Preventing and reducing homelessness: Increasing supply in the short term to reduce reliance on motels

Proposal

1. This paper seeks agreement to a proposed approach for increasing transitional housing supply in the short term to meet urgent need as the next step in a longer-term approach. Ending reliance on motels as emergency housing is a multi-year goal that will require a mix of supply and demand management initiatives along with the development of a broader homelessness action plan and decisions on how housing is allocated.

Executive Summary

2. Cabinet has agreed a strengthened approach to homelessness that has as key objective of reducing reliance on motels as emergency housing. Even with significant additional supply being brought on along with support services there has been increasing demand for Emergency Housing Special Needs Grants and growth in the Public Housing Register.

3. Ending reliance on motels is a multi-year goal that will require a mix of additional housing supply, prevention and support initiatives to reduce demand, consideration of allocation of housing, and the development of a broader homelessness action plan.

4. I am seeking agreement as the next step in this longer-term approach to significantly increase the supply of transitional housing by officials have committed to delivering an additional transitional housing places by the end of the transition period. By the end of the transition period, there are likely to be an additional transitional housing places. These places will be focused on hotspots and wherever possible targeted to priority groups such as families with children.

5. This will be achieved through a combination of the following supply types:
   - buy and occupy from the market by end
   - build temporary housing villages by the end of
   - the possibility of another by the end of

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• secure places through transitional housing providers by with potential for a further places

• provide an estimated in converted facilities by end of

6. Supply will be matched against demand in hotspots and other high demand areas where available land and supply options allow. Some areas will see a greater increase in supply due to the nature of the market, and availability of build-ready land.

7. The additional supply outlined above will be progressed as transitional housing as this provides greater flexibility and the ability to target new housing to those already in motels without making changes to the systems used to assess and prioritise those seeking public housing.

8. The Minister of Finance and the Minister Responsible for Kāinga Ora have agreed that if this proposal is agreed then the Kāinga Ora’s borrowing protocol will be raised

9. In addition to the capital costs there will be around $175 million in operating costs for the accommodation and support service components paid through HUD over four years to maintain the existing 3,000 transitional housing places and deliver the additional places outlined in this paper. I intend to seek approval from Joint Ministers to fund the operating costs over four years from the consolidated homelessness contingency.

10. Bringing on new supply of transitional housing will allow some people with a housing need to directly enter transitional housing, but it will not address the demand for emergency accommodation without changes to key settings on the housing demand side. To reduce reliance on motels we also need work to manage demand and provide people with the right supports, in the right place, where they are homeless or at risk of homelessness. Officials have begun to implement initiatives to support people and prevent the need for emergency housing.

11. This is part of a series of decisions we will be taking to reduce homelessness. We will also need to make decisions about how to allocate new housing supply and ensure that there are approaches in place that work for Māori. Officials will provide advice to Joint Ministers in mid-November on an overall package of initiatives to draw down from the homelessness contingency, the draft homelessness action plan and The homelessness action plan will be provided to Social Wellbeing Committee in December.

Background

12. Cabinet agreed in August 2019 to a strengthened approach to homelessness that included:

• a focus on place-based responses in areas of highest demand: Northland, Auckland, Hamilton, Rotorua, Napier/ Hastings, and Wellington (hotspots)
a systems approach that works across government agency and system boundaries supported by regional and national leadership

a greater focus on prevention alongside support, supply, and system enablers

Kaupapa Māori approaches to prevent and respond to Māori homelessness [CAB-19-MIN-0384 refers].

13. A key goal of the strengthened approach is to reduce reliance on motels as emergency housing. These are an expensive last resort option and not appropriate for priority groups such as families with children for anything other than a brief period. However, even with significant increases in public housing and other supports, demand for housing assistance and use of motels is growing.

14. Ending reliance on motels is a multi-year goal that will require a mix of additional housing supply, prevention and support initiatives to reduce demand, consideration of allocation of housing, and the development of a broader homelessness action plan. The increase in supply to meet urgent need outlined in this paper is the next step in this longer-term approach. Managing demand through the right support and prevention measures will also be key to ensure households do are able to access and maintain stable housing.

15. There is urgent need for alternative supply options so that we can begin to reduce the use of motels and ensure that families with children can access more appropriate options. In light of this, I asked officials to identify quick supply options that could be delivered by s 9(2)(j).

16. The Ministry of Housing and Urban Development; Kāinga Ora – Homes and Communities (Kāinga Ora) and the Ministry of Social Development have worked together to develop a plan to begin to meet urgent need through short-term supply options. They are also completing work aimed at reducing demand for Emergency Housing Special Needs Grants (EH SNGs) through changes to settings and the provision of more coordinated support to assist people to obtain and maintain stable housing.

17. Key components of the work to reduce reliance on motels and prevent homelessness are: additional short-term supply; demand management; supply allocation and the New Zealand homelessness action plan and related work as outlined in figure 1.
Increasing pressures in New Zealand’s housing market has led to an increasing reliance on motel accommodation

18. The increasing pressures in New Zealand’s housing market has meant an increasing reliance on shorter-term solutions such as motel accommodation. While not ideal, motels have been critical to ensuring people have safe, warm, and dry accommodation.

19. An EH SNG is accommodation of last resort. Demand for it, however, continues to increase. In the September 2019 quarter, 6,064 clients received support with grants totalling $41.6 million. This represents a 58 percent increase in the number of clients supported and a 161 percent increase in the amount granted when compared to the September 2018 quarter.

20. As at 30 September 2019, the Public Housing Register had grown to 16,867 applications. This represents an increase of 45 percent over the same time a year earlier (September 2018) and is at its highest level in years.

21. The number of people presenting with a severe housing need is also rapidly growing. Clients with priority ratings of A14 or above, indicating that the wellbeing of the household is being severely affected and there is an immediate need for action due to the unsuitability/ inadequacy of their current housing, accounts for 48 percent of the register. This number has grown 20 percent in just one year and is 40 percent higher than September 2015.
The current approach to delivering supply is delivering more places than planned

22. Over the last two years, agencies have increased the supply of public and transitional housing. Responses to homelessness, through programmes such as Housing First and Sustaining Tenancies has also contributed to support available to those in need.

23. Increases have been made to the stock of public and transitional housing over the past three years, as outlined below:

<table>
<thead>
<tr>
<th>Table 1: Public and transitional housing stock from 2017 to 2019</th>
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<tbody>
<tr>
<td><strong>Public housing tenancies</strong></td>
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<tr>
<td>Transitional housing places</td>
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24. Budget 2018 and 2019 have stimulated efforts to increase supply and supports through:

- Additional 6,400 public housing places (an average of 1,600 per year). Results have been: 2,178 in 2018/19:

- Maintaining 2,900 transitional housing places

- Funding Housing First to support 939 households as at 20 September 2019 (with funding for up to 2,700).

25. Despite this significant investment into additional housing supply and support service interventions, the number of people seeking housing support continues to increase and motels have been used to ensure vulnerable individuals and whānau do not end up homeless.

I propose that we significantly increase supply of transitional housing in the short term over and above current forecasts

26. However, to begin reducing reliance on motels we need to significantly increase the pace and scale of supply of housing in the short term (up to over and above current forecasts.

27. Officials have undertaken work to identify opportunities to look at how to bring on more supply in the short term. This has involved:

- undertaking a nationwide land search

- leveraging engagements with local councils, churches, marae

- drawing on market knowledge and delivery expertise.
28. A number of projects are already in the pipeline and further opportunities are progressing. For more information on the scale and nature of the engagement annex A refers.

29. In addition to supply already planned, Officials have committed to delivering an additional transitional housing places by the end of the year. By the end of the year, there are likely to be an additional places. It is important to note that a place is defined as one household and can include singles, couples and families/whānau.

30. Supply is broken into 4 proposed supply types:
   - buy and occupy from the market by end of
   - Build temporary housing villages to the end of summer with the possibility of an additional village by the end of the year
   - Secure through transitional housing providers by the end of the year with potential for an additional
   - Provide an estimated in converted facilities by end of

32. Officials are exhausting all avenues to maximise supply. The process of engagement, supply and land identification that will continue to identify new opportunities. If more places are identified, they will be used where supply matches demand and funding allows.

33. The estimates provided here represent numbers that agencies are confident that they can deliver with the possibility to exceed these numbers. By the end of the year, there are likely to be an additional places.

Supply will be matched against demand

34. New supply will follow the hotspots and other high-demand areas based on the Public Housing Register bedrooms required and the information from the Public Housing register for customers in receipt of an EH SNG.

35. 
Supply type 1: Buy and occupy  

36. Buy and occupy options are market acquisitions of fit-for-purpose new builds or existing homes that require minimal modification. This will be the primary short-term response in Auckland, as there is little to no land available for immediate redevelopment.

37. Kāinga Ora's practice to date is it takes care in its purchasing to not overly influence the market and ensure that people are not displaced through the purchasing process. Kāinga Ora only purchases properties that are owner occupied or vacant, and it is careful not to purchase too many houses from the market when it is already heated.

Supply type 2: Temporary housing villages  

38. Temporary housing villages (THVs) will be established on land that is available on a temporary basis.

39. Identified and MSD have confirmed that demand exists in the date includes:

- planning is underway with feasibility studies completed on all sites
- resource consents are being prepared and are expected to be lodged by the end of November 2019. Pre-resource consent engagements including meetings with the relevant territorial authorities have commenced.
procurement has commenced with a focus on suppliers who can respond swiftly, through off-site manufactured solutions.

40. Some of the locations being pursued are not close to schools and services, however, discussions with MSD have confirmed that they can be utilised with appropriate supports being put in place (for example bus services to schools and shops etc). Agreement to lease suitable land for a reasonable length of time by Crown agencies is critical to the success of this supply response.

41. Due to the possibility of these arrangements being shorter-term than other options, servicing and repaying the borrowing associated with the villages will be dependent on the ability to relocate the buildings to a permanent location or selling the structures when no longer in use.

42. The above THV numbers can be delivered by using current planning arrangements, rules and processes. Officials’ in identifying suitable land has not identified any consenting issues that cannot be dealt with in a timely fashion using existing mechanisms and relationships.

43. Agencies will continue to actively identify new land and supply options. Consideration has also been given to options that would facilitate the establishment of THVs, specifically the location of temporary housing on Crown and other land. If land is identified at a later date where current planning rules are an issue, consenting may not be able to be advanced in time for.

44. Supply type 3: Additional supply provided by transitional housing providers places)

45. HUD works closely with transitional housing providers, local property agents, and members of the community to seek, identify, and support increases in transitional housing.
46. HUD is confident in transitional housing places by and there is the potential for. When these facilities are no longer required for transitional housing, HUD will work with providers to re-purpose them as public housing places.

47. HUD will continue to work closely with providers, developers, iwi, and Māori organisations to seek and deliver more transitional housing supply. HUD will focus on delivering larger properties appropriate for supporting families with children. The availability of properties with higher typologies, however, will depend on the conditions of each region’s property market. HUD will seek additional property but will be careful not to increase pressure on areas with already tight residential property markets.

48. A significant proportion of our increased supply will support singles and couples out of motels and into longer-term accommodation. HUD estimates that up to can support that cohort. While families with children and couples make up 50 percent of EH SNG demand. HUD’s forecast delivery, therefore, will help to ensure we are supporting the remaining demand, while Kāinga Ora’s properties are focussed on families with children.

49. The majority of HUD’s supply will be delivered through leasing transitional housing properties rather than purchasing. When sourcing and evaluating new property for transitional housing, HUD requires verification from the provider/property owner that this supply is vacant. This is to ensure it does not displace existing tenants who are renting a property and contribute to stresses on the private market.

**Supply type 4: Converted Facilities**

| Delivery agent | Kāinga Ora |

50. 

51. There are limited opportunities to purchase this type of facility in the hotspot locations. When combined with the longer lead-in times to converting facilities (including obtaining change of use consents and completing retrofit work), it is unlikely that more than facilities will be achieved by.

**Ability to deliver**

52. The proposed plan reflects the current knowledge and understanding of opportunities available. An important part of the approach is to regularly review the demand picture.
and supply response to ensure alignment and to take advantage of new opportunities as they arise.

53. Some of the key risks associated with bringing on additional short-term supply are the potential to push up prices, general availability of properties in the market, finding fit-for-purpose properties (at agreed standards), competing with first-time buyers, mismatch between supply and demand, and consenting and work required to convert facilities or properties dropping out of the pipeline for a range of reasons.

54. Agencies will mitigate these risks by early and continued engagement with providers, the local community (if required) and the sector to ensure that any barriers are identified early and then worked through.

55. Agencies have rigorous due diligence processes in place which will ensure properties are warm, dry and safe.

56. Agencies will ensure they continue to work with a variety of stakeholders, including property managers, property agents, and the wider private market, to seek all available additional supply opportunities. Agencies will also continue to seek new supply opportunities so that any pre-identified properties dropping out the pipeline are quickly replaced with other properties.

57. Agencies will only buy new builds, or owner-occupied properties to avoid displacement and not adversely impact other parts of the housing continuum (i.e. first-time buyers). We will provide regular and ongoing visibility of the delivery pipeline to Ministers.

Additional Supply will be progressed as transitional housing

58. The additional supply outlined above will be progressed as transitional housing as this provides greater flexibility and the ability to target new housing to those already in motels without making changes to the systems used to assess and prioritise those seeking public housing. This will also allow for greater prioritisation of families with children where supply matches demand. As part of this, officials will look to strengthen and improve the operation of transitional housing alongside improvements to demand management.

59. s 9(2)(f)(iv), s 9(2)(g)(i)

60. Support services need to be in place and ready as new supply becomes available. Across all the supply that Kāinga Ora and HUD will be delivering, HUD will lead the work with transitional housing providers to ensure there are support services and providers associated with all the new supply when it is delivered. This will ensure that all the families and individuals will receive all requisite support as we work with them to deliver long-term, sustainable housing opportunities.
61. Recognising that Māori rates of homelessness are significantly higher than those of the general population, HUD is working closely with iwi and Māori housing providers on opportunities to ensure that our additional supply improves outcomes for Māori and works to reduce Māori homelessness. HUD is also working closely with several church affiliated organisations.

62. The rapid increase in supply will put pressure on the capacity, and to a lesser extent the capability, of the sector to deliver support services required for people accessing transitional housing. HUD has well established processes to connect these providers to new transitional housing supply depending on the location and target cohort for the service. Early engagement and visibility of the delivery requirements and timing will help ensure providers with greater ability to absorb or flex to respond to additional service levels will occur.

Impact of additional supply

63. The additional supply outlined in this paper will assist up to families or individuals at any given time to move from an EH SNG motel to transitional housing or prevent them from needing an EH SNG. The impact of the places on reducing reliance on motels will be reliant on tight targeting of new transitional housing places to priority groups in motels or at risk of needing an EH SNG.

64. The number of families and individuals the places assist in a given year will be dependent on the time each individual or family needs to stay in transitional housing before finding a suitable public or private housing option. For example, even if the average stay was 26 weeks these places would assist individuals and families each year.

65. The actual impact on the headline numbers related to EH SNGs will be dependent on both the underlying growth in demand for EH SNGs and the ability for demand management initiatives to slow or halt this growth.

66. The additional supply outlined in this paper will be delivered progressively from . Officials expect that the impact of the additional supply and associated demand management initiatives will start to become more apparent from when most of the new supply is in place and a range of initiatives are also implemented and operating. The impacts of the additional supply and other measures will be monitored through regular reporting on EH SNGs.

Work on securing additional supply to be delivered after will continue

67. A short-term supply response alone will not be enough to make a lasting impact in reducing reliance on motels based on current motel demand. I have asked officials to continue to focus on identifying convertible land which can be purchased. This will ensure that agencies are in position to increase momentum to deliver supply of housing beyond . Strong and continued investment in outyears will be essential in ensuring we tackle the public housing register as well as working to reduce our reliance on motels.
68. While the short-term supply focus will be on transitional housing, beyond 2020, I have asked that Kāinga Ora and HUD:

- focus on increasing supply of permanent housing options such as public housing (potentially over and above the existing targets) over temporary options in most circumstances
- focus less on buying in supply such as new builds or buying existing facilities
- buy/ build on newly acquired land
- accelerate redevelopments on Kāinga Ora land
- continue to engage widely to proactively identify additional land, supply and support options.

*Agencies will be continuing regular engagement to identify further opportunities*

69. Officials will continue regular and ongoing engagement with a variety partners and stakeholders to seek additional long-term public and transitional housing opportunities. Key engagement partners include housing providers, developers, local councils, iwi, Ahuwenua Land Trusts (including post treaty settlement entities) and Māori organisations.

70. Conversations with stakeholders range from project specific negotiations to ensure progress, to strategic discussions regarding partnership opportunities (including linking relevant CHPs, developers and Councils together to explore housing related opportunities). HUD, MSD and Kāinga Ora will be tracking all engagement activity in a coordinated way, so as to enable ongoing reporting regarding engagement activity, resulting outcomes and progress.

71. I have indicated that Ministers will support this process of engagement if required to ensure that all possible opportunities can be progressed.

*Work is underway to ensure that funding settings support new supply and that funding is available*

72. As I noted above, our goal over time will be to increase permanent housing options such as public housing that provide stability, over temporary housing. \(s^{9(2)(f) (iv)}\)

A key part of this package will be funding for additional public housing supply over and above the current 1,600 per year target and securing funding to increase supply for outyears beyond 2021-22. HUD and Kāinga Ora are working together on the potential scale and cost associated and will provide Ministers with advice through the Budget process.

73. Getting the funding settings right for public housing is key in being able to deliver additional public housing supply in the locations it is needed. \(s^{9(2)(f) (iv)}\)
Reducing and managing demand

74. Bringing on new supply of transitional housing will allow some people with a housing need to directly enter transitional housing, but it will not address the demand for emergency accommodation without changes to key settings on the housing demand side.

75. To reduce reliance on motels we also need work to manage demand and provide people with the right supports, in the right place, where they are homeless or at risk of homelessness.

- Prevention: helping people retain tenancies, address issues that put tenancies at risk and supporting people at points where they are at high risk of homelessness.

- Support: supporting people experiencing homelessness quickly into stable accommodation and to access wider social support.

76. Initiatives are already being put in place that help clients to navigate the support system, address the underlying causes of their homelessness and better prepare them to sustain their housing in the future. Cabinet agreed to an initial drawdown of $53.98 million over four years from the homelessness contingency funding for the following initiatives that will be in place before the:

- Sustaining Tenancies to support households who need help to sustain their tenancy. Cabinet agreed to a full redesign and funding for the expansion of the service will be sought in February/March 2020

- Intensive case management services and navigators and support services to support priority clients (families with children and mental health clients) living in motels, to be in place by the end of November 2019

- A flexible fund to assist families with children with the additional costs they face while living in a motel.

77. The new Housing Support Product rent arrears assistance (which fills a current gap in supports) is available from November. This assistance will provide up to $2,000 as a recoverable payment to help people retain a tenancy when in rent arrears.

Officials are developing additional support and prevention initiatives

78. Agencies are also progressing work on a range of additional support, prevention and system settings initiatives to prevent and reduce homelessness. Advice will be provided to Joint Ministers with delegated authority in mid-November on other initiatives to fund via the homelessness contingency as part of broader package to reduce reliance on motels and prevent and reduce homelessness. These initiatives will have an impact before June 2020 or are key components of setting up a strengthened approach to homelessness. Options being considered include:

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2 Joint Ministers (the Prime Minister, Minister of Finance, Minister for Social Development, Minister of Housing, Associate Minister of housing (Māori Housing) and Associate Minister of Housing (Public Housing)) have been delegated to make decisions on further responses to be funded from the contingency [CAB-19-MIN-0384 refers].
• Implementing a ‘ready to rent’ initiative to help people prepare for a tenancy
• Capability and capacity for Māori providers
• Rapid re-housing trial
• Expanding intensive case management and navigation services to clients not currently funded to receive this support in EH SNG motels
• Adjusting the policy settings for EH SNGs - including the introduction of a co-payment or client contribution
• Access to private market tenancies (local pilots)
• Extending support for young people leaving care
• Improved transitions for acute mental health and addiction inpatient care
• Preventing homelessness for Wāhine offenders
• Homeless offenders returning from overseas
• Funding for improved data and evidence
• Fund to support local initiatives to prevent and reduce homelessness
• Ongoing involvement for those with lived experience of homelessness.

79. These initiatives and longer-term actions will be identified in advice provided to Joint Ministers in November 2019 and reflected in the homelessness action plan.

New Supply Allocation

_Transitional housing can best target support to people in emergency motel accommodation_

80. There a range of options to consider around how we ensure that additional supply and the existing pipeline has the greatest impact on reducing reliance on motels. These relate to choices both about how housing supply is used (as transitional or public) and the way that supply is allocated (prioritisation, assessment and referrals) to people.

81. To maximise the impact of new supply (while balancing potential perverse incentives and impacts on the register) outlined in this paper on those in motels, I am proposing that this supply is utilised as transitional housing. As outlined earlier this will provide more flexibility and the ability to more directly target those in motels. Transitional housing can be used to house people directly from motels without making changes to Social Allocation System (SAS) and/ or fast-tracking people in motels.

82. This means that we can directly focus on priority groups such as those with children and single people with mental health issues. Some of this supply could be converted to public housing in the future. I also propose that in particular families with children in emergency motel accommodation are prioritised into transitional housing places.
where supply matches demand in line with Governments’ priorities to reduce child poverty and improve child wellbeing.

83. MSD cannot direct providers to take a specific client, nor can they direct clients to take a particular transitional housing place. However, MSD and HUD will work together to ensure the transitional housing placement process prioritises those most in need and that the contracting arrangements ensure transitional housing providers are clear about expectations to support clients with complex needs.

Medium-term changes to the prioritisation process for public housing will be explored

84. There are steps that could be taken (changes to SAS or operational practice) to ensure more people from motels go in to public housing places but these changes could create perverse incentives for people to go in to motels and impact on high needs people on the register but not in motels.

85.

New Zealand homelessness action plan and development of a Kaupapa Māori approach to homelessness

86. Agencies are also progressing a range of other work that will be key in preventing and reducing homelessness alongside supply, prevention and other initiatives. This work will have an impact in the short-to-medium term and is important in ensuring that agencies and partners efforts are aligned, and the overall approach works for Māori and supports better outcomes.

Kaupapa Māori approach is critical to preventing and reducing homelessness

87. A key component of the response to homelessness will be a focus on improving outcomes for Māori and providing opportunities for Māori-led actions. A Kaupapa Māori framework is being developed as part of the new Māori and Iwi Housing Innovation (MAIHI) Te Maihi o Te Whare Māori Action Plan. The Kaupapa Māori framework is intended both support Māori providers, and as a tool to help assess proposed initiatives. This includes initiatives drawing on the $20 million ringfenced in the contingency fund as part of a strategic approach to addressing Māori housing stress across the housing spectrum, and proposed initiatives in the entire homelessness action plan. This work involves working with Māori housing providers, marae, hapū and iwi.

88. MAIHI is being co-designed and will be co-governed by the Crown and Māori. Homelessness has already been identified as MAIHI’s first priority, and MAIHI will be supporting the homelessness action plan to ensure appropriate targeting of interventions for Māori individuals and whānau in need. MAIHI is due to be presented to Housing Ministers in mid-November.
A New Zealand homelessness action plan will be provided to Cabinet in December

89. The New Zealand homelessness action plan will set out a range of immediate to medium-term actions up to 2023, to prevent and reduce homelessness and provide a road map for longer-term actions. These will allow us to build on and support local work already underway and put in place essential changes to address gaps in the system and responses.

90. The emphasis of the action plan will be on tangible actions that could make a significant difference to reducing all forms of homelessness (including reducing use of motels) with a focus on prevention and support, alongside system enablers and supply.

91. Engagement to inform the development of the New Zealand homelessness action plan took place between September – October 2019. The engagement went well, and involved representatives from housing providers, NGO service providers, iwi, local government and research institutions. Workshops were held in Northland, Hamilton, Rotorua, Napier/Hastings, Wellington, Auckland (South and Central), Christchurch and Nelson. In-depth interviews were conducted with 19 Māori housing providers across the North Island, and a group of sector experts was convened to provide their views on the plan.

92. The engagement process provided rich insight into views on homelessness and what is required to address it from across the country, including the Kaupapa Māori framework discussed in the previous section. There are a wide range of responses and initiatives already in place that the national action plan can build upon, and support.

93. The plan is being developed and jointly owned by agencies with an interest in homelessness, including the HUD, MSD, Kāinga Ora, the Ministry of Health, Te Puni Kōkiri, the Ministry for Pacific Peoples, Corrections, New Zealand Police and Oranga Tamariki.

94. Ministers will receive advice in the week beginning 11 November that includes the draft action plan along with a proposed package of initiatives to be funded from the homelessness contingency. The action plan will be provided to Cabinet in December.

Funding and financing of additional short-term supply

95. Delivery of the additional transitional housing places by \( s^{9(2)(j)} \) and preparing for further expansion post \( s^{9(2)(j)} \) will require both funding for capital and operating costs.

Capital costs associated with new supply

96. Kāinga Ora has indicated that to fund the capital costs of additional short-term supply and to prepare for further expansion post \( s^{9(2)(j)} \) additional financing is required.
97. The Minister of Finance and the Minister Responsible for Kāinga Ora have agreed that if the proposal is agreed the Kāinga Ora borrowing protocol will be used to finance the capital costs associated with implementing the proposal.

98. In November, Ministers will be asked to make decisions on the funding and financing requirements for Kāinga Ora to maintain short-term momentum on its existing commitments (including delivery of the new public houses announced as part of Budget 2018 and maintaining momentum on existing large-scale projects). This will include advice on further increases to the debt protocol and other financing options for these existing commitments and any new initiatives.

Operating costs associated with new supply

99. In addition to the capital costs there will be operating costs paid through HUD over four years for accommodation and support service components for the additional transitional housing places.

100. The Ministry currently has 3,000 places contracted, 100 above the Budget 2019 funding increase. The addition of approximately 300 places contracted will bring the total number of transitional housing places to approximately 3,300 which cost around $359.63 million.

101. I intend to seek funding for these additional costs.

102. There is currently $359.63 million left in the consolidated homelessness contingency. This is proposed to be used to support an increase in short-term supply to reduce reliance on motels (outlined in this paper) while also investing in prevention and support initiatives, and filling gaps in the current approach. Advice will be provided to Ministers in mid-November on utilising the remaining contingency (over $360 million of options have been identified).

103. In addition to funding the operating costs ($175m) associated with short-term supply over four years it is proposed that the contingency will cover the following:

- Existing commitments made but not yet drawn down ($64 million):
  - Kaupapa Māori initiatives: $20 million ringfenced
o Expansion and redesign of Sustaining Tenancies (estimate $25.6 million)
   Cabinet agreed to a full redesign and funding for the expansion of the service to 1,550 households per year

o Flexible funding package: $9.29 million over four years (Cabinet agreed in principle, subject to a further report back to Joint Ministers)

o Funding for Hastings - grants towards papakāinga as affordable rentals and healthy homes initiatives: $8.460 million over two years.

- Initiatives identified through the cross-agency homelessness work programme that will have an impact before June 2020 or fill critical gaps in current approach

Next steps

106. Since the report-backs on homelessness were agreed in August 2019, the work programme and Ministerial priorities have been further clarified [CAB-19-MIN-0384 refers]. As such I am seeking agreement that the remaining/ outstanding report-backs are replaced with the report-backs outlined below. For further detail on how this has changed from the report backs signalled in August 2019, annex B refers.

- week beginning **11 November** – a paper seeking agreement on an overall package of initiatives to draw down from the homelessness contingency, the draft homelessness action plan, and will be provided to Joint Ministers (who have delegated authority to make decisions on the contingency). Advice will also be provided on managing demand for emergency housing.
• **Mid-November** – Māori and Iwi Housing Innovation (MAIHI) Te Maihi o Te Whare Māori Action Plan sign-off, including kaupapa Māori approach to homelessness

• **End of November** – Advice on the short-term funding and financing requirements to deliver on the Government’s existing commitments and to maintain momentum

• **End of November** – Advice on Public Housing Funding Review

• **Mid-December** – Homelessness action plan to Cabinet (SWC on 11 December and Cabinet on 16 December). Potential for this paper or a separate paper to seek decisions on EH SNG policy settings at the same time.
  
  s 9(2)(f)(i), s 9(2)(g)(i)

  s 9(2)(f)(iv) and s9(2)(g)(i)

**Consultation**

107. The Ministry of Social Development and Kāinga Ora, the Treasury and the State Services Commission have been consulted on this paper.

**Financial Implications**

108. The capital costs associated with the proposal will be financed through private sector borrowing by Kāinga Ora and the operating costs will be sought from the homelessness Budget Contingency and  

s 9(2)(f)(iv)

**Legislative Implications**

109.  

s 9(2)(f)(iv)

**Impact Analysis**

110. A regulatory impact statement is not required for the proposals in this paper.

**Human Rights**

111. This proposal is consistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

**Gender Implications**

112. There are no specific gender implications. The proposals may positively impact more women as they are more likely to receive and EH SNG (60 percent).
113. The approach proposed in this paper should positively impact on disabled people as they experience high rates of homelessness.

114. To be determined in consultation with Minister’s offices.

115. This Cabinet paper will be released proactively, subject to any redactions as appropriate under the Official Information Act 1982.

116. It is recommended that the Committee:

1. **note** that the work to reduce reliance on motels and prevent homelessness is a multi-year programme that is made up of four key components:
   
   a) Additional supply
   b) Reducing/ managing demand through prevention and support
   c) Allocation of and matching to supply
   d) New Zealand Homelessness action plan and related work including development of a Kaupapa Māori approach to addressing homelessness

2. **agree** that the Ministry of Housing and Urban Development (HUD) (through housing providers) and Kāinga Ora – Homes and Communities (Kāinga Ora) deliver between additional transitional housing places by the to reduce reliance on motels through:
   
   e) Kāinga Ora purchase of from the market
   f) Kāinga Ora building temporary housing villages to create
   g) HUD securing through transitional housing providers
   h) Kāinga Ora providing an estimated through converted facilities

3. **note** that this supply will be delivered in addition to the public housing places to be delivered in the 2019/20 year

4. **note** that all additional housing outlined above will be delivered as transitional housing (with support services) as this will have the most direct impact on the use of motels in the short term
5. agree that families with children in emergency motel accommodation will be a priority cohort for new transitional housing places where supply matches demand

6. s 9(2)(f)(iv)

7. note that the short-term response will need to be supported by preparation to increase long-term supply beyond 2020 to make a significant impact in reducing reliance on motels

8. note that the Minister of Finance and Minister Responsible for Kāinga Ora have agreed to increase the Kāinga Ora debt protocol s 9(2)(j)

9. note that Ministers will receive advice in November on potential further increases to the debt protocol in order to maintain short-term momentum on existing commitments (including public housing and large-scale projects)

10. note that the additional HUD operating costs to maintain the existing 3,000 transitional housing places and deliver the additional places outlined in this paper is $175 million over four years to 2022/23

11. note that the funding in the first instance for operating costs outlined in recommendation 10 will be sought via the homelessness contingency

12 s 9(2)(f)(iv)

13. note that the delivery of new housing supply will need to be complemented by changes to manage the demand for emergency housing through support and prevention initiatives.

14. agree to the new sequencing of report backs set out in this paper.
Authorised for lodgement

Hon Kris Faafoi

Associate Minister for Housing (Public Housing)
Annex A: Summary of engagement to date

<table>
<thead>
<tr>
<th>Who are HUD and Kāinga Ora engaging with?</th>
<th>HUD and KO engage with Community Housing Providers, private developers, transitional Housing Providers, local councils, Churches, Māori Trusts, Iwi organisations, government agencies and ‘speculative’ providers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>As an indication of scale of engagement in the last year, HUD has undertaken more than 523 engagements in total:</td>
<td></td>
</tr>
<tr>
<td>• 287 engagements with Community Housing Providers</td>
<td></td>
</tr>
<tr>
<td>• 98 engagements with private developers</td>
<td></td>
</tr>
<tr>
<td>• 78 engagements with transitional Housing Providers</td>
<td></td>
</tr>
<tr>
<td>• 16 engagements with local councils</td>
<td></td>
</tr>
<tr>
<td>• 44 engagements with ‘others’ (Māori Trusts, Iwi organisations, government agencies, Churches and ‘speculative’ providers)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What was the purpose of these discussions?</th>
<th>Ongoing engagement with partners and key stakeholders, relating to long-term public housing and transitional housing opportunities. All conversations focused specifically on projects and partnering opportunities, including opportunities to support/provide more information to enable projects to progress. HUD also works with partners on an ongoing basis to ensure that proposals meet the required standard and continue to progress.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>What kind of opportunities have been identified?</th>
<th>Land supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term lease of land for public housing</td>
<td></td>
</tr>
<tr>
<td>Repurposing existing buildings</td>
<td></td>
</tr>
<tr>
<td>Redevelopment of unused housing complex</td>
<td></td>
</tr>
<tr>
<td>Partnership opportunities</td>
<td></td>
</tr>
<tr>
<td>Financial support and low-cost funding by councils</td>
<td></td>
</tr>
<tr>
<td>Additional opportunities as part of existing developments/Projects</td>
<td></td>
</tr>
<tr>
<td>As an indication of scale: In the last year through engagement HUD and Kāinga Ora have identified opportunities for public, transitional and temporary housing, just in the hotspot areas.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Where are the opportunities?</th>
<th>Engagements and projects spread across New Zealand with a current focus on Auckland due to historical funding parameters being available predominantly in Auckland. Further work is required to identify regions where additional supply is being sought but isn’t reflected in current engagement activity.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Why have some opportunities not been progressed?</th>
<th>Landowners unwilling to partner/complicated approvals processes for accessing land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer withdrew from process / decided not to progress</td>
<td></td>
</tr>
<tr>
<td>No capital/ up front funding available</td>
<td></td>
</tr>
<tr>
<td>Did not meet requirements of evaluation (e.g. site not suitable)</td>
<td></td>
</tr>
<tr>
<td>CHP no longer looking at site or progressing other opportunities</td>
<td></td>
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<tr>
<td>No CHP to progress, CHP status revoked</td>
<td></td>
</tr>
<tr>
<td>Project went ahead without public housing component</td>
<td></td>
</tr>
<tr>
<td>Not always engaging with the right people (property decision)</td>
<td></td>
</tr>
</tbody>
</table>

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3 Includes both ongoing engagements and those that are no longer active. Counts engagements with individual providers/party's multiple times (e.g. engagement with a single CHP may be regarding multiple opportunities). Engagement activity from July 2018 to date has been captured (however may not include all engagement activity or may include ongoing engagements prior to July 2018). Information is at 1 November.
What is happening with those opportunities now?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A number of projects already in our pipeline and progressing</td>
</tr>
<tr>
<td></td>
<td>Other opportunities underway, following engagements. These are at various stages in the process</td>
</tr>
</tbody>
</table>
Annex B: update on sequencing of report backs

<table>
<thead>
<tr>
<th>Date</th>
<th>Report back</th>
<th>Previously indicated as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided</td>
<td>Advice on temporary housing villages</td>
<td>July 2019</td>
</tr>
<tr>
<td>Provided</td>
<td>Advice on Housing Support Products and implementation of Rent Arrears Assistance</td>
<td>July 2019</td>
</tr>
<tr>
<td>Provided</td>
<td>Advice on EH SNG policy settings</td>
<td>August 2019</td>
</tr>
<tr>
<td>Provided (this paper)</td>
<td>Advice on approach for additional supply up to $9(2)(j)$</td>
<td>Included in this paper:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Update on ending reliance on motels and transitional housing plan $9(2)(j)$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Advice on fund for purchase or lease of properties in hotspots (August)</td>
</tr>
<tr>
<td>W/c 11 November 2019</td>
<td>Advice on initiatives that will be funded via the homelessness contingency, and draft homelessness action plan (Joint Ministers). This will include advice on further work to manage the demand for Emergency Housing.</td>
<td>As previously agreed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Will include demand management side of plan to end reliance on motels</td>
</tr>
<tr>
<td>Mid-November 2019</td>
<td>Advice on Kaupapa Māori approach to homelessness and priority initiatives for $20m ring-fenced from the contingency</td>
<td>As previously agreed</td>
</tr>
<tr>
<td>End of November 2019</td>
<td>Long-term Funding and Financing for all Kāinga Ora’s activities</td>
<td>As previously agreed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$9(2)(f)(iv)$</td>
</tr>
<tr>
<td>Mid-December 2019</td>
<td>Homelessness action plan to Cabinet (SWC on 11 December and Cabinet on 16 December). This paper or a separate paper on the same date will also seek Cabinet agreement to changes to the policy settings for Emergency Housing Special Needs Grants.</td>
<td>November 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Also replaces September 2019 progress update</td>
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<tr>
<td></td>
<td></td>
<td>Paper will include a section on the components of the plan to end reliance on motels and actions taken</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$9(2)(f)(iv)$</td>
</tr>
</tbody>
</table>