



Cabinet

Minute of Decision

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Advancing the Housing Supply and Affordability Package

Portfolios **Housing / Associate Housing (Māori Housing)**

On 31 May 2021, following reference from the Cabinet Business Committee, Cabinet:

Background

- 1 **noted** that in March 2021 Cabinet:
 - 1.1 agreed to a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061];
 - 1.2 agreed to establish a Housing Acceleration Fund comprising the Kāinga Ora Land Programme, Infrastructure Fund, and changes to the Land for Housing programme [CAB-21-MIN-0061];
 - 1.3 invited the Minister of Housing to report back by 30 June 2021 on the design parameters for the Infrastructure Fund, including on alignment with existing infrastructure processes (in particular three waters and transport) and ongoing collective ministerial oversight across alignment with the Treasury, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, Department of Internal Affairs and Kāinga Ora [CAB-21-MIN-0061];

- 2 **noted** that in Budget 2021, Cabinet agreed to:
 - 2.1 commit \$3.8 billion to the Housing Acceleration Fund, with approximately \$3.75 billion for the Infrastructure Fund, and \$50 million of additional funding for the Land for Housing Programme;
 - 2.2 \$46 million per annum over the next four years and out years for the operating costs associated with servicing the Kāinga Ora borrowing required to implement the Kāinga Ora Land Programme;[CAB-21-MIN-0116.15];

Infrastructure Fund

- 3 **noted** that the Infrastructure Fund forms the key component of the Housing Acceleration Fund;

- 4 **agreed** that the objective for Infrastructure Fund is to invest in infrastructure that unlocks housing development, and that this infrastructure investment will:
- 4.1 enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity;
 - 4.2 be limited to investments that would not otherwise be funded, or not funded fast enough to meet demand for housing;
 - 4.3 maximise value for money including through co-funding, contributions, and commitments from local government and third parties;
 - 4.4 enable the building of homes that are affordable for low-to-moderate income households;
 - 4.5 incentivise councils to use non-funding levers that enable housing development;
 - 4.6 create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation;
 - 4.7 align with wider government objectives, such as ensuring good urban form, partnerships with iwi and Māori, and the transition to a net-zero emissions economy;
 - 4.8 be spread across multiple regions and include both large urban areas and regional centres;
- 5 **agreed** to the following investment criteria and weightings for the Infrastructure Fund:
- 5.1 Housing benefits (40 percent);
 - 5.2 Impact of funding (20 percent);
 - 5.3 Cost and co-funding (20 percent);
 - 5.4 Capability and readiness (20 percent);
- 6 **noted** there are three components to the Infrastructure Fund, with the following indicative funding:
- 6.1 Kainga Ora Large Scale Projects **s 9(2)(j)** ;
 - 6.2 Contestable fund **s 9(2)(j)** ;
 - 6.3 Infrastructure for Māori housing (\$350 million);

Large scale projects

- 7 **noted** that the Kāinga Ora Large Scale projects align well with the objectives and criteria for the Fund, in particular by enabling brownfield intensification and redevelopment to occur at pace and scale in areas of high need with access to amenity and opportunity;

8 [Redacted] s 9(2)(j)

8.1 [Redacted]

8.2 [Redacted]

9 [Redacted] s 9(2)(j)

10 [Redacted] s 9(2)(j)

11 [Redacted] s 9(2)(j)

12 [Redacted] s 9(2)(j)

Infrastructure Fund Component 2: Infrastructure Acceleration Fund (competitive fund)

13 **agreed** that for most other infrastructure investments a contestable process is most appropriate given the wide range of potential projects and the need to provide for maximum impact;

14 **agreed** that the competitive fund may include multiple funding rounds;

15 **agreed** that the scope of eligible projects in the competitive fund be limited to:

15.1 new or upgraded enabling infrastructure in the form of transport (including local roading, state highways, public transport infrastructure, footpaths and cycleways), three waters (water supply, wastewater and stormwater) and flood-management infrastructure; and

15.2 which are wholly or primarily for the purpose of enabling the building of new or additional dwellings in the short to medium term; and

15.3 which are expected to enable at least:

15.3.1 200 additional dwellings in tier one urban environments (under the National Policy Statement on Urban Development);

15.3.2 100 additional dwellings in tier two urban environments;

15.3.3 30 additional dwellings elsewhere;

- 16 **agreed** that eligible costs include:
- 16.1 costs of feasibility studies and other early-stage development work;
 - 16.2 costs of designing, consenting, tendering and acquiring land (where it is wholly required for eligible infrastructure projects and broader large scale project activities);
 - 16.3 constructing eligible infrastructure projects;
 - 16.4 in limited situations, non-capital administrative costs where these are necessary to establishing complementary financing;
- 17 **agreed** that the lead applicants on proposals may be territorial authorities, developers or iwi, with developers encouraged to work through territorial authorities where possible;
- 18 **noted** that Kāinga Ora will not be able to apply directly to the competitive fund;
- 19 **agreed** to a two-path structure for the Fund with the following paths:
- 19.1 a 'Programme path' for main urban areas with where infrastructure investment is more complex;
 - 19.2 a 'Project path' for all other parts of New Zealand with a lower expected scale and complexity of housing infrastructure investment;
- 20 **agreed** that the following groups of Territorial Authorities, should they wish to apply to the Fund, must apply through the 'Programme Path' as a group:
- 20.1 Auckland Council;
 - 20.2 Smart Growth: Tauranga City Council and Western Bay of Plenty District Council;
 - 20.3 Future Proof: Waikato Regional Council, Waipa District Council, Waikato District Council, and Hamilton City Council;
 - 20.4 Wellington Regional Growth Framework: Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Kāpiti Coast District Council, Horowhenua District Council, South Wairarapa District Council, Carterton District Council, and Masterton District Council;
 - 20.5 Greater Christchurch Partnership: Christchurch City Council, Selwyn District Council and Waimakariri District Council;
 - 20.6 Queenstown Lakes District Council;
- 21 **agreed** that all other Territorial Authorities not listed in paragraph 20 above are eligible to apply under the Project Path;
- 22 **agreed** that both paths operate primarily as a two-stage process;
- 23 **agreed** that some projects may be fast-tracked through a one-stage process subject to the satisfaction of the Kāinga Ora Board committee (paragraph 29 refers) that:
- 23.1 the quality of the opportunity has already been well validated, in many cases through a previous central government process; and
 - 23.2 the proposal aligns very well to the competitive fund's criteria;

24 **agreed** that the following principles apply to co-funding requirements for developers and relevant landowners to the greatest extent possible:

24.1 developers and landowners should be paying a similar share of the costs of the infrastructure as would be the case if the infrastructure project was funded by traditional means through the local authority, which is generally the reasonable ‘growth’ portion of the total infrastructure cost;

24.2 in some cases this contribution can be non-financial (e.g. land or commitments to sub-market housing), but any such contribution should be similar in value to the foregone financial contribution;

25 **noted** that:

25.1 [REDACTED] s 9(2)(j)
[REDACTED]
[REDACTED]

25.2 [REDACTED] s 9(2)(j)
[REDACTED]

26 **agreed** that the competitive fund will provide for infrastructure traditionally paid for by local authorities and ultimately funded by rates, without requiring that this funding be recovered (although co-investment from Local Authorities will be sought in many cases);

27 **agreed** that Kāinga Ora will administer the competitive fund;

28 **agreed** that final decisions on investments within the competitive fund be made by the Minister of Finance and the Minister of Housing;

29 **agreed** that Ministerial decisions be informed by advice from a committee of the Kāinga Ora Board, subject to the Board establishing a committee with at least two members not on the Kāinga Ora Board and which has the following expertise represented:

- 29.1 housing development;
- 29.2 Māori housing
- 29.3 infrastructure delivery
- 29.4 local government
- 29.5 finance and risk management;

30 **noted** that to ensure that the advice from the Kainga Ora Board reflects the intent of the Fund and broader government priorities, the Minister of Housing will set out her expectations for the advice in a letter to the Chair of the Board;

31 **agreed** that the Kainga Ora Board committee be required in its advice to identify how input from the inter-agency reference group has informed its advice;

32 **agreed** that where the Kainga Ora Board committee recommends Ministers consider proposals in which Kāinga Ora has a material interest, then Ministers also be provided with independent second-opinion advice from the Ministry of Housing and Urban Development, and any other entities as directed by joint Ministers;

- 33 **agreed** to the following steps identified to support alignment between this Fund and other central government infrastructure funding processes:
- 33.1 requiring proposals to identify where central government funding has previously been sought or received in relation to the project and dependencies between this proposal and other processes;
 - 33.2 inviting applicants to also identify how non-financial powers of central government (e.g. Ministerial powers under the Resource Management Act 1991 (RMA), RMA fast-track, Urban Development Act powers) or local government could complement funding to maximise the impact;
 - 33.3 utilising cross-agency groups, particularly for the programme path proposals, including the Urban Growth Partnership and place-based partnership structures;
 - 33.4 triaging all proposals for where review by another agency is required;
 - 33.5 establishing an inter-agency infrastructure officials reference group to inform the recommendations of the Kainga Ora Board committee with the following entities represented: Treasury, Ministry of Housing and Urban Development, Department of Internal Affairs, Ministry of Transport, Waka Kotahi, Infrastructure Commission, and Crown Infrastructure Partners;

34 **noted** that further consideration is required for how to integrate the competitive fund with land transport funding process and Waka Kotahi investments, including the role for grants versus loans and management of conflicts of interest;

35 **authorised** the Minister of Finance, Minister of Housing and the Minister of Transport to make decisions on alignment between the land transport funding and the competitive fund;

36 **s 9(2)(j)**
 [Redacted text block]

37 **authorised** the Minister of Finance and Minister of Housing to determine monitoring, reporting and evaluation requirements and make any further implementation decisions for the competitive fund;

38 **s 9(2)(f)(iv)**
 [Redacted text block]

39 **authorised** the Minister of Housing to make any minor design decisions and/or technical adjustments to the settings proposed in the paper under CAB-21-SUB-0190 and implementation decisions relating to the competitive fund;

Infrastructure Fund Component 3: Infrastructure for Māori Housing

40 **noted** that while the competitive Infrastructure Acceleration Fund is well suited to supporting larger Māori-led commercially oriented investments; it is not the right solution for smaller Māori-led investments including papakāinga developments or rural investment with onsite infrastructure;

- 41 **noted** that in Budget 2021, Cabinet agreed to provide \$380 million toward increasing Māori housing supply (Whai Kāinga Whai Oranga) [CAB-21-MIN-0116.15 and CAB-21-MIN-0116.20], however this funding is only sufficient for provision of houses and not infrastructure which is also required in many cases, and there are Māori housing opportunities where infrastructure is the primary constraint;
- 42 **noted** that in May 2021, Cabinet agreed that \$350 million be made available through the Housing Acceleration Fund for a Māori Infrastructure Fund [CAB-21-MIN 0173];
- 43 **agreed** that in addition to the objectives of the Infrastructure Fund the Māori Infrastructure Fund will have two additional objectives of:
- 43.1 supporting new housing iwi led delivery models that sustainably increase Māori housing delivery in the medium to long-term;
 - 43.2 enable development on whenua Māori (but not be restricted to whenua Māori);
- 44 **noted** that the investment criteria for the Infrastructure Fund are relevant for the Māori Infrastructure Fund but before confirming these criteria they will need to be aligned to investment criteria being developed for Whai Kāinga Whai Oranga;
- 45 **authorised** the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori Housing) to determine final investment criteria for the Māori Infrastructure Fund;
- 46 **agreed** that the same rules for eligible projects and costs applied to the Infrastructure Acceleration Fund be applied to the Māori Infrastructure Fund with the following changes to enable smaller and rural developments:
- 46.1 onsite infrastructure (ie non-enabling infrastructure) including site remediation, onsite civils and foundations, onsite three waters including septic tanks is eligible for funding;
 - 46.2 no minimum dwelling requirements for projects to enable rural and smaller developments;
 - 46.3 transmission infrastructure and telecommunications infrastructure are eligible for funding where the costs won't be met by utility companies for example rural sites beyond the maximum distance from trunk infrastructure serviced by utility companies;
- 47 **agreed** that the lead applicants on proposals be Māori entities and housing providers (including developers and Regional/Tribal Development Entities);
- 48 **agreed** to a two-path structure for the Māori Infrastructure Fund with the following paths:
- 48.1 a 'Project Path' for small scale developments across Aotearoa;
 - 48.2 a 'Iwi Programme Path' for multi-year delivery programmes by Regional/Tribal Development Entities;
- 49 **agreed** that the project pathway will be contestable using an on-demand model opening on 1 July 2021, with proposals prioritised based on investment criteria with a particular emphasis on readiness balanced by place and need; and that there is no pre-determined target spend for particular places in this model;

- 50 **noted** that:
- 50.1 the programme pathway focuses on regional housing delivery co-ordinated by Regional/Tribal Development Entities;
 - 50.2 the development entities will be made up by one or more iwi and deliver multiyear programmes of housing delivery covering a range of tenures and typologies;
 - 50.3 in many cases projects will involve multiple funding sources, landowners and other stakeholders;
- 51 **noted** that Whai Kāinga Whai Oranga funding will support the establishment of these regional entities through capability and supply funding, with the programme pathway to be operational in 2022;
- 52 **agreed** that the iwi programme pathway run a closed negotiation model with maximum investment envelopes allocated to Regional/Tribal Development Entities in the following areas:
- 52.1 Te Tai Tokerau;
 - 52.2 Tairāwhiti;
 - 52.3 Kahungunu;
 - 52.4 Taranaki;
 - 52.5 Bay of Plenty/Rotorua;
- 53 **noted** that determining investment envelopes will require discussion with iwi and Māori partners and further analysis on need and readiness;
- 54 **authorised** the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori Housing) to determine final investment envelopes and the ability to add further regions;
- 55 **agreed** that developers and landowners do not pay a similar share of the costs of the infrastructure as would be the case if the project was funded by traditional means through the local authority;
- 56 **agreed** that the Ministry of Housing and Urban Development will administer the Māori Infrastructure Fund;
- 57 **agreed** that final decisions on investments within the Māori Infrastructure Fund be made by the Minister of Finance, Minister of Housing, and Associate Minister of Housing (Māori Housing);
- 58 **agreed** that Ministerial decisions be informed by advice from a Chief Executive lead MAIHI governance group;
- 59 **noted** that in Budget 2021, Cabinet agreed that before Whai Kāinga Whai Oranga funding can be spent, key settings must be approved jointly by the Minister of Finance, Minister of Housing, Minister of Māori Development and Associate Minister of Housing (Māori Housing) [CAB-21-MIN-0116.15];

- 60 **noted** that, following initial decision-making, the Associate Minister of Housing (Māori Housing), Minister of Māori Development and Associate Minister of Housing (Homelessness) will oversee Whai Kāinga Whai Oranga delivery;
- 61 **noted** that the Chief Executive lead MAIHI governance group will enable Whai Kāinga Whai Oranga Ministers to comment on alignment between Māori Infrastructure Fund projects and Whai Kāinga Whai Oranga projects;
- 62 **authorised** the Minister of Finance, Minister of Housing, and the Associate Minister of Housing (Māori Housing) to determine monitoring, reporting and evaluation requirements and any further implementation decisions for the Māori Infrastructure Fund;
- 63 **authorised** the Associate Minister of Housing (Māori Housing) to make any minor design decisions and/or technical adjustments to the settings proposed in the paper under CAB-21-SUB-0190, implementation decisions and ongoing responsibility for monitoring and evaluation relating to the Māori Infrastructure Fund;

Kāinga Ora Land Programme

- 64 **noted** that the Kāinga Ora Land Programme will enable it to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061];
- 65 **noted** that officials are currently preparing further advice on the detailed parameters of the Kāinga Ora Land Programme for approval by the Minister of Finance and Minister of Housing in mid-June 2021;

Land for Housing Programme

- 66 **noted** that the additional \$50 million of funding for the Land for Housing Programme will allow the government to acquire land in more places, at prices that will increase affordable supply, and a wider range of housing tenures;
- 67 **noted** that in March 2021, Cabinet authorised the Minister of Finance and Minister of Housing to agree new programme level targets and investment principles for the Land for Housing Programme that will further refine priorities for the funding [CAB-21-MIN-0061];

Refocused Residential Development Response Fund – s 9(2)(f)(iv)

- 68 **noted** that the Residential Development Response Fund was originally established to support residential construction activity during COVID-19, but that the risk of a potential decline in new house building and construction sector jobs has not materialised;
- 69 s 9(2)(f)(iv)
- 70 s 9(2)(f)(iv)

Purpose-built rentals

- 71 **noted** that in March 2021, Cabinet invited the Minister of Housing to report back on how government can further support increased delivery of high-quality rentals at both market and subsidised rent, including the impact of the Overseas Investment Act and tax treatment [CAB-21-MIN-0061];
- 72 **noted** that the Minister of Housing intends to provide the above report back in mid-2021.

Michael Webster
Secretary of the Cabinet