

In Confidence

Office of the Minister of Finance

Office of the Minister of Housing

Cabinet Economic Policy Committee

Resetting investment in housing and urban development

Proposal

- 1 This paper proposes targeted changes to programmes to maintain housing supply momentum and a first principles' review to reset investment in housing and urban development.

Relation to government priorities

- 2 The proposals in this paper relate to delivering enduring improvements to the Government's operating balance, improving value for money in public spending, supporting meaningful improvement in housing affordability and delivering against the Government Target to reduce the use of emergency housing by 75 percent by 2030.

Executive summary

- 3 The current funding system for housing and urban development is complicated and confused with multiple overlapping funds. Outcomes are variable with a mismatch between need and the level of support provided. Different levels of support for people with similar needs can be unfair and trap people in poverty.
- 4 To inform Budget 2024 we carried out a rapid review of existing funds and programmes to inform savings across the housing portfolio. We also propose through this paper targeted changes to underwriting programmes and the Land for Housing programme to maintain housing supply momentum.
- 5 To improve the effectiveness and impact of future investment we propose to reset the funding system for housing and urban development from first principles based on a clear view about the role for government. The reset of investment will be framed around three key principles:
 - 5.1 Ensuring investments optimise value for money, sustainably delivering on the Government's fiscal, economic and social objectives.
 - 5.2 Increasing the overall supply of housing where this complements our Going for Housing Growth policy to *improve ownership and rental affordability over the medium to long term.*
 - 5.3 Applying a social investment approach to improve affordability, access to housing, and support for those who need it, while they need it, to

reduce the Housing Register and get people out of motels in to stable housing.

- 6 The first principles review will develop a clear evidence-based framework for the role of government investment in housing and urban development and inform future investment priorities to shift the system through:
 - 6.1 Our response to the recommendations of the Kāinga Ora review for both Kāinga Ora and the wider system.
 - 6.2 Enabling the Community Housing Sector to grow and meet the needs of their communities.
 - 6.3 Progressing Going for Housing Growth including council incentives and the role of urban development authorities.
 - 6.4 Meeting our Government Target to reduce emergency housing use by 75 percent by 2030.
- 7 Our intention is to report back to Cabinet in November 2024 with initial outcomes from the review including recommendations around the role for government and implications for existing funds and programmes, a simpler set of funding tools that can be applied flexibly in places to meet identified need, s 9(2)(f)(iv) and an ongoing programme of work for the next three years s 9(2)(f)(iv).
- 8 Separate Cabinet report backs on our response to the Kāinga Ora review, Going for Housing Growth, and the Government Target to reduce emergency housing will also inform the specific recommendations included in the November 2024 report back and the ongoing programme of work.

Background

- 9 Fixing New Zealand's housing crisis is a key priority for this government and one of the most important things we can do to rebuild our economy. Our collective failure to build enough houses has trapped people in poverty, increased inequality, made us poorer rather than wealthier, and shattered the Kiwi dream of a property-owning democracy.
- 10 The Government's agenda to fix the housing crisis consists of five interlocking actions:
 - 10.1 Our Going for Housing Growth policy will make more land available for housing, fix infrastructure funding and financing, and introduce incentives to encourage cities and regions to go for growth.
 - 10.2 Improvements to the rental market will make it easier to be a landlord, and easier to be a tenant.
 - 10.3 Building and construction changes will improve competition and lower building costs.

- 10.4 Better social housing will better look after those who need support.
- 10.5 Reform of the Resource Management Act.
- 11 The Government is also committed to getting government expenditure under control after several years of significant growth across the public sector without corresponding improvement in outcomes.

Current Investment in Housing and Urban Development

- 12 At the most basic level, government investment in housing and urban development can contribute to three broad objectives:
 - 12.1 Increasing the supply of housing – this can include the volume of housing, particular typologies or locations, and can incorporate elements of quality.
 - 12.2 Improving affordability – by subsidising housing costs for households to address problems of low income and/or high housing costs. This can be done through “demand side” tools like the Accommodation Supplement or the “supply side” through social housing or affordable housing.
 - 12.3 Providing access and support – to people who can’t access market housing at any price and/or may experience multiple challenges to remaining in housing.
- 13 How programmes contribute to these three objectives is not always clear. The current funding system is complicated and confused with multiple overlapping funds. There are more than twenty appropriations – with even more programmes – across the Ministry of Housing and Urban Development (HUD) and the Ministry of Social Development (MSD) that seek to achieve these objectives.
- 14 To increase the supply of market, social and affordable housing there are currently two land development programmes, two underwriting programmes and separate funds for the new supply of Māori housing, progressive home ownership, affordable rentals and social housing. Te Puni Kokiri (TPK) and the Ministry of Pacific Peoples (MPP) also have housing supply programmes. The system is skewed towards delivering products rather than impact and outcomes.
- 15 The government spends over \$5 billion a year to improve affordability, provide housing assistance and support people in need. We do this by subsidising housing costs through the Income Related Rent Subsidy and Accommodation Supplement and providing interim housing and support through Transitional Housing, Emergency Housing and programmes like Housing First.
- 16 The large number of overlapping programmes are summarised in Table One below:

Table One: Summary of spending and investment in housing and urban development

Programme	What Government is buying	Funding	Changes
Increasing the supply of housing: land programmes, infrastructure funds and underwrites			
Land for Housing Programme	Facilitates development on crown and private land to increase supply and improve affordability.	\$1089m funding for land acquisition.	Changes in this paper remove requirement to deliver KiwiBuild homes.
Kāinga Ora Land Programme	As above on private land.	\$2bn debt facility.	New acquisitions have been paused.
Large Scale Projects (Auckland and Eastern Porirua)	Land development and infrastructure to regenerate suburbs with high concentration of social housing.	\$2.3bn funding envelope.	Budget 2024: funding envelope reduced by \$435m.
Infrastructure Acceleration Fund	Grants to bring forward enabling infrastructure.	\$1bn one off fund.	Fund now committed and monitoring delivery.
Shovel Ready Projects	As above.	\$277m one off fund.	Funding committed. Projects largely complete.
Housing Infrastructure Fund	Interest free loans to bring forward enabling infrastructure.	\$1bn one off fund.	Fund now committed and monitoring delivery.
Buying off the Plans (KiwiBuild) and Build Ready Development	Bring forward housing supply by pre-purchasing or underwriting sales.	\$427m recyclable funding.	Changes in this paper to merge to single general underwrite.
Improving affordability: supply and demand side programmes			
First Home Grants	First home deposit support for KiwiSaver members.	\$80m forecast in 2023/24.	Budget 2024: to be wound down.
First Home Loan	Subsidised mortgage insurance for low deposit loans.	\$18m forecast in 2023/24.	
Accommodation Supplement and Temporary Additional Support	Assists low-income households with housing costs.	\$2,559m forecasted in 2023/24.	Budget 2024: income from boarders now part of housing contribution assessment for subsidies.
Progressive Home Ownership	Interest free loans to deliver shared equity schemes to increase home ownership.	\$440m one off fund.	Fund committed. Monitoring delivery and impact.
Affordable Housing Fund	New rental supply to be rented below market rates.	\$150m one off fund.	Fund committed. Monitoring delivery and impact.

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Māori Housing (HUD and TPK)	Mixed tenure housing and housing repairs through Māori and iwi.	\$158m per annum from 24/25.	Budget 2024: \$10m per annum reduction.
Ministry of Pacific Peoples	Capability and housing supply through Pacific Housing Strategy. Affordable housing within Porirua Large Scale Project area	\$156m of time limited funding.	Pacific Housing Strategy funding committed. Affordable housing in Porirua part of wider agreement with Ngāti Toa and Central Pacific Collective.
Social Housing	Existing and new build social housing through Kāinga Ora and Community Housing Providers (CHPs).	\$1,537m forecast in 2023/24.	Budget 2024: 1,500 new places for CHPs. Kāinga Ora governance changes.
Housing Access and Support			
Transitional Housing	Temporary housing for people with urgent housing need and support into stable housing.	\$378m forecast in 2023/24.	Budget 2024: savings from underspends and not contracting some places.
Contracted Emergency Housing	As above through contracted motels in Rotorua.	\$27m forecast in 2023/24.	Budget 2024: savings from motel exits.
Public Housing Services (i.e. Housing First, Sustaining Tenancies)	Housing and support to address issues that may prevent people living independently.	\$95m forecast in 2023/24.	
Community Group Housing	Kāinga Ora homes leased at low rents to specialist providers for people with specific and complex needs.	\$31m forecast in 2023/24.	
Emergency Housing Special Needs Grants	Housing for people with an urgent housing need and nowhere to stay.	\$325m forecast in 2023/24.	Budget 2024: forecast savings from policy and operational changes.
MSD Housing Support Products	Grants for moving costs, bonds, rent in advance and arrears.	\$39m in 2022/23.	
MSD Housing Support Services	Ready to Rent programme, Integrated Services Case managers, Housing Navigators and Brokers.	\$55m in 2023/24.	Budget 2024: funding to continue Housing Support Services.

- 17 Despite the vast number of programmes and significant investment, there is a mismatch between need and the level of support provided. People with similar needs are accommodated in emergency, transitional and IRRS social housing as well as being in Kāinga Ora Community Group Housing and non-IRRS social housing (CHPs, councils, health service providers, and social service

providers). While some people in emergency housing have higher and more complex needs, many are primarily affected by low income, limited employment opportunities and a lack of affordable housing.

- 18 Different levels of support for people in similar situations can be unfair and trap people in poverty. In most cases the difference in circumstances between people receiving the Accommodation Supplement in private rentals and IRRS social housing tenants is modest, while the difference in after housing cost income can be significant.¹ We have heard of situations where people choose not to earn additional income because they are concerned about losing eligibility for social housing and the stability this provides. The lack of affordable rental choices limits mobility and deprives those with greater need from accessing social housing.
- 19 In addition to variable outcomes, many programmes do not have ongoing funding. This creates significant uncertainty for the wider system about where and how government will invest.

Short term and targeted changes to existing programmes

- 20 As part of Budget 2024 we carried out a rapid review of the funds and programmes administered by HUD. This informed the savings progressed through Budget 2024 (noted in Table One). We also have identified further targeted changes required now to underwriting programmes and Land for Housing to maintain housing supply momentum while the first principles review is underway.
- 21 The ongoing role and focus of existing programmes will be considered through the first principles review.

Underwrite programmes

- 22 The Minister of Housing previously announced the KiwiBuild programme will end. KiwiBuild has proved ineffective at increasing the supply of affordable homes for first home buyers.
- 23 We propose to retain an underwriting programme, in the short term, to mitigate current downturn in residential construction. We intend to simplify and refocus the current KiwiBuild Buying off the Plans and Build Ready Developments programmes to a single underwriting programme.
- 24 HUD expects annual residential consents to fall to 30,000 by mid-2025 from a peak of 51,000 in the year to May 2022. It is possible that annual consents may fall below 25,000. This is comparable to the 46 percent fall during the Global Financial Crisis, which led to a 25 percent reduction in the construction workforce. High interest rates and limited access to credit for buyers remain primary constraints to the pre-sales required for some new developments to access development finance and commence construction.

¹ For example, a sole parent with two children can be up to \$100 per week better off in Social Housing compared to a market rental with the Accommodation Supplement

- 25 Underwriting sales, where government commits to purchase a home if developers cannot find a market buyer, can be a cost-effective way to enable developers to secure required presales. Supporting a higher level of construction activity can mitigate the extent firms scale back activity, maintaining a higher level of workforce and sector capacity than otherwise and enabling a swifter and less inflationary recovery.
- 26 The single underwriting programme should incorporate lessons from the existing programmes. There should be no limits on who can buy the homes that are underwritten to increase the pool of potential buyers. We expect to focus on main centres where buyer demand is more likely to recover quickly, further reducing the underwriting risk. Underwrites should also be set at a discount to the expected market value of the homes, once completed, to ensure developers are appropriately incentivised to actively market and sell underwritten homes.
- 27 To reduce the Crown's current exposure to the 1,121 homes that are underwritten through the KiwiBuild Buying off the Plans programme, we intend to remove the requirement that homes be sold to eligible KiwiBuild buyers. This will increase the number of potential buyers and reduce the likelihood that government is required to purchase the homes through the underwrite agreements. The register of eligible buyers maintained by Kāinga Ora will also be wound down. Existing requirements that eligible purchasers live in their homes – which need to be monitored by Kāinga Ora – should be removed.
- 28 We expect the single underwrite programme could be in place by the end of September. The underwrite is intended to be used during market downturns. We will review its use periodically and scale the underwrite back as the market recovers. The first principles review will provide recommendations around any future use of underwriting tools.
- 29 Addressing the decline in construction activity requires urgent action. To meet an end September launch date, we are seeking joint delegated authority to make any decisions reasonably necessary to implement the general underwrite. This includes agreeing:
- 29.1 The detailed eligibility and assessment criteria.
 - 29.2 The terms of each underwrite.
 - 29.3 Any consequential amendments required to the existing KiwiBuild and Build Ready Development appropriations so they can be used for the general underwrite.
 - 29.4 How any underwritten homes acquired by the Crown will be used (e.g. as social housing) or on-sold.
- 30 Alongside decisions on design we will also reassess the state of the residential construction sector and whether the single underwrite proposed will have the intended impact to mitigate the downturn in construction activity.

- 31 Based on conservative assumptions around underwrites being triggered, available funding within existing appropriations could underwrite s 9(2)(f)(iv) homes at any point in time. Funding is required to purchase homes when underwrites are triggered, which has an upfront impact on net-debt. OBEGAL impacts are limited to holding costs prior to homes being on-sold, and any loss should homes be sold for below the underwrite price. Revenue from on-sold properties unwinds the initial net-debt impact provided homes are on-sold at or above the purchase price.
- 32 In the unlikely event that all underwrites were triggered at the same time and government is required purchase all the homes, the Crown's theoretical exposure through the proposed single underwrite would be up to s 9(2)(f)(iv) . This would be in addition to the \$650 million maximum exposure through existing commitments through KiwiBuild Buying off the Plans and the Build Ready Developments programmes.
- 33 Our proposed simplification and refocus of the underwrite, in addition to the requirement that joint ministers sign off all underwriting agreements, will mitigate but not entirely eliminate the risk that some underwrites are triggered.

Land for Housing

- 34 Ending KiwiBuild means we need to remove the delivery of KiwiBuild from the Land for Housing Programme (LFH Programme) mandate, previously agreed by Cabinet.
- 35 The LFH Programme has evolved from the one established by the last National Government to develop vacant and underutilised Crown land, in that it may now also purchase private land, and operate in the regions [CBC-17-MIN-0100]. The LFH Programme on-sells land to development partners and can offer deferred payment terms, in return for partners including at least 30 percent social or affordable housing within each development. Affordable homes must be sold as KiwiBuild homes, build to rent or progressive home ownership homes.
- 36 We recommend the LFH Programme mandate be updated to enable the Ministers of Finance and Housing to jointly approve 30 percent of homes in any one site being delivered to market as either social homes, affordable homes (at the current KiwiBuild price caps or the REINZ median), build to rent, or progressive home ownership homes. We intend to retain the 30 percent minimum requirement as developers are getting a benefit through the deferral of payment for land, but they will have more flexibility on the types of homes to be delivered.
- 37 The proposed mandate does not retain a requirement for homes to be sold to first home buyers with the focus on supporting supply and earlier recycling of Crown's capital. In practice, restrictions on who can buy homes can be difficult to enforce.

- 38 This change will be applied immediately to progress development agreements for three sites held by the LFH Programme in Auckland with a potential yield of 379 homes. These changes will also be applied to any future land acquisitions approved by Joint Ministers. HUD will also update existing development agreements to replace the KiwiBuild requirement where required.
- 39 The simplified underwriting programme proposed in this paper has the potential to derisk other LFH Programme developments, enabling developments to proceed and increase the speed at which the Crown can recover the capital used to purchase the land.

Investment needs to be reset from first principles

- 40 To improve the effectiveness and impact of future investment we propose to reset the funding system for housing and urban development from first principles based on a clear view about the role of government.
- 41 We need to rationalise a vast number of programmes to a simpler set of funding tools that can be applied flexibly in places to meet identified need. Investment should take a social investment approach, informed by improved understanding of the costs and clarity around intended impact of investment.
- 42 We propose the review is framed around three key principles for the role of government:
- 42.1 Ensuring investments optimise value for money, sustainably delivering on the Government's fiscal, economic and social objectives.
 - 42.2 Increasing the overall supply of housing where this complements our Going for Housing Growth policy to *improve ownership and rental affordability over the medium to long term*.
 - 42.3 Applying a social investment approach to improve affordability, access to housing, and support for those who need it, while they need it, to *reduce the Housing Register and get people out of motels in to stable housing*.
- 43 These guiding principles will ensure the review provides a sharp focus on the underlying market failures or social investment need, and why government investment is the best approach to achieve our priorities.
- 44 This first principles review will also inform future investment to shift the system through:
- 44.1 Changes to Kāinga Ora and the system recommended by the **independent review of Kāinga Ora** including being an active purchaser that applies a social investment approach.
 - 44.2 Contestable access to funding and financing to **enable the Community Housing Sector to grow** and meet the needs of their communities (across a range of tenures).

44.3 Better targeting housing and support to meet our **Government Target to reduce emergency housing use by 75 percent by 2030.**

44.4 Our **Going for Housing Growth** policy including council incentives and the role of urban development authorities.

45 Key matters we expect the review will cover are below:

Increasing the overall supply of housing

46 Increasing the supply of housing to put downward pressure on rents and house prices is the primary focus of our Going for Housing Growth policy and changes to building and construction. Direct investment in the supply of market, affordable, and social housing can complement these policies and expand overall supply where additional housing is delivered relative to what the market would do otherwise.

47 Not all new housing funded by government adds to supply. In buoyant markets there can be a significant risk that government investment simply crowds out private activity or brings forward development that would have occurred anyway. During downturns, in regional locations and where development occurs on whenua Māori land, additionality from government investment may be higher.

48 Understanding how direct government investment and other government intervention can best increase housing supply will be a key focus of our Going for Housing Growth work on the role of urban development authorities. We will need to be clear where investment contributes to additional housing supply, or alternately supports delivery in particular locations or typologies, or aims to regenerate areas of high deprivation. There may be a clear role for government in each instance, but the impacts and what we should be willing to pay will be different.

49 As part of the review, and the Going for Housing Growth programme, work will begin on considering how to provide financial incentives for councils to support growth, including exploring sharing a portion of GST collected on new residential construction as outlined in the National - ACT coalition agreement.

s 9(2)(f)(iv)

50 The extent that new housing supply is additional will not be static. The review will provide clarity around where government investment is expected to contribute to additional housing, including through different points in the economic cycle and places. We would expect that as our Going for Housing Growth and building and construction policies bed in, there may be less need for government investment to stimulate supply.

Applying a social investment approach to improve affordability, access to housing

- 51 In a well-functioning housing system, government spending and investment would improve housing choices and be tailored to need. For example:
- 51.1 For people with challenges in accessing market housing this could mean living in a social home while they need it. The social home could be provided by Kāinga Ora or a CHP. People would have options to transition from social housing to the rental market, should their situation improve and they no longer require a social home (and free it up for someone with higher needs).
 - 51.2 For those on lower incomes this may mean a private rental supported by the Accommodation Supplement, or an affordable rental provided by a CHP.
 - 51.3 Some people may require some additional support to retain their private rental (i.e. Ready to Rent or Sustaining Tenancies) or specialist wrap around support in their private, social or affordable home.
- 52 To improve the effectiveness and targeting of the various programmes that provide access to housing or support, officials are developing better information on the drivers of need. This includes understanding need in place, why people come into emergency housing, where people go when they leave, and the drivers of repeat spells in emergency housing. The initial focus is to better target housing and support to make progress against our Government Target to reduce use of emergency housing, with the first Cabinet report back in mid-July. Over time, this will support a shift towards a social investment approach and more outcomes-based procurement.

53 s 9(2)(f)(iv)

54 s 9(2)(f)(iv)

55 s 9(2)(f)(iv)

Ensuring value for money and effective delivery of outcomes

- 56 The review will improve our data and evidence on the cost of interventions and the impact for individuals, community and government. We need to be clear about the best ways to increase supply, improve affordability and

provide access and support. This will enable funding to be reconsidered or reprioritised to programmes that work from those that don't, and to ensure we fund the least cost approach. A strong evidence base also enables us to try new things and innovate.

- 57 There will be limits to our understanding of local needs and government does not have all the answers. Delivery through local partnerships will be critical.

s 9(2)(f)(iv)

- 58 To support these local partnerships and to grow the community housing sector we need to ensure there is as much of a level playing field as practical in accessing funding and finance. The review will make recommendations about moving to a simpler and more effective set of funding tools that can be applied flexibly in places to meet identified need.

s 9(2)(f)(iv)

- 59 An initial priority is to enable CHPs to access lower cost finance – ultimately on an equivalent basis to Kāinga Ora. While Kāinga Ora as a government entity can debt finance new housing supply through the Debt Management Office at low interest rates, the community housing sector face multiple barriers to accessing finance. We have seen a number of innovative proposals from the sector

s 9(2)(f)(iv)

- 60 The review will also consider Kāinga Ora review's recommendation to consolidate government funding under the Minister of Housing and expectations for formal reporting of outcomes by a third party.

- 61 The investment framework developed will also comply with the Cabinet Office Circular 23(9) Investment Management and Asset Performance in Departments and Other Entities.

First principles review: next steps

- 62 Our intention is to report back to Cabinet in November 2024 with initial outcomes from the review. This will include recommendations around the role for government and implications for existing funds and programmes, a simpler set of funding tools that can be applied flexibly in places to meet identified need, s 9(2)(f)(iv) and an ongoing programme of work for the next three years s 9(2)(f)(iv).

- 63 Over the coming months Cabinet will also make decisions around key shifts to the system that will inform further specific recommendations for the November 2024 report back and our ongoing programme of work, including:

- 63.1 [REDACTED] s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]
- 63.2 The Associate Minister of Housing will report back on the Government Target to reduce emergency housing by 75 percent to Cabinet by mid-July.

- 64 We will also provide regular updates on the first principles review to the Housing Ministers group as required.²

Cost of living implications

- 65 There are no direct cost of living implications from the proposals in this paper.

Financial implications

- 66 [REDACTED] s 9(2)(f)(iv)
[REDACTED]
[REDACTED]

Legislative implications

- 67 There are no legislative implications from the proposals in this paper.

Impact analysis

Regulatory Impact Statement

- 68 There no regulatory impacts from the proposals in this paper.

Climate implications of policy assessment

- 69 There are no climate implications from the proposals in this paper.

Population implications

- 70 The first principles review will enable significant shifts to how the government invests in the housing and urban development. This will improve the impact and effectiveness of government investment through better targeting or housing and support to the needs of different populations and in place.

Human rights

- 71 There are no direct implications from the proposals in this paper.

² The Housing Ministers group consists of the Minister of Finance, Minister of Housing, Minister of Social Development and Employment, Associate Minister of Housing, the Minister for Building and Construction and the Parliamentary Undersecretary to the Minister for Infrastructure and Minister for Resource Management Reform.

Use of external Resources

- 72 The first principles review may require use of external resources where this requires specific expertise that is not available within agencies.

Consultation

- 73 This paper has been prepared by HUD. The Treasury and the Ministry of Social Development have been consulted.

Communications

- 74 The Minister of Housing has already announced our intention to review funds and programmes from first principles, including to the Social Services and Community Select Committee as part of the estimate review.
- 75 HUD will communicate changes to the LFH programme mandate to development partners once agreed by Cabinet.
- 76 We will announce the wind down of existing underwrite programmes and launch of a single underwrite programme by the end of September. .

Proactive Release

- 77 We intend to proactively release this paper following announcement of the single underwrite programme.

Recommendations

The Minister of Finance and the Minister of Housing recommends that the Committee:

Targeted changes to existing funds and programmes

- 1 **Agree** to end the KiwiBuild programme and Build Ready Development pathway.
- 2 **Agree** to move to a single underwriting programme to mitigate the current downturn in residential construction that:
 - 2.1 Prioritises housing supply in main centres where buyer demand is more likely to recover quickly reducing the underwriting risk.
 - 2.2 Has no limits on who can buy the underwritten homes to increase the pool of potential buyers.
 - 2.3 Sets underwrites at a discount to the expected market value of the homes, once completed, to ensure developers are appropriately incentivised to actively market and sell underwritten homes.
- 3 **Delegate** authority to the Minister of Finance and the Minister of Housing to make any decisions reasonably necessary to give effect to recommendations

1 and 2, drawing on the existing KiwiBuild and Build Ready Development appropriations.

- 4 **Note** the LFH Programme currently includes a requirement to deliver KiwiBuild as part of the 30 percent minimum requirements for development outcomes on any one site [CBC-17-MIN-0100 refers].
- 5 **Agree** the Ministers of Finance and Housing can jointly approve 30 percent of homes in any one site being delivered to market as either social homes, affordable homes (at the current KiwiBuild price caps or the REINZ median), build to rent or progressive home ownership homes.
- 6 **Note** the updated affordable housing requirement set out in recommendation 5 would not require affordable homes to be sold to first home buyers.
- 7 **Agree** to delegate authority to the Chief Executive of the Ministry of Housing and Urban Development, who may sub-delegate as required, to update the terms of existing LFH Programme development agreements to replace existing minimum requirements for developers to deliver KiwiBuild and/or social housing with the updated affordable housing requirement as set out in recommendation 5.

First principles review of funds and programmes

- 8 **Note** the Minister of Housing will undertake a first principles review of current and future investment in housing and urban development.
- 9 **Agree** that the role of government investment in housing and urban development should be framed around three key principles:
 - 9.1 Ensuring investments optimise value for money, sustainably delivering on the Government's fiscal, economic and social objectives.
 - 9.2 Increasing supply where this complements our Going for Housing Growth policy to improve ownership and rental affordability over the medium to long term.
 - 9.3 Applying a social investment approach to improve affordability, access to housing, and support for those who need it, to reduce the Housing Register and get people out of motels in to stable housing.
- 10 **Note** the three principles in recommendation 9 will inform future investment priorities to shift the system through:
 - 10.1 Our response to the recommendations of the Kāinga Ora review for Kāinga Ora and the wider system.
 - 10.2 Supporting the Community Housing Sector to grow and meet the needs of their communities.
 - 10.3 Our Going for Housing Growth policy including council incentives and the role of urban development authorities.

- 10.4 The delivery plan for our Government Target to reduce the use of emergency housing by 75 percent by 2030.
- 11 **Note** the Ministers of Finance and Housing will report back to Cabinet in November 2024 with the initial outcomes from the review and recommendations on:
- 11.1 The role for government investment in housing and urban development and implications for existing funds and programmes.
- 11.2 A simpler and more effective set of funding tools that can be applied flexibly in places to meet need.
- 11.3 s 9(2)(f)(iv)
- 11.4 An ongoing programme of work over the next three years s 9(2)(f)(iv).
- 12 **Note** that as part of the review, and the Going for Housing Growth programme, work will begin on considering how to provide financial incentives for councils to support growth.
- 13 s 9(2)(f)(iv)
- 14 **Note** we will provide regular updates on the review to the Housing Ministers group.

Authorised for lodgement

Hon Nicola Willis
Minister of Finance

Hon Chris Bishop
Minister of Housing