

Budget 2022 Initiative Summary – Main Budget Process

Non-recyclable funding to deliver affordable rentals for low to moderate income households

Section 1: Overview

Section 1A: Basic Initiative Information

Lead Minister	Hon Dr Megan Woods, Minister of Housing				
Department	Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development				
What type of initiative is this?	Critical cost pressure initiative	✓	Manifesto commitment initiative		Health and Disability System Reform initiative
	Climate Emergency Response Fund initiative		Savings initiative		Non-Spending initiative
Initiative description [max 800 Characters]	<p>This initiative provides non-recyclable funding for the Affordable Housing Fund to more effectively support a range of operators (e.g. councils, Māori, CHPs) to supply affordable new-build s 9(2)(f)(iv) rentals for low-moderate income households.</p> <p>Non-recyclable grant funding is critical to bridge the gap between what these homes cost to deliver and what households can afford in rent, particularly 'community affordable' rentals for households who cannot afford market rents but would be not in need of, ineligible, or low priority for public housing.</p> <p>s 9(2)(f)(iv)</p>				
Is this a Cross-Vote initiative?	N				
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Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
Operating fund – New Supply s 9(2)(f)(iv)	65.000	65.000	70.000	-	-	200.000
Interest Concession	7.000	7.000	7.000	-	-	21.000
Total	72.000	72.000	157.000	80.000	-	381.000

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total

Section 1C: Initiative Classifications

Is this initiative seeking funding from the Climate Emergency Response Fund (CERF)?	N	
Is this initiative climate-related, but not seeking funding from the CERF?	N	
Does this initiative align with the Crown's obligations under the Treaty of Waitangi?	Strong	<p>The Te Maihi o te Whare Māori – Māori and Iwi Housing Innovation (MAIHI) framework developed by HUD with input from key partners across the Māori housing community sets a precedent for working in partnership with Māori. This framework has informed Maihi Ka Ora – the National Māori Housing Strategy, which is an expression of the articles of Te Tiriti o Waitangi.</p> <p>The strategy sees the Government using its levers (Article One) to enable Māori-led local housing solutions (Article Two) so Māori housing aspirations are achieved. If both arms of Te Tiriti work cohesively together, the strategy will provide ōritetanga (Article Three) – equity. This initiative in particular should contribute to two priorities identified in the strategy:</p> <ul style="list-style-type: none"> • Māori-led local solutions: the flexibility built into the fund should allow applicants to identify needs at a local level and deliver fit for purpose housing solutions that take a by Māori for Māori approach. • Māori housing supply: this initiative helps fill a clear gap in housing supply – affordable rentals – which disproportionately affects Māori who are less likely than non-Māori to own their own homes and are overrepresented in indicators of rental stress (e.g. public housing register). An affordable rental could provide the stability and affordability to help whānau with transitioning to homeownership over time. <p>Māori and iwi are envisaged as potential applicants for the fund and the assessment criteria and process have been designed to support Māori interests and aspirations. However, the fund will not include any specific ring-fencing to support Māori developers or providers as this function is already being delivered through the Whai Kāinga Whai Oranga programme.</p>
Specify if this initiative will help reduce child poverty and describe the impact	Direct impact	This initiative will improve access to affordable rental housing for some of the 53% of children living in poverty who are in private rentals, and support those families to remain safe and well in their homes.
Does this initiative align with the Child and Youth Wellbeing Strategy?	Y	<p>This initiative will deliver more affordable rentals that meet or exceed the latest building standards, improving choice, tenure stability and affordability for renters. In doing so, this will benefit renting households with children, and to the extent that it does, the initiative strongly aligns with the following objective:</p> <ul style="list-style-type: none"> • Children and young people have what they need <ul style="list-style-type: none"> ○ ... ○ they live in stable housing that is affordable, warm and dry
<p>Does the initiative include funding to procure from NGOs?</p> <p>If yes, briefly describe the initiative's alignment with Social Sector Commissioning procurement principles</p>	Y	<p>We anticipate that this initiative will support affordable housing provision by iwi and Māori housing providers, community housing providers, councils, churches, philanthropic and impact investors, and community trusts. It is strongly aligned with the Social Sector Commissioning Procurement Principles in that:</p> <ul style="list-style-type: none"> • It will support a range of tenures and improve the range of affordable options, which will support individuals, families, whānau and communities to exercise choice. • Support will be informed by needs, barriers and opportunities identified through the place based approach and the eligibility and assessment criteria have been designed to accommodate a range of applicants (including consortia) and projects. This will help the sector work together locally, regionally and nationally. • We are hoping to fund demonstration projects and, s 9(2)(f)(iv) Successful proofs-of-concept could be used to make the case for further and ongoing funding. This would support the sustainability of the sector in the long term. • Māori and iwi are envisaged as potential applicants for the fund and the assessment criteria will reward application that support Māori interests and aspirations. This recognises and gives practical effect to Te Tiriti o Waitangi as expressed in Maihi Ka Ora – the National Māori Housing Strategy.
Does the initiative include funding to support digital and data related investments?	N	

BUDGET SENSITIVE

Is this a regulatory or legislative initiative (according to the guidance provided)?	N								
Is this a significant investment initiative per the definition at section 4.8 of the Budget 2022 guidance?	N								
		Data / Digital / ICT		Physical Infrastructure		Organisational Transformation		Specialised Equipment	
	<u>See Annex A for further questions – mandatory to complete for all significant initiatives</u>								

Section 2: Cost pressure information

Answers must not exceed 1-2 paragraphs per section.

Cost pressure driver	✓	Volume	✓	Price	Personnel
Cost pressure description		<p>This is a technical cost pressure caused by a requirement that \$250 million of \$350 million total funding received for the Residential Development Response Fund (RDRF) be recycled and returned to the Crown within 10 years. Under the initial RDRF initiative settings, funding was planned to be used to support the construction sector in continuing to build house for sale on the open market through an expected market downturn in 2020 due to COVID-19. If underwrites were triggered, the Crown would take ownership of unsold houses and would on-sell them when the market recovered in order to recycle the funds. The fund was not needed for this purpose.</p> <p>Cabinet agreed in 2021 to refocus the RDRF on supporting delivery of affordable housing for purchase or rent and that the RDRF would be renamed the Affordable Housing Fund to better reflect its purpose. The Minister of Housing subsequently agreed to focus the Fund on affordable rentals. To meet this new objective, the Ministry proposes \$200 million be converted to non-recyclable, s 9(2)(f)(iv)</p> <p>ur worked examples indicate that this will double the potential yield of the fund (see Section 5).</p> <p>Without converting \$200 million of recyclable funding to non-recyclable the new supply component of the Affordable Housing Fund would not be able to achieve the intended impact. HUD modelling indicates that it would be difficult to deliver affordable rentals (particularly community affordable) using principally recyclable funding, given the gap between the cost of provision and the amount low-to-moderate income households can afford to pay in rent. In particular, the Fund would have a limited ability to support the supply of rental housing for lower income households who cannot afford a market rent but would be ineligible, not in need of, or low priority for public housing (which requires grant funding), which is a key aim of the Fund. Crown investment is required to catalyse supply for this cohort.</p>			
Cost pressure management		s 9(2)(f)(iv)			
Case for funding		<p>Converting \$200 million of recyclable funding to non-recyclable will allow the Ministry to implement the Affordable Housing Fund to deliver affordable rental options as intended. This funding will be used primarily to offer a combination of upfront development grants s 9(2)(f)(iv) which both require non-recyclable funding. These options will allow for a range of affordable housing options across the tenant spectrum:</p> <ul style="list-style-type: none"> Grants would primarily support 'community affordable rentals' delivered by not-for-profit organisations by meeting the gap between development/finance/operating costs and what these tenants can afford in rent. HUD modelling indicates that grants are necessary for these kinds of developments to be feasible, s 9(2)(f)(iv) s 9(2)(f)(iv) 			

Section 3: Value

Section 3A: Opportunity/Problem

Opportunity/Problem

1 – Problem

New Zealanders are increasingly relying on the rental market for housing. The last 35 years have seen two significant shifts in how New Zealanders house themselves:

- Fewer households own their own homes (esp. Māori and Pacific households) and more households rent. High house prices mean that homeownership, even with government support, is out of reach for an increasingly large share households.
- Of those who rent, an increasing proportion rent from private landlords rather than other providers like Kāinga Ora (formerly Housing New Zealand), councils, iwi/Māori trusts, or community housing providers.

This means an increasingly large share of New Zealanders pay rent that moves with the market, and fewer are cushioned from market rents by having a not-for-profit landlord.

Over the last decade there has been decline in the availability of affordable rentals for lower income households. The Ministry of Social Development found that the proportion of renters in New Zealand in the lowest income quartile paying more than 30% income on rent is the highest in the OECD. Smaller households (e.g. single adults, sole parents) and fixed income earners (e.g. beneficiaries, pensioners) have been disproportionately impacted by rising private rents and a limited supply of smaller rentals suitable to their needs. In many larger cities (and some regional centres like Rotorua) lower income working households are also feeling the pressure of limited rental supply.

Rental stress is widespread and Government interventions to support stressed renters are increasing in cost. Government spending on the Accommodation Supplement is now approximately \$1.9 billion/year. Nonetheless, people are still experiencing rent stress, with 70% of households receiving the Accommodation Supplement spending more than 40 per cent of their income on housing as of October 2020. It is not clear that this spending has incentivised new supply of rental homes.

To date, the Government's supply-side investment has been heavily focussed on public housing, housing for first home buyers (eg. KiwiBuild), or enabling market development through infrastructure investment, with little provision targeting those whose needs and means lie in the middle. Demand for public housing has grown rapidly - with almost 19,000 more households on the register since 2017 - despite strong delivery. In many these households need an affordable rental and not public housing.

s 9(2)(f)(iv)

2 - Opportunity

There are players interested in delivering affordable rentals who bring their own resources to the table. Iwi and Māori, housing providers, impact investors, private developers and councils are interested in delivering rentals for low-moderate income households who can afford a market rent on a modest home, or those who cannot afford even a modest market rent. These groups have a lot to contribute, including

- Owning or having access to land via partners (e.g. Councils, churches or affiliates)
- Access to concessionary funding and finance (e.g. philanthropic funding or impact investment)
- Not requiring a profit margin (e.g. no or low development margin or return on equity required)

However, aspirations are limited by a lack of government funding, which has been provided in the past, for example, through the Social Housing Fund and low interest loans for council housing.

The key barrier to delivering affordable rental supply is the gap between what it costs to build, finance and operate new rentals and what tenants can afford to pay. Due to the high costs of land and construction, this gap will be larger than the gap between incomes and market rents for existing homes in most markets in New Zealand. The level of subsidy required will depend on the incomes of target tenants and the resources the applicant can bring. Past experience shows that Crown investment can leverage private and in-kind contributions. For example Community Housing Aotearoa claim that each \$1 of grant funding provided to not-for-profit providers through attracts a further \$1 to \$4 of private or philanthropic finance.

s 9(2)(f)(iv)

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Section 3B: He Ara Waiora

Tikanga- decisions are made by the right decision-makers, following a tikanga process, according to tikanga values	The fund has been designed to be responsive to the aspirations of applicants, with the aim of supporting those proposals that will deliver the best outcomes overall relative to the costs and risks. There are few bottom lines beyond basic capability and capacity criteria, and some minimum requirements for proposed developments. Parties have the opportunity to pitch ideas which are evaluated against the outcomes-focused assessment criteria, rather than overly prescriptive guidelines for what should be funded or who the target cohort should be. This will allow applicants to develop, design and deliver services according to needs as relevant to local circumstances. s 9(2)(f)(iv)
Manaakitanga- focus on improved wellbeing and enhanced mana for iwi and Māori, and for other affected communities and groups, demonstrating an ethic of care and mutual respect	A key intention of the fund is to leverage the resources and strengths of other parties. There is the opportunity for this fund to support local strategies already in place. We are aware of the aspiration for more affordable rentals, including modest and higher density typologies, in many of our place-based engagement areas. The fund also responds to the need for more funding options to support a range of tenures. This fund recognises that many operators are interested in delivering affordable rentals and have resources/capabilities to offer, but Crown support for this tenure has been limited. This support has been successful in the limited cases where it is available, such as grants for affordable rentals in papakāinga developments through Te Puni Kōkiri. Better access to secure affordable rentals for Māori, who are more likely to be renters and overrepresented on the public housing register, will help to improve whānau wellbeing through reducing financial stress. This has flow on effects on the ability of whānau to pay for other necessities, such food, healthcare, and community participation further supporting whānau wellbeing.

Section 3C: Outputs – The good or service the initiative purchases

Output	Description
<i>Affordable rentals</i>	Through the use of grants, s 9(2)(f)(iv) the new supply component of the fund (\$350m in total, including the proposed \$200m non-recyclable conversion) will support the supply of new-build homes designed for rent by low-moderate income households. This will includes rentals that are: <ul style="list-style-type: none"> ‘community affordable’: rentals for households who cannot afford market rents but would be ineligible (or eligible but not in need or low priority) for public housing. In practice this means rentals priced at a discount to market rental rates, or as a portion of household income. s 9(2)(f)(iv) s 9(2)(f)(iv) s 9(2)(f)(iv)

Section 3D: Impacts – The direct effect of the initiative

Better value housing for renters in affordable rentals	Description of the impact	<p>Tenants of rentals delivered through the fund will have lower housing costs relative to the quality, location or suitability of their rental than could have otherwise been accessed in the private rental market. Tenants who move into affordable rental are likely to either:</p> <ul style="list-style-type: none"> Have lower housing costs than they previously could have accessed (and for a higher quality, well located or more suitable home). Most likely for community affordable rentals, where a subsidy allows the provider to rent the dwellings below the market rate. § 9(2)(f)(iv) <p>§ 9(2)(f)(iv)</p>
	Quantification	<p>The scale of this immediate impact will be limited by how many rentals can be delivered with the available funding. We estimate at least 600 community affordable and § 9(2)(f)(iv) from the new supply component of the fund. § 9(2)(f)(iv)</p> <p>Whilst this number may be modest, the material impacts on the households who gain access to these homes will be substantial, particularly in the case of community affordable rentals.</p>
	Supporting Evidence	<p>There are generally very few affordable rentals available for lower income households</p> <ul style="list-style-type: none"> Income data from Census 2018 and bond data from MBIE indicate a significant shortfall in the availability of affordable private rentals for households earning less than \$70k/year. According to “Comparisons of Housing Affordability for Renters and Owners” by the Ministry of Social Development, 60% of low income private renters (lowest income quartile) are in households that spend more than 40% of their income on rent. This is the highest rate in the OECD. <p>This includes a general lack of modest, smaller typologies for smaller households, particularly those relying on one income. The construction sector is still dominated by standalone dwellings and 3+ bedroom dwellings. According the number and total floor area of building consents, even for non-detached typologies, the market for new builds appears to be geared toward relatively high floor areas (and presumably higher incomes).</p> <p>A large proportion of low-moderate income renting households are therefore forced to:</p> <ul style="list-style-type: none"> settle for rentals that take up a large proportion of their income. Census and MSD administrative data suggest that rental stress is widespread and particularly acute for single adults, beneficiaries, and households in high cost cities and regional centres. settle for lower quality or less suitable housing than would have otherwise chosen (including overcrowding). Recent research has found consistent disparities in housing quality, tenure security, and affordability between renters and homeowners. <p>More affordable rental options should improve the ability for these households to make choices that do not put them in financial stress or compel them to make trade-offs in terms of quality, location or suitability.</p>
	Gaps in Evidence	<p>We do not know for certain how many households of different income levels this fund will support and the impact this would have on those households. However, in a situation where lower income renters had more options in the rental market, and more of them were affordable, it is assumed that more households would choose not to live in poorer quality or unsuitable dwellings or forgo expenditure on other necessities, and that provision of affordable rentals will therefore have an immediate impact on these households’ quality of life.</p>
	Assumptions	<p>Rent-stressed households are more likely to make trade offs in terms of the quality, suitability or location of their home and that purpose-built, affordable rental options should result in less households needing to make these trade-offs.</p> <p>§ 9(2)(f)(iv)</p>
	Implications	<p>Requiring identification of a target cohort in the assessment process should ensure that the households who enter homes delivered through the fund are households who would otherwise be in rental stress, particularly for community affordable projects.</p> <p>§ 9(2)(f)(iv)</p>

BUDGET SENSITIVE

Increased rental supply and moderation of rent growth	Description of the impact	Increasing the supply of rental housing should have a general moderating effect on rents across the market.
	Quantification	Given the size of the fund and likely scale of new supply, the effect is likely to be minor. If the fund is used to support supply in smaller areas, particularly those where the rental market is very small or very few rentals are ever on the market (eg. Gisborne), then even a modest investment could be relatively substantial. If the fund were to be expanded in the future, the effect could be more substantial, even in larger urban areas.
	Supporting Evidence	<p>A review of six working papers by researchers at the UCLA Lewis Center for Regional policy Studies found international evidence that new housing supply triggers chains of household moves (predominantly renters, who are far more mobile than owner-occupiers) that eventually reach poorer neighbourhoods and that this improves welfare for lower income households as vacancies open up with less competition and households trade up in quality, suitability, or location. The overall effect of additional housing is a downward shift in the distribution of rents. (Shane Philips, Michael Manville and Michael Lens (2021), Research Roundup: The Effect of market-Rate Development on Neighbourhood Rents).</p> <p>A 2009 Treasury working paper "A Simple Model of Housing Rental and Ownership with Policy Simulations" by Andrew Coleman and Grant Scobie used a simple model of the essential features of the supply and demand for housing to simulate an increased supply of housing. It estimated that a 0.5% shock (7,500 dwellings) to housing supply through a government build programme would decrease rents by 1.3% in the short term but have no effect in the long term.</p>
	Gaps in Evidence	There are few studies on the effect of housing supply, particularly of purpose-built rental supply, on rents for the market as a whole in New Zealand. The New Zealand study referenced concludes that supply would have a short term impact but no long term impact. The study assumed that the composition of the housing would not be different between the status quo and the government investment scenario. In the case of the Affordable Housing Fund, we have assumed that government investment will result in a different composition of housing as it will support construction that utilises land more effectively and is more inherently affordable than could have otherwise been expected to have been built through private investment (due to the Fund's focus on modest typologies and well-located density).
	Assumptions	<p>This impact assumes that the developments supported through this fund will have a larger impact on total supply than the status quo., due to the focus on inherently modest homes and more efficient use of land.</p> <p>This impact also assumes that enough new rentals are delivered to have a meaningful impact on a local rental market.</p>
	Implications	<p>The impact of supply on rents is a key principle underpinning the breadth of proposals this initiative is seeking to support § 9(2)(f)(iv)</p> <p>§ 9(2)(f)(iv) The value proposition in terms of scale vs. cost/risk to the Crown will need to be clearly articulated by these applicants.</p> <p>Given the size of the fund, this impact is not likely to be particularly large. The more the sector grows, the greater this impact will become, § 9(2)(f)(iv)</p> <p>§ 9(2)(f)(iv) This impact would have greater significance if more funding were to be sought in the future.</p>
Improved sector capacity	Description of the impact	Grants, § 9(2)(f)(iv) § 9(2)(f)(iv) will help developers and operators of affordable rental housing to build their skills, portfolios and asset bases. With more secure balance sheets they should be better able to secure finance to undertake more projects in the future, with or without further Crown assistance. Successful completion of projects, particularly of untested higher density typologies, should also improve the prospects for obtaining bank finance and subsequently increase the capacity of the sector to deliver off its own balance sheets.
	Quantification	<p>Assuming that \$172 million is used for grants to organisation providing community affordable rentals, and that a similar ratio of private to public investment is seen as under the Social Housing/Housing Innovation Funds (2x to 4x), then we could expect this investment to catalyse a total investment of around \$344 million to \$688 million into the sector. The size of the AHF is comparable to the Social Housing Fund.</p> <p>§ 9(2)(f)(iv)</p>
	Supporting Evidence	<p>The impact of grants on the Community Housing sector</p> <p>Housing Providers previously received funding for sub-market rentals via the Social Housing Fund (SHF) and the Housing Innovation Fund (HIF). The SHF facilitated the provision of over 1,000 affordable homes (both rental properties and progressive home-ownership schemes) by CHPs through the provision of \$141 million of conditional grant funding.</p>

		<p>Community Housing Aotearoa indicated that capital grants made through the Social Housing Fund made a material difference to the availability of debt funding for CHPs, and created a scalable model. For every \$1 of Crown capital, they note CHPs were able to access \$2 to \$4 of private finance. CHPS have found it harder to access finance since this capital funding became unavailable, and there is a notable difference in the current scale of some CHPs who were able to access this funding (and build their balance sheets) and many of those who have been founded since.</p> <p>The combination of their low revenue and relatively highly leveraged position along with the absence of capital investment, makes it especially difficult for smaller CHPs to deliver new build public housing under the current funding settings. Banks are less likely to be interested in lending, or will only lend at higher interest rates. Some CHPs are currently using non-mainstream financial lenders to finance their activities which carry higher costs.</p> <p>s 9(2)(f)(iv)</p>
	Gaps in Evidence	<ul style="list-style-type: none"> s 9(2)(f)(iv)
	Assumptions	<ul style="list-style-type: none"> This impact assumes that operators and developers have the intention of using their balance sheets principally for the continued provision of affordable rental housing. Charitable organisations will be likely to reinvest in affordable housing but private developers operate under different incentives. The use of grants primarily to support not-for-profits will reflect, among other things, this different expectation of ongoing reinvestment in a clear social-good objective.
	Implications	<ul style="list-style-type: none"> The fund design includes mechanisms to ensure developer commitment to outcomes in alignment with the fund's objectives, and assessment will look more favourably on applications where it is clear that the capacity unlocked through Crown investment will be channelled into more affordable housing development in the future. The extent to which affordable housing can be guaranteed in perpetuity, or that investment will support a long term pipeline, will be looked upon favourably in the assessment process. Applicants who are less likely to reinvest in more affordable supply would need to make convincing case for other factors – such as scale or minimal cost/risk to the Crown – to be considered favourably.

Section 3E: Goals – What this initiative aims to achieve

Improved education, health and wellbeing outcomes for renters	Description	Unaffordable housing has detrimental effects on the health of residents, including through reduced disposable income for food, heating, clothing and healthcare. Households with limited affordable rental options are more likely to crowd in unsuitably small homes, which increases the risk of respiratory illnesses (including the spread of COVID-19), or accept substandard, unhealthy, or dangerous homes which they may not otherwise have accepted. This initiative will reduce the extent to which renting households are compelled to make these trade-offs due to the limited availability of affordable rentals.
	Quantification	The most direct impact will be for households who move into new rentals delivered through the fund. However, the vacancies opened by these households should allow for a broader improvement in welfare for other renting households. In terms of quantifying the impact on households themselves, the effect could be significant, particularly for community affordable rentals targeting lower income households with very few or no affordable options in the private rental market. The impacts of unaffordable, poor quality or unsuitable rental accommodation on the wellbeing of households who live in them are significant.

BUDGET SENSITIVE

	Timeframes	The benefits in terms of lower housing costs and increased household income will be immediate but it will take longer for the broader benefits to materialise. To the extent that migration chains trigger improved affordability/housing consumption for a broader set of households, there will be improved wellbeing outcomes in the medium term.
	Evidence and Assumptions	<p>The ways in which the links between housing unaffordability, tenure insecurity, and housing quality flow through to wellbeing outcomes have been a strong focus of recent research in New Zealand. The 2021 New Zealand Population Review found that people who do not own their house have generally poorer quality housing, less secure tenure and more prevalent overcrowding issues, which can influence infectious disease transmission, school/work absences, mortality, health service contact, and life satisfaction.</p> <p>The main assumption is that insufficient affordable, available rentals drive the poor outcomes experienced by renters, by compelling them to:</p> <ul style="list-style-type: none"> Accept substandard housing (particularly if there are few or no alternative, affordable, available rentals; or if a tenant is in arrears or exceeding the number of tenants allowed in their lease/overcrowding). Reduce expenditure on wellbeing-supporting expenses, such as heating, transport (eg. to work or school), food, clothing, healthcare.
	Implications	<ul style="list-style-type: none"> The evidence noted above would support initiatives targeting homeownership. This has been a focus on many of the current Government's interventions in housing to date – including Kiwibuild, First Home Products and Progressive Homeownership. However, it has become clear that even these supported homeownership products are out of reach for the low-moderate income renters who are the targets of this initiative. It will be important to ensure that affordable rentals are adequately targeted to cohorts in need. s 9(2)(f)(iv) <p>However, applicants to the fund will need to demonstrate that the affordability (through direct subsidy or increased supply) benefits are proportionate to the degree of government support.</p>
Reduced and more effective Crown spending	Description	<p>The provision of more affordable rentals should lead to more effective Crown spending across multiple portfolios:</p> <ul style="list-style-type: none"> Improving wellbeing outcomes for renters, which will lead to reduced costs in healthcare, education, corrections and other government services for which demand is linked to the physical health, after-housing cost incomes, and psychological wellbeing of renters. Reduced expenditure, in some instances, on housing support products primarily designed to support financially stressed renters, including the Accommodation Supplement, Temporary Additional Support, and Emergency Housing Special Needs Grants.
	Quantification	<p>The high expenditure on housing support products for the target cohort and the strong link between housing affordability, stability, quality and outcomes in physical health, education and psychological wellbeing indicate that the effect could be significant (relative to the size of the fund).</p> <p>Long term shifts in government spending, particularly in the composition and scale of housing support (eg. AS, EHSNG), will require more funding being allocated to the fund.</p>
	Timeframes	<p>The new housing will positively affect the families' income and health from when they move in and will continue to benefit them throughout their lives. Deferred spending in areas such as healthcare would materialise only in long term.</p> <p>Given the scale of current housing support expenditure, it would be a long time, and require far more funding, for this fund to start offsetting current expenditure on housing support for stressed renters (e.g \$1.9 billion per annum in Accommodation Supplement).</p>
	Evidence and Assumptions	<p>Improving housing affordability, suitability and quality for low-moderate income renting households should have impacts on government expenditure (or national productivity) in other portfolios, particularly health. The New Zealand Population Survey found:</p> <ul style="list-style-type: none"> each year 28,000 children and 54,000 adults are admitted to hospital for potentially avoidable hospitalisations linked to poor housing damp or mouldy housing conditions are associated with the most hospitalisations, with close to 6300 hospitalisations annually resulting in approximately 37,000 nights in hospital and \$36 million in direct costs to the health care system. Overall, direct public sector costs attributable to these unsafe and substandard housing conditions are approximately \$141 million but could range from \$127 to \$160 million. <p>We have not been able to model the potential Accommodation Supplement offsets at a national level. This would be complex given the large range of potential households and what they might be currently receiving. We have calculated an illustrative example:</p>

		<ul style="list-style-type: none"> For a single pensioner in a median one bedroom rental in Auckland, the current Accommodation Supplement and Temporary Additional Support entitlement would be around \$12,600/year. An affordable rent (30% income) for the pensioner would be \$131/week or about \$6,800/year. Using a simple model based on Community Housing Provider deals in Auckland we estimated that a \$20,000/year subsidy would be needed to meet the gap between this contribution to rent and what is needed to cover development, finance and operation costs. This would result in the pensioner having a better after-housing costs income and would capitalise an affordable housing provider with an incentive to reinvest in more affordable supply (as opposed to capture by a private landlord with different incentives). This subsidy (which might also leverage co-contributions) would also be partially offset as the pensioner would receive more than \$10,000 less in Accommodation Supplement and Temporary Additional Support. <p>At an average cost of \$2,416 per grant or \$9,981 per client, any period of homelessness requiring an Emergency Housing Special Needs Grant that can be avoided by the provision of more affordable rentals would be a substantial cost saving to the Crown. Rather than accumulating to motel owners with no obligations for reinvestment, investment in the AHF would also support the ongoing capacity of a sector with a greater certainty of ongoing reinvestment in housing outcomes that align with government objectives.</p>
	Implications	<ul style="list-style-type: none"> Investment in affordable rentals has implications across multiple other spending portfolios. In these cases, addressing housing unaffordability is a preventative expense. The size of the fund means that its ability to offset the current housing support expenditure will be very limited. In the long term, much more funding would need to be secured for the Affordable Housing Fund to support a transition away from primarily relying on demand-side subsidies to support renters (which appear to be of limited effect in preventing rental stress or incentivising new supply).
Reduced carbon emissions through higher use of active and public transport and reduced vehicles kilometres travelled	Description	<p>The homes delivered through this fund should be generally higher density than would be expected in the status quo, s 9(2)(f)(iv)</p> <p>This will contribute to lower carbon emissions.</p>
	Quantification	<p>The impact is likely be relatively small given the size of the fund. However, the fund could be used to support demonstration projects for untested higher density typologies in certain areas (eg. regional centres like Hastings or Rotorua) or suburbs (eg. recently up-zoned Tier 1 cities), which could support the transition to more compact, climate sensitive developments in the future.</p>
	Timeframes	<p>There will be some immediate impact to the extent that households who move into higher density, well located rentals will be likely to reduce their vehicle-kilometres travelled. Over the longer term these developments could contribute to a broader shift in urban form and transport preferences that align with climate mitigation objectives.</p>
	Evidence and Assumptions	<p>Compact urban areas tend to generate fewer transport emissions than spread out forms of urban development. Evidence demonstrates that as urban density increases, private vehicle energy use tends to decrease as well as associated transport emissions. This is because people living in medium to high density areas, with mixed land uses, can readily access jobs, education, shops, amenities, and other important destinations nearby, and by using low carbon transport modes such as walking, cycling, and public transport.</p> <ul style="list-style-type: none"> The OECD modelled that land use policies which intensify development in Auckland can support transport policies by further decreasing emissions by around 10% in several of the scenarios modelled. From: OECD (2019) Decarbonising urban mobility with land use and transport policies: The case of Auckland Higher density housing development is associated with lower energy use for space heating due to smaller dwelling sizes as well as more internal and fewer external walls. <p>The impact of increased density in urban areas has been built into the assumptions being used in the current draft emissions reduction plan by the Ministry for the Environment.</p> <p>This impact assumes that:</p> <ul style="list-style-type: none"> rentals will generally yield a higher density of dwellings than owner-occupied homes. s 9(2)(f)(iv) <p>Evidence for the impact of higher density housing is generally theoretical or based on international research. There is limited information about the the potential scale of co-</p>

BUDGET SENSITIVE

		benefits or emissions reductions that can be made between different sectors in the urban environment (eg. transport, housing).
	Implications	The fund is small in scale but to the extent that the fund could support demonstration projects that provide good examples of medium density living, particularly in untested markets, it will play an important role in the broader effort to decarbonise urban form and transport (particularly if further funding is secured in the future). The fund will be complemented in this effort by recent changes to up zone urban land and accelerate the implementation of the National Policy Statement – Urban Development and improved infrastructure funding and finance systems to support intensification (eg. IFF Act, Infrastructure Acceleration Fund).

Section 3F: Distributional Analysis

Question 1: Does the initiative have the following types of distributional impacts for Māori?	A	Direct		Indirect	X	No Impact		
	B	Targeted and tailored for Māori		Disproportionate positive impact		Other (explain)		
	Māori are more likely to be renters and overrepresented on the public housing register (half) and are therefore disproportionately likely to be the kinds of households targeted by the projects funded through the AHF (even if they are not delivered by Māori providers or explicitly targeting Māori). The extent to which they stand to benefit depends on the proposals submitted through the fund and who they are targeting.							
Question 2: Does the initiative have the following types of distributional impacts for Pacific Peoples?	A	Direct		Indirect	X	No Impact		
	B	Targeted and tailored for Pacific Peoples		Disproportionate positive impact		Other (explain)		
	Pacific peoples are more likely to be renters and overrepresented on the public housing register (one in eight) and are therefore disproportionately likely to be the kinds of households targeted by the projects funded through the AHF (even if they are not delivered by Pacific providers or explicitly targeting Pacific households). The extent to which they stand to benefit depends on the proposals submitted through the fund and who they are targeting.							
Question 3: Does the initiative have the following types of distributional impacts for children?	A	Direct		Indirect	X	No Impact		
	To the extent that any households with children gain access to an affordable rental through this initiative, there will be an indirect distributional impact on children. However, households with children are not disproportionately likely to be the beneficiaries of this initiative. Initial analysis has identified sole parent households as a potential target cohort who are poorly served in the current rental market, although the extent to which they stand to benefit depends on the proposals submitted through the fund and who they are targeting.							
	B	Targeted and tailored for children		Disproportionate positive impact		Other (explain)		
Question 4: Does the initiative have direct impacts on any other population groups?	Y	The fund has the flexibility for applicants to define target cohorts currently underserved by the rental market. The fund could give the Crown the opportunity to test and validate models for providing affordable, appropriate rentals for these cohorts, which could inform future funding. We cannot know who these cohorts will be before the fund is launched, but early engagement and general observation indicate that elderly, sole parents, and key workers in high cost areas could be focus areas for applicants.						
Question 5: What region is this initiative expected to impact?	X	All of New Zealand		Gisborne		Northland		Tasman
		Areas outside regions		Hawke's Bay		Offshore		Waikato
		Auckland		Manawatu-Wanganui		Otago		Wellington
		Bay of Plenty		Marlborough		Southland		West Coast
		Canterbury		Nelson		Taranaki		

Section 4: Alignment

Section 4A: Strategic Alignment

How does this initiative link with your strategic intentions/statement of intent?	<ul style="list-style-type: none"> This initiative aligns clearly with HUD's priority to "Increase housing supply, improve rental and ownership affordability through a coherent package of tools and interventions focusing on supply side measures and measures to assist first home buyers." The Affordable Housing Fund is the most direct tool for addressing the breadth of need across the low-moderate income renting population (Whai Kāinga Whai Oranga has the flexibility to fill this gap in the context of Māori solutions). This initiative to convert the majority of funding to be non-recyclable is critical in making this fund effective to achieve this. This initiative indirectly aligns with the priorities to: <ul style="list-style-type: none"> Facilitate action to prevent and reduce homelessness through ongoing implementation of the Homeless Action Plan and responding to the impact of COVID-19, and Respond to the needs of New Zealanders most affected by the housing shortage, by working with Kāinga Ora, Community Housing Providers, iwi, Māori and local government to implement the Public Housing Plan <p>The effectiveness of the Homelessness Action Plan is limited by the availability of affordable rentals for supported households to transition into, and it is evident that many of the households on the housing register simply need an affordable rental.</p> This initiative also aligns with priorities to: <ul style="list-style-type: none"> Partner with communities and local stakeholders and drive improved housing and urban outcomes through the place-based approach Accelerate improved Māori housing outcomes through MAIHI and increasing partnerships with iwi, hapū and whanau Māori. Lead the Crown's response to WAI2750. <p>Because the flexibility to accommodate a range of applicants and target cohorts has been built into the assessment process, allowing flexibility to adapt to specific local needs and Māori aspirations.</p>
Does this initiative link with other sectoral or whole-of-government strategies (e.g. the Pacific Wellbeing Outcomes Frameworks)?	<p>This initiative is in clear alignment with The Government Policy Statement – Housing and Urban Development, in particular the priority that "Everyone lives in a home, whether rented or owned, that is stable and affordable. The quality, accessibility, size, and features of our homes support people and families to live healthy, successful lives."</p> <p>Within that priority, the initiative is particularly well aligned with priorities relating to adequate housing and disposable incomes, increased housing supply and choice, a well functioning rental market and a strong community housing sector.</p> <p>The Better Later Life – He Oranga Kaumātua 2019 to 2034 strategy prioritises older people and Kaumātua being able to live in their communities with access to a broader range of safe, secure, and affordable housing options that meet their needs, including rental options. Councils and some other housing providers target affordable rental housing to older tenants so funding that supports an increased supply of community affordable rental housing will likely have a disproportionate impact on older people. Likewise older people are more likely to have disabilities, and therefore any support for older people will also align with the aims set out in the Disability Action Plan 2019-2023.</p>
Does this initiative impact other agencies directly or indirectly? If so, how?	<ul style="list-style-type: none"> This initiative will most directly impact the Ministry of Social Development insofar as it should reduce the number of households applying for housing support products, or reduce the spending on households already receiving support. This impact will be small, given the scale of the fund. However, if more funding is secured in future budgets, the fund could serve as a mechanism for releasing pressure on this significant government expenditure. The initiative will require coordination with Te Puni Kōkiri and relevant teams within HUD where applicants may also be eligible for funding under the Whai Kāinga Whai Oranga programme. The Department of Internal Affairs is leading the Review into the Future for Local Government. This review will identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership. One of the priority questions is "What are the future functions, roles and essential features of New Zealand's system of local government?". Housing will be considered in this context. Support for affordable rentals would influence the role councils have in delivering housing. A final report is due in April 2023.

Section 4B: Alignment to Government's goals

The Government's goals for this term are:

- 1) Continuing to keep New Zealand safe from COVID-19
- 2) Accelerating the recovery and rebuild from the impacts of COVID-19
- 3) Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability and child poverty

Alignment to Government goals

- 3) *Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability and child poverty.*

This initiative will improve housing affordability by increasing the supply of affordable rental homes. Improving rental supply and affordability is a key objective of the Government. Inasmuch as this will reduce housing costs and increase after housing cost disposable income for some renting families, it will also indirectly reduce child poverty. Housing costs are known to be a significant driver of child poverty. The fund will contribute to our climate change response by supporting higher density typologies in accessible locations which more efficiently utilise space and materials (i.e. lower embodied carbon) and improve opportunity for active and public transport use (i.e. reduced vehicle kilometres travelled).

Section 4C: Contribution to the Government's Wellbeing Objectives

The Government's five wellbeing Objectives are:

- **Just Transition:** supporting the transition to a climate-resilient, sustainable, and low-emissions economy.
- **Future of Work:** enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation
- **Physical and Mental Wellbeing:** supporting improved health outcomes for all New Zealanders, including protecting New Zealanders from the impacts of COVID-19.
- **Māori and Pacific:** lifting Māori and Pacific incomes, skills, and opportunities, including through access to affordable, safe, and stable housing
- **Child Wellbeing:** reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing.

Contribution to Wellbeing Objective(s)

- *Reducing child poverty and improving child wellbeing, including through access to affordable, safe and stable housing*

This initiative will directly improve access to safe, affordable and stable housing for low-moderate income renting households. Housing costs are the largest household expense and a known driver of poverty.

- *Lifting Māori and Pacific incomes, skills, and opportunities, including through access to affordable, safe, and stable housing*

Māori or Pacific households are overrepresented in the rental market generally, and among rent-stressed households specifically, so are both disproportionately likely to benefit from more affordable rental supply (even if it is not targeted to them). **s 9(2)(f)(iv)**

- *Supporting improved health outcomes for all New Zealanders, including protecting New Zealanders from the impacts of COVID-19*

Improved supply of affordable rental housing should improve options for lower income renting households and reduce instances where these households are compelled, through financial hardship, to defer expenditure on health-promoting goods and services (eg. healthcare, food, clothing, heating) or accept health-reducing trade-offs in terms of the quality or suitability (especially size) their dwelling. Overcrowded households have a higher risk of transmitting COVID-19.

- *Supporting the transition to a climate-resilient, sustainable, and low-emissions economy*

s 9(2)(f)(iv)

his could be particularly impactful where, for example, medium density typologies are untested **s 9(2)(f)(iv)**

Section 5: Delivery

Section 5A: Fit with existing activity

How does the initiative link with existing initiatives with similar objectives?

Work is already underway to enable more housing to be delivered where it is needed. This includes infrastructure funding/financing, planning, land supply, and zoning. In particular, the AHF complements the Government's effort to support intensification and medium density housing through the National Policy Statement – Urban Development and regulatory settings/guidance to support the purpose-built rental sector. However, the market-rate homes delivered through these initiatives are not likely to be affordable for lower income renting households.

To catalyse and deliver affordable homes in the short term, the AHF will complement the delivery of public and transitional housing, progressive homeownership, first home products, the Kāinga Ora Land Programme and Land for Housing Programme by supporting development of non-government owned land to address the gap for households whose needs sit between public housing and homeownership or market rate rentals. Whai Kāinga Whai Oranga can fill this gap in the context of Māori solutions, but a wider fund is needed to cover the breadth of partnership opportunities and need across the renting population.

Is the initiative an expansion or a cost pressure for an existing initiative?

Y

This initiative updates the funding composition of the Affordable Housing Fund to better reflect its new mandate and the financial tools required to fulfil this mandate successfully.

If no, move on to section 5B. If yes, provide a concise overview of how this initiative will expand on or maintain existing services.

BUDGET SENSITIVE

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	
Existing funding for this/similar initiatives	<u>New Supply</u> 80.000 (RE) 30.000 (NR)	<u>New Supply</u> 80.000 (RE) 30.000 (NR)	<u>New Supply</u> 90.000 (RE) 40.000 (NR)	-	-	<u>New Supply</u> 250.000 (RE) 100.000 (NR)
Total funding sought for this initiative	<u>New Supply</u> 16.000 (RE) 110.000 (NR) 7.000 (IC)	<u>New Supply</u> 16.000 (RE) 110.000 (NR) 7.000 (IC)	<u>New Supply</u> 18.000 (RE) 130.000 (NR) 7.000 (IC) s 9(2)(f)(iv)	s 9(2)(f)(iv)		<u>New Supply</u> 50.000 (RE) 300.000 (NR) 21.000 (IC) s 9(2)(f)(iv)
% change between existing funding and funding sought	<u>New Supply</u> -80% (RE) +267% (NR) +10% (total)	<u>New Supply</u> -80% (RE) +267% (NR) +10% (total)	<u>New Supply</u> -80% (RE) +225% (NR) +19% (total)	-	-	<u>New Supply</u> -80% (RE) +200% (NR) +19% (total) s 9(2)(f)(iv)
Comments (optional)	NR – non-recyclable RE – recyclable IC – interest concession <ul style="list-style-type: none">The administering body will make trade-offs between s 9(2)(f)(iv) to most effectively utilise available non-recyclable operating funding. This will depend on the mix of proposals received and the tools required to progress the best value-for-money proposals.s 9(2)(f)(iv)No specific funding was sought in the original Residential Development Response Fund for an interest concession. The \$21m interest concession in the proposed initiative is based on a high level calculation of interest forgone using coupon bond rates as the base of 4.04% (as of January 2021) s 9(2)(f)(iv)					

	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives	-	-	-	-	-	-	-	-	-	-	-
Total funding sought for this initiative	-	-	-	-	-	-	-	-	-	-	-
% change between existing funding and funding sought	-	-	-	-	-	-	-	-	-	-	-
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

Section 5B: Funding sought by input

Provide a breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output. Add additional rows to the table as needed to capture each output separately. Please include which Vote(s) will be impacted by each component.

Formula and assumptions underlying costings	<p>Total new supply fund with conversion of \$200m recyclable to non-recyclable:</p> <p>Recyclable funding: \$50 million</p> <p>Non-recyclable funding: \$300 million (including \$6 million administrative costs)</p> <p>Interest concession: \$21 million</p> <ul style="list-style-type: none"> It is difficult to precisely quantify the breakdown between which cohorts will be targeted by different projects and the mix of tools that will be required, before we receive applications. s 9(2)(f)(iv) For the purposes of this exercise community affordable rentals are modelled as being targeted at a household earning \$50k/year, s 9(2)(f)(iv) s 9(2)(f)(iv) Assumed that 50% of units are in Auckland/Wellington and the other half are in the rest of New Zealand. Assumed development costs are \$530,000/unit and \$365,000/unit respectively. Households pay 30% gross household income on rent. All projects have 25% equity and need to cover the rest through grants or debt. s 9(2)(f)(iv) Other settings: Rental indexation (linked to incomes) is 2%, cost indexation is 3% (based on historical data and advised by CBRE), cost of debt is 4.5% (development), 5%-6% (mortgage short/long term), and the cash balance is always at least 1.1x total debt service. s 9(2)(f)(iv) <p>s 9(2)(f)(iv)</p>					
Input – Operating [Enter one number value per field only into CFISnet]	Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	
Input Information						
New supply - Community affordable rentals	36.000	36.000	38.500	-	-	110.500
s 9(2)(f)(iv)						
s 9(2)(f)(iv)	\$ 9				\$ 9	
FTE-specific Input Information (if applicable)						

BUDGET SENSITIVE

New FTE funding	-	-	-	-	-	-	-	-	-	-	
New contractor funding	-	-	-	-	-	-	-	-	-	-	
Additional FTE overhead funding	-	-	-	-	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-	-	-	-	
# of FTE's (employees and/or contractors)										-	-
What's the % increase in FTE compared to baseline FTE numbers										-	-
Input – Capital	Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-
Appropriations	New supply component – this will require the establishment of a new appropriation, and the disestablishment of existing appropriation: Residential Development Supply. Redevelopment component – this will require a new appropriation to be established.										

Section 5C: Options analysis

Options analysis

- Reprioritisation within baselines and non-spending arrangements are not feasible to deliver the objectives of the initiative without compromising delivery of other commitments.
- There are options to scale the funding between the preferred change of \$200m recyclable funding to be non-recyclable to the status quo case where the entire \$250m remains recyclable. The extent to which the fund can be used for grants s 9(2)(f)(iv) (and therefore effectively support affordable rentals) will decrease to the extent the preferred option is scaled back to the status quo. The less non-recyclable funding available, the fewer rentals we expect to be delivered. Our estimates suggest that converting \$200m to non-recyclable will double the yield of the fund.
- s 9(2)(f)(iv)

Counter-factual question

The Affordable Housing Fund will be less effective in delivering affordable rental if the bulk of the funding is required to be returned to the Crown. It will not be able to support nearly as many grants s 9(2)(f)(iv) and will reduce the number of applications that can be supported s 9(2)(f)(iv)

	s 9(2)(f)(iv)
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Section 5D: Scaled option

Option overview

As we do not know the quantum of funding required for specific projects, and how much variation there will be between projects, there is no meaningful point to draw a line between our preferred and a scaled option. The ability of the fund to effectively support affordable rentals through grants s 9(2)(f)(iv) will increase with the proportion of funding that is non-recyclable s 9(2)(f)(iv). The worked example assumes 50% of the intended funding (\$100m) is converted. It also assumes 50% of the funding for redevelopments of community affordable rentals.

BUDGET SENSITIVE

Provide a breakdown of what the minimum viable option would purchase. If the formula used or key assumptions made differ from those used for the primary option, briefly explain these. Add additional rows to the table as needed to capture each output separately.

Formula and Assumptions	Total fund with conversion of \$100m recyclable to non-recyclable:										
	Recyclable funding: \$150 million										
	Non-recyclable funding: \$100 million (includes \$6 million administrative costs)										
	<ul style="list-style-type: none">Same assumptions as previous section.In this scenario \$38 million of recyclable funding is not used due to insufficient non-recyclable funding to provide complementary grants needed to target the \$50k income household. s 9(2)(f)(iv)										
	<ul style="list-style-type: none">This scenario delivers s 9(2)(f)(iv) 400 community affordable units. This is s 9(2)(f)(iv) 200 (-30%) fewer community affordable rentals than the proposed case.										
	<ul style="list-style-type: none">In the base case where no funding is converted the fund delivers only s 9(2)(f)(iv) 200 (-66%) community affordable rentals. The majority of the non-recyclable funding is unallocated due to the necessity of grants to support the illustrative 'community affordable' project (targeting \$50k income) under the parameter that half of the projects are community affordable. In this scenario \$107 million of recyclable funding is not used due to insufficient non-recyclable funding to provide complementary grants needed to target the \$50k income household s 9(2)(f)(iv)										
	Operating Funding profile (\$m)										
Input - Operating	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total					
New Supply - Community affordable rentals	23.000	23.000	26.000	-	-	72.000					
s 9(2)(f)(iv)											
-s 9(2)(f)(iv)											
Total	46.000	46.000	92.000	40.000	-	224.000					
	Capital Funding profile (\$m)										
Input - Capital	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Total											
Appropriations	Current funding for this initiative is held within the Residential Development Supply appropriation which was established for the Residential Development Response Fund. This appropriation will be disestablished, with new appropriations created for the Affordable Housing Fund. This will include an operating expenditure appropriation for grants s 9(2)(f)(iv)										

Section 5E: Monitoring and Evaluation

The answer must not exceed 1-2 paragraphs.

Further work is required to design the monitoring and evaluation requirements. The assessment criteria will provide a basis from which this framework will be built, with clear outcomes sought from which the progress of the initiative can be monitored. Monitoring requirements will be built in to the contracts for grant funding s 9(2)(f)(iv) s 9(2)(f)(iv). Focus areas for ongoing monitoring and reporting across the fund could include the distribution of funding across different regions/cohorts and the development progress of projects

Existing performance and reporting systems from the Land for Housing and Kāinga Ora Land Programme provide a useful blueprint for the Affordable Housing Fund. This could include project summary templates provided to decision makers prior to final funding decisions, covering

objective alignment, involved parties, interdependencies and information about financial tools (eg. s 9(2)(f)(iv), s 9(2)(f)(iv)

Section 5F: Implementation readiness

Workforce: Are additional FTEs or contractors required?	Y	<p>We have been planning for the implementation of the fund since the repurposing of the RDRF was announced in March 2021. The FTE required for the new supply component remains the same regardless of the outcome of this bid. However, the redevelopment component of the bid may require 2-3 additional FTEs which, if needed, will be funded through baselines.</p> <p>For the new supply components we anticipate that administration and ongoing policy work will require:</p> <ul style="list-style-type: none"> • Potential Permanent Staff: team leader, investment managers, programme manager, financial review, operational policy support • Potential External Advisors: urban design review, probity advisor, quantity surveyor, legal (could be a mix of in-house and external support) <p>We expect to be able to meet these staffing requirements through baselines and the \$2 million per annum (over three years) already set aside for administrative costs from the \$100 million of non-recyclable funding allocated in Budget 2020.</p>
		We do not foresee any issues in securing the required staff or consultants to design and administer the fund with the \$2 million per annum allocated for this purpose.
Workforce: Resourcing considerations		To the extent possible, the fund will utilise existing administrative, policy and legal capabilities within HUD. We do not foresee any resourcing issues.
Timeframes		<p>The intention is to launch the AHF in mid-2022. Administrative staff will be required at this point but external advisors will be used before this to assist with developing processes and documentation. We anticipate the fund will be spent over the course of three years, s 9(2)(f)(iv)</p> <p>There will be ongoing negotiation and monitoring as developments proceed according to contracts. After deals are signed, it will be a year or more until homes are built and tenanted.</p>
Delivery Risks		<p>The sectors we intend to target s 9(2)(f)(iv) community affordable rentals are still relatively small scale and there is the risk that there are not enough operators with capacity to develop applications. A key risk is that we do not receive proposals for which the fund is being designed to support s 9(2)(f)(iv) Market warming and clear communication at launch should mitigate the risk to some extent, but we still cannot know the full breadth of proposals we will receive.</p> <p>There is a risk that developments will fail, operators are unable to sustain operation or shift use of dwellings away from agreed use, s 9(2)(f)(iv) which will be mitigated to the extent possible through thorough due diligence in the assessment process, clear contract terms, appropriate allocation of risk, and ongoing monitoring</p>
Market capacity		<p>There are signs that the construction sector is reaching capacity, with record demand, international and regional border restrictions intensifying labour shortages and global supply chain issues due to COVID-19. Labour and materials constraints have increased costs for firms, which they have passed through to higher prices.</p> <p>Various pieces of work are underway across the Construction Sector Accord, Infrastructure Commission, Ministry of Business Innovation and Employment, and Ministry of Transport to address workforce, supply chain and procurement issues.</p>
Previous delivery experience		<p>HUD has experience with delivering similar programmes through the public housing procurement teams, Land Acquisition and Development, and more recently, through Whai Kāinga Whai Oranga and Progressive Homeownership. These teams will provide valuable experience in designing financial tools, contracts, approach to market, and operation of the fund after launch.</p> <p>These teams also have extensive experience and established processes for due diligence, evaluation, monitoring and decision making on specific transactions, including for the Housing Innovation Fund, Housing Infrastructure Fund and Social Housing Fund. We expect there to be significant overlap of organisations applying for these historical and existing funds and for the AHF, though some of the applicants will be new.</p>

Contribution to the Government's Wellbeing Objectives

This table provides a space to outline the impact of your initiative on women / wāhine Māori specifically related to the Government's five Wellbeing Objectives. In this table, you will also need to consider the impact of the initiative and whether this impact is proportionally beneficial to women / wāhine.

Department to complete relevant sections. If not applicable, please fill in N/A. The Government's five wellbeing Objectives for Budget 2022 are:

- **Just Transition** - Supporting the transition to a climate-resilient, sustainable and low-emissions economy while building back from COVID-19
- **Future of Work** - Enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation, and support into employment those most affected by COVID-19, including women and young people
- **Māori and Pacific** - Lifting Māori and Pacific incomes, skills and opportunities, and combatting the impacts of COVID-19
- **Child Wellbeing** - Reducing child poverty and improving child wellbeing
- **Physical and Mental Wellbeing** - Supporting improved health outcomes for all New Zealanders and keeping COVID-19 out of our communities.

Alignment/ contribution to supporting women and girls to meet the Government's wellbeing objective(s)

This initiative could have an indirectly disproportionate benefit for women and children, to the extent that unaffordable rental housing is a key driver of child poverty. This is particularly acute for sole parents, who are overwhelmingly women (84% at Census 2018) and are particularly at risk of poor outcomes in the rental market due to the cost of raising children compared to the income from a single benefit or a job. Sole parents will typically be competing with dual-parent (and potentially dual-income) families for similar-sized homes (depending on the number/age of children).

According to StatsNZ, eighteen percent of sole parents stated that they did not have enough money to meet everyday needs. This compared with only 5.2 percent of partnered parents and 6.2 percent of those who were not a parent to a dependent child. A further 43 percent of sole parents stated they had only just enough money. Housing quality was also more of an issue for sole parents, with the proportions reporting a major problem with dampness or mould and with heating or keeping their house warm in winter around three times those of other New Zealanders.

[Wellbeing outcomes worse for sole parents | Stats NZ](#)