



Aide-memoire

KiwiBuild inventory and options for on-selling			
Date:	3 July 2019	Security level:	In Confidence
Priority:	Medium	Report number:	AMI18/19070113

Information for Minister(s)	
Hon Dr Megan Woods Minister of Housing	

Contact for discussion			
Name	Position	Telephone	1 st contact
Helen O'Sullivan	Head of KiwiBuild Delivery	s 9(2)(a)	✓
Brad Ward	Deputy Chief Executive, Place-based Policy & Programmes		

Other agencies consulted
N/A

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) 	Comments
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Date returned to MHUD:



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Purpose

1. This Aide-memoire outlines the inventory of homes owned by KiwiBuild as at 3 July 2019 which have been actively marketed to Eligible Purchasers but which have not yet been sold. The avenues which have been explored for on-selling these homes are discussed, and options provided for further consideration.

Background

2. The KiwiBuild underwrite, operating through the Buying off the Plans (BoTP) initiative, provides financial certainty to property developers by underwriting the sale of KiwiBuild homes.
3. The underwrite supports developers by reducing delays associated with obtaining presales, contributes to a reduction in costs (such as land holding costs), provides confidence to build at pace and scale, and allows developments to proceed to market more readily.
4. The underwrite provides options for the Crown to purchase KiwiBuild homes from the developer on completion at a price agreed in advance ("outright purchase"), or once the developer has exhausted all efforts to sell the homes to eligible KiwiBuild buyers ("underwrite").
5. The KiwiBuild underwrite is not without risk. By its very nature, it involves the Crown assuming a degree of sales risk. There are also potential reputational risks.
6. The outright purchase option requires the Crown to on-sell the homes while the underwrite option requires the developer to attempt to market and sell the homes to eligible purchasers. A combination of factors, including imperfect matching of supply to demand and a tendency to use outright purchase as a primary method of contract in the early days of the programme, have resulted in KiwiBuild owning (or being about to own) a number of homes.
7. Taking into account pending or expected purchases there are 34 homes acquired through the outright purchase option and 21 homes acquired through the underwrite option which have not sold to Eligible Purchasers, and in respect of which alternative strategies should be considered. Appendix A, KiwiBuild Inventory Options Analysis, outlines the developments and locations of these homes.
8. In some locations, the dynamics of the specific housing market means KiwiBuild homes are being marketed for sale at a price point which is higher than other available stock, albeit second hand stock. s 9(2)(j)

These price points are reasonable given the stock is new with a likely higher specification; however, it means that they are more attractive to a second or third time buyer, or investor buyer, than price sensitive first home buyers.

Options to on-sell homes

Opening sales to the next cohort of buyers

9. The definition of an eligible KiwiBuild buyer restricts sales to first-time buyers or 'second chancers' who do not own a home and in a similar financial position to a first time buyer. There is an annual income cap of \$120,000 for single purchasers or \$180,000 for more than one purchaser. They must also intend to own and reside in the home as their main place of residence for at least three years.
10. This restriction limits the number of buyers to whom developers can market KiwiBuild homes.
11. Where we have stock that has not sold to Eligible Purchasers, developers and / or sales agents have advised they have encountered interested buyers who would not meet the KiwiBuild eligibility criteria. These buyers may be would be owner/occupiers whose incomes are above the KiwiBuild caps, existing homeowners, or investors interested in the properties for rental purposes.
12. The 'Expanded Cohort' was contemplated in the original KiwiBuild business case and in several briefings to Ministers as an option in the event that demand was insufficient to absorb all stock.

Shared Equity with Community Housing Providers

13. In some cases homes could be made available to Community Housing Providers (CHP) for on-sale under a shared equity arrangement. For this arrangement to be viable, housing stock need to be of appropriate typology, located in areas where financially capable CHPs are active, and priced at a point which enables the CHPs' shared equity model to be financially viable.
14. CHPs (with whom we have discussed the stock we currently have available) have indicated that significant discounts from the market price s 9(2)(b)(ii) would be necessary to make a shared equity arrangement financially viable. Under current policy settings this would result in the Crown incurring a capital cost against the KiwiBuild appropriation.

Selling to Housing New Zealand (HNZ)

15. Options to on-sell completed KiwiBuild homes to HNZ are dependent on the homes being in areas where demand for social housing exists, where HNZ has not already reached its maximum level of stock (such as in McLennan Park where a maximum proportion of social housing was committed to [and reflected in covenants on the land]), and where a development (particularly unit titled developments) has been marketed to buyers on the understanding that a social housing component will be included.
16. s 9(2)(b)(ii)

Appendices

17. Appendix A: KiwiBuild Inventory Options Analysis

s 9(2)(b)(ii)

