI20/21040495

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## Purpose

1. This aide-memoire provides you with talking points for the presentation of your joint paper with the Minister of Finance to the Cabinet Social Wellbeing Committee and Cabinet.

## Background

2. On 25 November 2020 you and the Minister of Finance agreed to activate a negotiated Buying off the Plans underwrite proposal with CPM 2019 Limited (CPM) for its development in Glen Eden, Auckland.
3. On 1 April 2021, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD) provided you with a briefing on “Seeking Cabinet approval to increase the delivery of four bedroom KiwiBuild homes by CPM 2019 Limited” (BRF20/21030906), which outlined an opportunity to provide some more affordable four bedroom homes to first home buyers but would require Cabinet approval.
4. As per your feedback on the paper, on 7 April 2021 HUD provided you with a draft Cabinet paper on “Increasing the delivery of four bedroom KiwiBuild homes by CPM 2019 Limited”.
5. You and the Minister of Finance were given approval to make a joint late submission of this Cabinet paper to the Cabinet Social Wellbeing Committee (the Committee) on 9 April 2021. This submission has been made.
6. The Cabinet paper is due to be considered by the Committee on 14 April 2021 and by Cabinet on 19 April 2021.
7. Talking points for your discussion with the Committee and Cabinet are in Annex A.

## Next steps

8. This item will be discussed at the Cabinet Social Wellbeing Committee on 14 April 2021 and, subject to agreement by the Committee, confirmed at Cabinet on 19 April 2021.

## Annexes

Annex A: Talking points for discussion with the Committee and Cabinet

## Annex A: Talking Points for discussion with the Committee and Cabinet

- We are seeking your support to secure an additional 10 four bedroom KiwiBuild homes in a development in Glen Eden, Auckland.
- The Minister of Finance and I previously approved a KiwiBuild underwrite proposal with CPM for the development but have been presented with an opportunity to secure the additional KiwiBuild homes. We recommend that Cabinet agree to allow CPM to deliver ten additional four bedroom KiwiBuild homes exceeding the KiwiBuild price caps in its development in Glen Ede s 9(2)(i)
- The Minister of Finance and I can jointly approve the delivery of up to 10 percent of the affordable homes in a development above KiwiBuild price caps. The caps are based on the price of three bedroom homes. The ability for the Minister of Finance and I to approve homes above the cap enables some developments to include four bedroom homes in the KiwiBuild programme.
- This proposal takes the proportion of homes above the price caps to 14.9 percent and so we are seeking Cabinet's approval to the revised proposal.
- Kāinga Ora advise us that this proposal will allow KiwiBuild eligible buyers to secure these properties s 9(2)(i) much lower than the estimated s 9(2)(i) these properties are likely to fetch on the open market.
- This proposal doesn't change the number or type of homes in the overall development, but these ten homes will be available as KiwiBuild homes, rather than open market homes.
- We think that these homes will be attractive to large families and inter-generational households, including Māori and Pacific families, as there is currently a shortage of affordable four bedroom homes in Auckland.
- The proposal comes with slightly higher risk and underwrite costs but the Minister of Finance and I consider that the risks are effectively mitigated. In the current market KiwiBuild properties are selling well and the policy changes we introduced as a response to Covid-19 give the developer a number of opportunities to sell the homes to other parties before the Government underwrite would be triggered.
- If the underwrite were to be triggered the Crown would also secure the properties for the underwrite price o s 9(2)(i) below their market price of s 9(2)(i)
- The price of the four bedroom KiwiBuild homes is above the price cap for KiwiBuild homes in Auckland because price caps are based on the price of delivering homes with three bedrooms or less.

## Response to other risks and issues if raised

### *Risk of precedent setting*

- I am going to report back to Cabinet by the middle of the year on broader KiwiBuild policy settings including those relating to four bedroom properties.
- s 9(2)(g)(i)
- While I considered fast-tracking Cabinet consideration of policy changes in relation to four bedroom homes, I think it would be better if I presented a full package of proposals which have been properly consulted on.

### *Negative publicity about CPM's development*

- I am aware there has recently been some negative publicity about this development which is not uncommon when neighbourhoods intensify.
- The development is within close proximity to the West City Mall, Glen Eden shops, employment hubs, schools, State Highway 16 and transport. Kāinga Ora's view is that the development is a positive addition to the neighbourhood.
- KiwiBuild homes are already part of the development. The revised proposal does not alter the number of houses included in the development or what those houses look like. It simply alters the price at which some properties in the development are sold at and who gets the first chance to purchase them.