



# Cabinet Economic Development Committee

## Minute of Decision

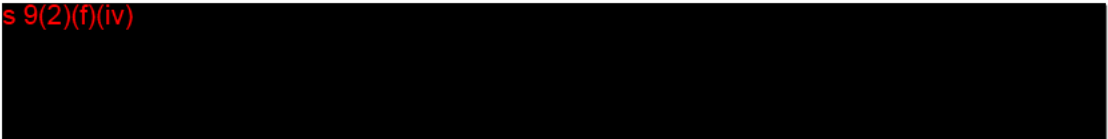
*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Acquisition of Ferncliffe Farms under the Kāinga Ora Land Programme

**Portfolio**                      **Housing**

On 20 October 2021, the Cabinet Economic Development Committee:

- 1        **noted** that on 15 March 2021, Cabinet agreed to establish the Land Programme to enable Kāinga Ora to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061];
- 2        **noted** that on 31 August 2021, the Kāinga Ora Board (the Board) endorsed the acquisition of the Ferncliffe Farms site in Tauriko, Tauranga (Ferncliffe) for up to \$71.4 million + GST (subject to ministerial consultation and Cabinet consideration) as the first potential acquisition under the Land Programme;
- 3        **noted** that while the investment decision rests with the Board, the proposed transaction meets the threshold for Cabinet consideration on the basis of its costs and risk, and that the Minister of Housing is seeking Cabinet's views on the acquisition;
- 4        **noted** that this development would be particularly impactful in Tauranga-Western Bay of Plenty in light of:
  - 4.1      the region's low housing affordability, including a lack of housing options for smaller and lower income households;
  - 4.2      the region's high rate of growth and challenges to provide housing and supporting infrastructure;
  - 4.3      local developers primarily having a focus on traditional single-level detached housing, meaning this development has the potential to catalyse underdeveloped parts of the sector;
  - 4.4      minimal existing land holdings provide limited opportunities for Kāinga Ora to deliver non-market outcomes;
- 5        **noted** that based on indicative analysis, Kāinga Ora expects approximately 1,000 dwellings could be delivered in a medium density scenario, with the following typology mix:
  - 5.1      a minimum of 20 percent public housing and 20 percent affordable housing, and 60 percent market housing;
  - 5.2      over 50 percent of the 1,000 homes could be terraced housing, including three level walk-up apartments;

- 6 **noted** that Kāinga Ora is confident in the likely financial viability of the medium-density feasibility scenario based on its indicative analysis, including that there was not expected to be a need to draw on operational funding for non-market outcomes to deliver on that basis;
- 7 **noted** that the key risks associated with this acquisition are:
- 7.1 necessary planning changes do not advance to allow for development at the density planned;
  - 7.2 necessary infrastructure (including Three Waters and State highway improvements) do not occur in a way that allows for the site to be maximised;
  - 7.3 wetland remediation costs more than currently budgeted;
  - 7.4 valuations and the purchase price do not account sufficiently for uncertainties, and loss is realised if the land is released later;
  - 7.5 detailed planning and market engagement point to the medium-density option not being viable;
- 8 **noted** that these risks would be faced by any purchaser and are mitigated to a degree in the case of Kāinga Ora due to its ability to access regulatory tools, and its relationships across central and local government;
- 9 **noted** that the acquisition of the site is supported by the Tauranga City Council and the broader SmartGrowth Partnership, which includes wider local government, tangata whenua and the Bay of Plenty District Health Board;
- 10 **noted** that given the limited opportunities to deliver these kind of housing outcomes in Tauranga-Western Bay of Plenty, the Minister of Housing considers the opportunity cost of not acquiring this site outweighs the risks, particularly in light of the credible mitigations available;
- 11 **noted** that the Minister of Housing considers the acquisition to pursue the medium density feasibility scenario aligns well with the objectives of the Land Programme and presents an option to undertake further detailed work on providing medium density housing on the site;
- 12 **noted** that the Minister of Housing understands that if Kāinga Ora acquires the site:
- 12.1 Kāinga Ora will undertake more detailed design work on the feasibility of the medium density scenario, which may include additional dwellings (through a denser model or development on the steeper portions of the site) or opportunities to expand the range of affordable options, including through use of the appropriation to support non-market outcomes;
  - 12.2 substantive works will not be undertaken until the detailed business case has been fully considered by Ministers;
  - 12.3 s 9(2)(f)(iv)  


- 13 **noted** that following Cabinet consideration of this acquisition, Kāinga Ora intends to:
- 13.1 renegotiate the price to avoid overpaying, noting the uncertainties around rezoning and infrastructure upgrades and the reduced net developable area relative to what was assumed in the valuations obtained by Kāinga Ora;
  - 13.2 hold individual and joint hui with hapū representatives to better understand their aspirations, and to identify opportunities for partnership.

Janine Harvey  
Committee Secretary

---

**Present:**

Hon Grant Robertson (Chair)  
Hon Dr Megan Woods  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Poto Williams  
Hon Damien O'Connor  
Hon Stuart Nash  
Hon Kris Faafoi  
Hon Willie Jackson  
Hon Michael Wood  
Hon Meka Whaitiri  
Hon Phil Twyford  
Dr Deborah Russell MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV