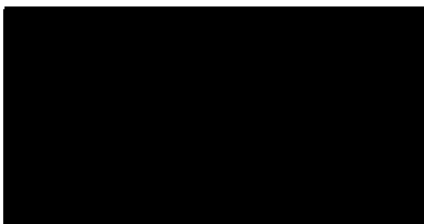


20 DEC 2019



Thank you for your email of 25 November 2019 requesting the following information under the Official Information Act 1982 (the Act):

- copies of all substantive advice, briefings, and reports to the Minister of Housing on the KiwiBuild Mangere East Project, when it was signed on to become a part of the KiwiBuild programme, and what stage the project is currently at
- the costs (where available) of the event held on 19 November 2019, the number of attendees and organisations that were present.

One document, *BRF18/19100009 – KiwiBuild: Approval to Underwrite Investment Trust*, has been identified that falls within the scope of the first part of your request. This document has been provided to you with some information withheld.

I have withheld the mobile numbers of Ministry of Housing and Urban Development and HLC (now Kāinga Ora) staff under section 9(2)(a) of the Act; to protect the privacy of natural persons.

I have also withheld some information under section 9(2)(b)(ii) of the Act, as making this information available would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

The underwrite contract for the Mangere East development was signed on 13 March 2019. All significant in-ground work (piling, drainage and foundations) has been completed, and the above-ground work (steel superstructure and timber framing) is well underway. The forecast completion date for the development is October 2020.

The second part of your request has been refused under section 18(g) of the Act; that the information requested is not held by the department or Minister of the Crown or organisation.

The KiwiBuild Buyers Evening on 19 November 2019 was arranged by the developer. KiwiBuild assisted the developer by providing some banners and signage, and a KiwiBuild representative attended the evening. There was no cost incurred to KiwiBuild, and Kāinga Ora does not hold a list of attendees or organisations that were present at the event.

With respect to information withheld under section 9 of the Act, I do not consider that the need to withhold the information is outweighed by the public interest in disclosure.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or Freephone 0800 802 602.

Yours sincerely

A handwritten signature in blue ink that reads "Rachel Kelly". The signature is written in a cursive, flowing style.

Rachel Kelly
Manager Government Relations



Briefing

KiwiBuild: Approval to Underwrite NZ Investment Trust			
Date:	24 October 2018	Security level:	In Confidence
Priority:	High	Report number:	BRF18/19100009

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations	31 October 2018
Hon Phil Twyford Minister of Housing and Urban Development	Agree to the recommendations	31 October 2018
Hon Jenny Salesa Associate Minister of Housing and Urban Development	For your information	

Contact for discussion				
Name	Position	Telephone		1st contact
Stephen Barclay	Head, KiwiBuild Unit	04 896 5437	9(2)(a)	
Murray Smith	Manager Development			✓
Joel Browne	Development Manager	04 901 4181		

Other agencies consulted
The Treasury

Minister's office to complete

- Noted
- Seen
- Approved
- Needs change
- Not seen by Minister
- Overtaken by events
- Declined
- Referred to (specify)

Comments

Date returned to MHUD:



Briefing

KiwiBuild: Approval to Underwrite NZ Investment Trust

For: Hon Grant Robertson, Minister of Finance
Hon Phil Twyford, Minister of Housing and Urban Development
Hon Jenny Salesa, Associate Minister of Housing and Urban Development

Date: 24 October 2018

Security level: In Confidence

Priority: High

Report number: BRF18/19100009

Purpose

1. This paper seeks your agreement for the Head of KiwiBuild to execute an underwrite contract with NZ Investment Trust (the Developer) for 17 KiwiBuild dwellings in the 2019/20 financial year, for a value of 9(2)(b)(ii)

Executive summary

2. KiwiBuild officials have negotiated a Buying off the Plans underwrite with the Developer, for the construction of 17 dwellings in Manukau, Auckland, priced between \$459,000 and \$534,000 each (Inc. GST), delivered by 31 January 2020.
3. The maximum Crown exposure of the underwrite is 9(2)(b)(ii) should none of the dwellings sell during a marketing timeframe of 9(2)(b)(ii). The underwrite commitment will be funded through the KiwiBuild Non-departmental appropriations.
4. The commercial terms of the underwrite are set out in Annex A for your consideration for approval. Once agreed, the terms will be populated in a legally binding underwrite contract (called the Relationship and Option Agreement), between the Developer and the Crown.

Recommended actions

5. It is recommended that you:

a. **Note** that on 09 April 2018, Cabinet agreed to the KiwiBuild Buying off the Plans initiative, and delegated authority to the Minister of Finance and the Minister of Housing and Urban Development, to approve the commercial terms of a Buying off the Plans underwrite (CAB-18-MIN-0142 refers);

Noted

b. **Note** the maximum Crown exposure of the underwrite is 9(2)(b)(ii), should none of the dwellings sell during a marketing timeframe of 9(2)(b)(ii);

Noted

c. **Note** that the commercial terms of this proposal (Annex A refers) have been reviewed by KiwiBuild and Treasury officials, and that the Cabinet conditions established for a Buying off the Plans underwrite (Annex B refers) are assessed as satisfied;

Noted

- d. **Agree** to underwrite the Developer's Buying off the Plans proposal as per the commercial terms in Annex A;

Hon Grant Robertson *Agree / Disagree*

Hon Phil Twyford *Agree / ~~Disagree~~*

- e. **Authorise** the Head of KiwiBuild to execute the Relationship and Option Agreement with the Developer once it is finalised, giving effect to the commercial terms in Annex A;

Hon Grant Robertson *Agree / Disagree*

Hon Phil Twyford *Agree / ~~Disagree~~*

- f. **Authorise** the Head of KiwiBuild to make variations to the commercial terms in Annex A and consequently the Relationship and Option Agreement, to conclude the deal within the parameters of the Cabinet conditions established for a Buying off the Plans underwrite (Annex B refers), if required; and

Hon Grant Robertson *Agree / Disagree*

Hon Phil Twyford *Agree / ~~Disagree~~*

- g. **Note** that any shortfall payment to be paid to the Developer be funded from the Non-Departmental Output Expense: *KiwiBuild Housing* appropriation and, if the Developer exercises its right to a backstop purchase of any unsold KiwiBuild dwellings, this will be funded from the Non-Departmental Output Expense: *KiwiBuild Housing* appropriation, with any subsequent write-down of dwellings required to make sales funded from the Non-Departmental Other Expense: *KiwiBuild Impairments* appropriation.

Hon Grant Robertson *Agree / Disagree*

Hon Phil Twyford *Agree / ~~Disagree~~*



Stephen Barclay
Head of KiwiBuild Unit

26.10.18



Phil Twyford

Hon Phil Twyford
Minister of Housing and Urban
Development

30.10.18

Hon Grant Robertson
Minister of Finance

..... / /

NZ Investment Trust

Summary of the Proposal and Developer

6. The commercial terms of the Developer's proposal are provided in Annex A. They have been reviewed by KiwiBuild and Treasury officials, and the Cabinet conditions established for a Buying off the Plans underwrite (CAB-18-MIN-0142 and, Annex B refers) are considered satisfied.
7. Key merits of the proposal include:
 - a. the dwellings are priced competitive to market values and under the KiwiBuild price cap for the Auckland area,
 - b. the dwellings are due for completion in the 2019/20 FY,
 - c. the development is in close proximity to Middlemore Hospital, train station and bus connections,
 - d. the Developer is keeping around half the development for direct sale to the public, which suggests a strong confidence in both the price and quality of the development, and
 - e. the underwrite will unlock development finance, earlier construction dates and thereafter the provision of affordable housing supply.
8. Non-standard risks to note include:
 - a. no matters arose from checks on the Developer's credit rating, access to funding, health and safety history or systems, and the proposed dwelling sizes.

Marketing, demand estimates and delivery monitoring

9. The Developer can commence marketing the dwellings from the start of the construction period 9(2)(b)(ii) working days after pre-sale settlement conditions are met (Code Compliance Certificate and Title). The Developer must market the each dwelling for a minimum of 9(2)(b)(ii) calendar days.
10. As at 1 July 2018, key demand indicators for the Auckland area include that there were 44,738 individuals on the KiwiBuild Register of interest, the housing shortfall estimate was 22,891 (comparing dwellings to population growth since 2006), and there were 1,192 Pre-Approved KiwiSaver HomeStart Grant applicants.
11. Delivery of the KiwiBuild dwellings will be managed through the terms in the Relationship and Option Agreement which include that the Developer must ensure completion of the development in material accordance with the master plan, outline plans and specifications, and the underwrite will expire if pre-sale settlement conditions are not achieved by the agreed option expiry date.

The Relationship and Option Agreement

12. A template Relationship and Option Agreement has been developed by KiwiBuild officials in Finance and Risk, Legal Services, Policy and, external solicitors Minter Ellison Rudd Watts to ensure it meets KiwiBuild objectives and is suitable for execution in accordance with the law.
13. KiwiBuild officials recommend that you authorise the Head of KiwiBuild to execute the Relationship and Option Agreement with the Developer on terms consistent with the commercial term details in Annex A. You are also asked to authorise the Head of KiwiBuild to make variations to the commercial terms in Annex A and, consequently the Relationship and Option Agreement, to conclude the deal within the parameters of the Cabinet conditions established for a Buying off the Plans underwrite, if required.

Financial implications

14. KiwiBuild officials are satisfied that there is sufficient capacity within existing KiwiBuild appropriations to fund this deal. The full cost of the underwrite should all 17 dwellings remain unsold at the option date and, the Developer exercise its right to a Crown backstop

purchase, is 9(2)(b)(ii). This includes a backstop purchase discount of 9(2)(b)(ii) from the maximum sale price.

15. Estimates of the Crown's contingent liability relating to expected and downside purchase outcomes, as confirmed by KiwiBuild's Finance and Risk team, are illustrated in Table 1.

Table 1 - Contingent Liability Assessment

	Expected outcome (50% chance)	Downside outcome (5% chance)
Marketing period	9(2)(b)(ii)	
Number of dwellings contracted		
No. of dwellings expected unsold at settlement		
Purchase price for Crown of unsold dwellings		
Estimated sale price of unsold dwellings		
Range of potential loss on the unsold dwellings		
Number of months expected to clear Crown purchases		

16. KiwiBuild and Treasury officials are monitoring the KiwiBuild appropriation metrics as outlined in Table 2.

Table 2 – KiwiBuild Appropriation Metrics as at 30 September 2018

Delivery	Maximum Exposure m's	Expected Crown Purchase	Expected Crown Net Profit / (Loss)	Dwellings Contracted
9(2)(b)(ii)				

17. Any shortfall payment to be paid to the Developer will be funded from the Non-Departmental Output Expense: *KiwiBuild Housing* appropriation and, if the Developer exercises its right to a Crown backstop purchase for any unsold KiwiBuild dwellings, this will be funded from the Non-Departmental Output Expense: *KiwiBuild Housing* appropriation, with any subsequent write down of dwellings required to make sales funded from the Non-Departmental Other Expense: *KiwiBuild Impairments* appropriation.

Treasury certification

18. Treasury have been consulted and have reviewed the commercial terms of this proposal (Annex A refers). Treasury agrees that the Cabinet conditions established for a Buying off the Plans underwrite (Annex B refers) are satisfied.

Publicity and next steps

19. KiwiBuild will include the development on the KiwiBuild website and engage with the Minister of Housing and Urban Development about the timing and content of any announcements.

Annexes

Annex A: Commercial Terms Sheet

Annex B: Cabinet Underwrite Conditions Assessment

Annex A: Commercial Terms Sheet

9(2)(b)(ii)

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Annex B: Cabinet Underwrite Conditions Assessment

Criteria	Assessment against criteria
Initial region	YES
Priced at or below KiwiBuild price caps	YES
Development commences within FY19 or FY20	YES
Open book basis	YES
Directors or major shareholders who have been personally declared bankrupt, or have been directors or shareholders of a company placed in receivership or liquidation	NA
Relevant potential, pending or successful legal claims	NA
Health and safety systems	YES
Worksafe notices	NO
Prosecutions under Health & Safety at Work Act or its predecessor	NO
Respondent is registered proprietor of the land	YES
Development funding has been offered, but is conditional on pre-sales targets	YES
Willing to identify and share specific innovative practices	YES
Willing to participate in independent confidential review of development deliverability and risk sensitivity	YES

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