



COVERSHEET

Minister	Hon Poto Williams	Portfolio	Building and Construction
Title of Cabinet paper	Policy proposals to support earthquake-prone building owners to comply with the earthquake-prone building system	Date to be published	19 May 2022

List of documents that have been proactively released		
Date	Title	Author
March 2022	Policy proposals to support earthquake-prone building owners to comply with the earthquake-prone building system	Office of the Minister for Building and Construction
30 March 2022	Supporting Earthquake-Prone Building Owners to Comply with the Earthquake-Prone Building System DEV-22-MIN-0060 Minute	Cabinet Office

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government



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.

Supporting Earthquake-Prone Building Owners to Comply with the Earthquake-Prone Building System

Portfolio Building and Construction

On 30 March 2022, the Cabinet Economic Development Committee:

Proposed changes to the Residential Earthquake-prone Building Financial Assistance Scheme

- 1 **noted** that the 12-month review of the Residential Earthquake-prone Building Financial Assistance Scheme (the Scheme) found that the Scheme's settings are mostly in line with its policy intent, but that there are some settings that could be improved;
- 2 **agreed** to the following changes to the Scheme, to be given effect within 30 business days of final decisions by Cabinet:

Changes to eligibility criteria

- 2.1 **agreed** to expand the owner-occupier eligibility requirement to include former owner-occupiers who meet the other eligibility criteria, on the condition that they sell their property or move back in within two years of the property being removed from the Earthquake-prone Building Register;
- 2.2 **agreed** to expand the cut-off date to include owners who purchased their unit prior to the date that their building was confirmed as earthquake-prone;
- 2.3 **agreed** to require that loans be secured by full insurance where possible, and that where full cover is not feasible a loan may be granted where the building has fire cover and where strengthening will bring the building to an insurable level;
- 2.4 **agreed** to remove the requirement for a consumer credit report;

Changes to loan settings

- 2.5 **agreed** to remove the requirement that successful applicants pay half of the actual cost of establishing the loan (the establishment fee);
- 2.6 **agreed** to adjust the interest rate to 50 percent of the Reserve Bank's monthly average of five-year fixed interest rate, and to remove the 1.25 percent low- equity margin;

Financial implications

2.7 **agreed** to an increased appropriation for a non-cash accounting expense, for the initial recognition of the fair value write-down of loans and investments in the Earthquake Prone Building appropriation;

2.8 **approved** the following changes to appropriations, with a corresponding impact on the operating balance only:

Vote Building and Construction	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Operating Balance and Net Core Crown Debt Impact	-	-	-	-	-
Operating Balance Only Impact	-	1.300	-	-	-
Net Core Crown Debt Only Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.300	-	-	-

Vote Building and Construction Minister for Building and Construction	\$m – increase/(decrease)	
	2021/22 to 2024/25	2025/26 & Outyears
Non-Departmental Other Expense: Residential Earthquake- Prone Buildings Financial Assistance Scheme: Fair value write down (funded by revenue Crown)	1.300	-

2.9 **agreed** that the expenses incurred under paragraph 2.8 above be charged against the between-Budget contingency established as part of Budget 2021;

2.10 **noted** that the indicative spending profile for the multi-year appropriation described above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
	-	1.300	-	-	-

Administrative changes


2.11 **agreed** to allow the Chief Executive of Kāinga Ora the discretion to approve loans that would otherwise fall outside of the purchase cut-off date building eligibility requirement (but not the requirements regarding high seismic risk and earthquake-prone status);

- 2.12 **agreed** to allow the Chief Executive of Kāinga Ora the discretion regarding when a loan becomes repayable, to allow for exceptional circumstances;
- 2.13 **authorised** the Minister for Building and Construction, in consultation with the Minister of Finance, to make changes to the Scheme consistent with the intent and Cabinet-agreed parameters;
- 2.14 **noted** that the report on the 12-month review of the Scheme will be publicly released;

Options that could be explored to expand the scope of financial assistance available, in order to help more owners remediate

- 3 **noted** that the Ministry of Business, Innovation and Employment will further investigate and provide advice to the Minister for Building and Construction on the impact of a Financial Assistance Scheme loan on eligibility for the Accommodation Supplement;
- 4 **noted** that the Ministry of Business, Innovation and Employment will explore options to expand the financial assistance available in order to help more owners remediate, and will report back to the Minister for Building and Construction (and other Ministers as appropriate);

s 9(2)(f)(iv)



8 s 9(2)(f)(iv)

Possible further interventions to support building remediation

- 9 **noted** that the above interventions alone might not be enough to ensure certain difficult buildings are remediated, and that the government may need to consider other options;
- 10 **noted** that the Ministry of Business, Innovation and Employment will explore longer-term opportunities to support remediation while supporting the government's wider goals, as further information about buildings' complex circumstances comes to light.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Michael Wood
Hon Dr David Clark
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV