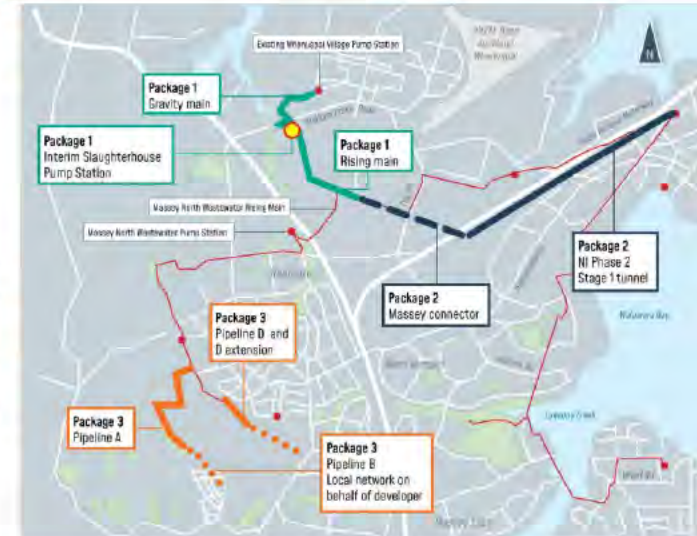


Auckland Northwest – Red Hills and Whenuapai

Project overview

Project area map

Date signed	HUD portion	NZTA portion	Housing delivery
Sept 2018	\$136.3m for: <ul style="list-style-type: none"> Wastewater mains Pump stations Stormwater management 	\$35.3m (was \$202.9m until Oct 2024) for: <ul style="list-style-type: none"> Arterial roading including bus and cycle lanes 	Enabled once infrastructure is delivered: 7,770 Houses enabled by infrastructure to date: 0 (note some houses have been delivered in the area without the necessary infrastructure provision).



Loan History (pre and post Oct 2024 rescoping)

Loan to:	Council	NZTA	Total	Loan to:	Council	NZTA	Total
Drawn	\$3m	\$0	\$3m	Drawn	\$3m	\$0	\$3m
Remaining	\$133.3m	\$202.9m	\$336.2m	Remaining	\$133.3m	\$35.3m	\$168.6m
Total	\$136.3m	\$202.9m	\$339.2m	Total	\$136.3m	\$35.3m	\$171.6m

Delays

Wider context

The key causes of delays to project delivery were the severe impacts of COVID-19 and severe weather events:

- COVID-19 lockdowns resulted in work stoppages, delays, and supply chain issues/price escalations.
- Resources were diverted to address emergency situations (such as flooding events in Nelson and Tasman areas (mid-2021), extraordinary rain event in Auckland (January 2023), and the cyclone (February 2023)) further impacting infrastructure project delivery.

Overall completion of the project is approximately **3 years** behind schedule compared to what was originally agreed (originally due to be complete June 2025).

- The Northwest is one of the joint Priority Development Areas in the Auckland Future Development Strategy, which is supported by the Auckland Housing and Urban Development Partnership.
- The North-West PDA Central and Local Government Leads group was established in 2023 to better align investment and joined-up planning cross-agencies to support anticipated growth. The group is made up of representatives from both local and central government including Auckland Council and its council-owned organisations, and seven Crown organisations.
- At Auckland Council's request, the HIF NLTF co-funding for transport infrastructure in the Northwest was reduced from \$202.9m to \$35m in October 2024. These savings are expected to be banked during the March baseline update, but do not impact on Vote Housing.
- The NLTF is co-funding two nearby projects, which are also listed in Schedule 2 of the Fast Track Bill:
 - Road of National Significance - SH16 North West Alternative Highway, which will be delivered outside the current NLTF period.
 - SH16 Northwest Rapid Transport corridor: route protection, design and property purchase along the city centre to Northwest corridor, and delivery of a new local bus station at Westgate by mid-2026.
- Some housing has been delivered in the area without the necessary water services supporting infrastructure, resulting in sewage being trucked away.
- Auckland Council is proposing to update Development Contributions in the area to better reflect actual costs of growth infrastructure in the Northwest

Waikato – Te Kauwhata

Project overview

Date signed	HUD portion (note, no NZTA portion)	Houses
July 2020	\$38m for: <ul style="list-style-type: none"> Upgrades to the water supply system A new wastewater treatment plant and reticulation network 	Enabled once infrastructure is delivered: 2790 Houses delivered to date: ~200 (+ 600 sites are infrastructure ready).

Loan history

Loan to:	Council	NZTA	Total
Drawn	\$12.9m	-	\$12.9m
Remaining	\$25.1m	-	\$25.1m
Total	\$38m	-	\$38m

Project area map



Delays

Delays with obtaining the discharge consent for the wastewater upgrades. Waikato District Council is currently going through consultation on an alternative proposal.

Overall completion of the project is approximately **4 years** behind schedule compared to what was originally agreed (originally due to be complete June 2026).

Wider context

- Future Proof has adopted its Future Development Strategy, with Te Kauwhata included as part of collection of North Waikato Priority Development Areas, linking into existing Hamilton to Auckland Corridor Plan.
- Kāinga Ora and Winton have an active Land Supply Agreement for the Lakeside Residential Development in Te Kauwhata, whereby Winton masterplans and gets the land infrastructure ready, and Kāinga Ora purchase it off Winton at a previously agreed set price. The Lakeside Development will deliver approximately half the development capacity enabled by the HIF financed infrastructure.

Queenstown – Ladies Mile

Project overview

Date signed	HUD portion	NZTA portion	Houses
Sept 2018	\$17.5m for: <ul style="list-style-type: none"> New three waters infrastructure including water reservoirs, rising mains, and pump stations Roundabout on SH6 Bus stops A pedestrian and cycle underpass 	\$6.5m for: <ul style="list-style-type: none"> Roundabout on SH6 Bus stops A pedestrian and cycle underpass 	Initially 1,100, but now 2400 will be enabled once infrastructure is delivered. 0 delivered to date.

Project area map



Loan History

Loan to:	Council	NZTA	Total
Drawn	\$1.8m	\$0	\$1.8m
Remaining	\$15.7m	\$6.5m	\$22.2m
Total	\$17.5m	\$6.5m	\$24m

Delays

- **Plan changes:** delays due to issues around planning and consenting.
- **Resourcing:** currently the industry is very busy in the Queenstown area and most businesses are suffering from staff shortages. It is particularly challenging to find skilled and experienced staff for higher-level roles. This means that there is high demand for construction resource which could have an impact on construction milestones.

Overall completion of the project is approximately **8 years** behind schedule compared to what was originally agreed (originally expected to be completed in June 2024).

Wider context

- Ladies Mile is a Priority Development Area under Queenstown Lakes District Council's Future Development Strategy, which was developed by the Grow Well Whaiora Urban Growth Partnership.
- Ladies Mile is a strategically important greenfield development area in Queenstown because of its proximity to Frankton and the airport. Maximising housing outcomes from this area and alignment infrastructure through planning processes has contributed to delays.
- The Ladies Mile Masterplan was initiated in 2020 and involved extensive community engagement. The project was overseen by a cross-agency working group (including Queenstown Lakes District Council). The Master planning process was important to ensure housing outcomes were maximised from the site and that infrastructure (from multiple agencies) was aligned. To give effect to the Te Pūhahi Master Plan, the area is currently going through the Streamlined Planning Process. The plan variation was recently approved by the Minister for the Environment. The Variation becomes Operative on 6 December 2024. The Council has also been investigating alternative planning and funding and financing tools to speed up, help fund, and better align the overall development.
- One of the Schedule 2 listed projects in the Fast Track Bill, Flint Urban Development, is within the Ladies Mile project area.
- The Queenstown Package (a Road of Regional Significance (RORS) identified in NLTF 24-27) includes investment in and around Ladies Mile.
- The HIF was a catalyst for investment in Ladies Mile, and through progressing the plan change via the Streamlined Planning Process, housing yield in this area has now doubled (from 1100 to 2400).

Queenstown – Quail Rise

Project overview

Date signed	HUD portion	NZTA portion	Houses
Sept 2018	\$11.6m for: <ul style="list-style-type: none"> Water reservoir and supply mains Wastewater mains and stormwater mains 	\$4.5m for: <ul style="list-style-type: none"> Bus shelters Pedestrian/cycleway underpass Arterial road connecting Quail Rise to SH6 	900 will be enabled once infrastructure is delivered. 0 delivered to date.

Project area map



Loan History

Loan to:	Council	NZTA	Total
Drawn	\$2.3m	\$0	\$2.3m
Remaining	\$9.3m	\$4.5m	\$13.8m
Total	\$11.6m	\$4.5m	\$16.1m

Delays

- Delivery of housing has been delayed, meaning Quail Rise is no longer a priority for the council and is not included in QLDC's Long Term Plan.

Overall completion of the project is at **least 2.5 years** behind schedule compared to what was originally agreed (originally expected to be completed in June 2022, but now the timing of expected completion is unknown).

Wider context

- Quail Rise is an identified growth area in the Joint Spatial Plan. The surrounding area, Frankton, is of strategic importance to achieving the consolidated approach to growth. This is due to its significant development potential and access from the frequent public transport network. Queenstown Airport is largest single land use in the Frankton Metropolitan area and is a key entry point to the region and to New Zealand.
- It is desirable for land uses in Frankton to be maximised, requiring careful management of the interface between airport operations and the communities of Frankton who are impacted by its operation.
- Quail Rise is located along SH6. The Queenstown Package covers an upgrade to the SH6/SH6A intersection (BP roundabout), which involves replacing the roundabout with traffic signals. An extension to the bus hub is also underway, which will provide for better public transport options.



Briefing

FIRST HOME LOAN NEXT STEPS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	4 December 2024	Priority	High
Tracking number	HUD2024-005707		
ACTION SOUGHT			
Action sought	Agree to additional actions to enable implementation of the First Home Loan cost recovery as part of Budget 2025. Note that you have already agreed to move the First Home Loan to full cost recovery.		
Deadline	9 December 2024		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Julia Pearce	Policy Manager, Social Housing and Other Supports	s 9(2)(a)	✓
Amalia Wan Ismail	Policy Advisor, Social Housing and Other Supports	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
The Treasury, Kāinga Ora – Homes and Communities			



RECOMMENDED ACTIONS

It is recommended that you:

First Home Loan

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. | Note you have already agreed to HUD submitting the Budget 2025 Savings Initiative for the First home Loan cost recovery which would provide savings of up to \$18 million per annum [HUD 2024-005383 refers] | <i>Noted</i> |
| 2. | Note that HUD will submit the Budget 2025 Savings Initiative to The Treasury for the First Home Loan cost recovery by 23 December 2024. | <i>Noted</i> |
| 3. | Note that Kāinga Ora is obliged to give lenders a minimum of 30 days of notice before changes to the First Home Loan can take effect | <i>Noted</i> |

Kāinga Whenua Loan

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 4. | Note that the volume of Kāinga Whenua Loans per year is so small that HUD does not see scope for savings from this scheme | <i>Noted</i> |
| 5. | Note that the Kāinga Whenua Loan is funded out of the same appropriation as the FHL | <i>Noted</i> |
| 6. | Agree to retain funding of \$0.100 million per annum in the appropriation to ensure sufficient funding for the Crown contribution of the insurance premium to the Kāinga Whenua Loan | <i>Agree/Disagree</i> |

Julia Pearce
Policy Manager, Social Housing and Other Supports
04 / 12 / 2024

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

1. To advise you on next steps and timing to move the First Home Loan (FHL) scheme to full cost recovery to input in the Budget 2025 Savings Initiative Submission.

How to implement changes to the First Home Loan scheme

You have agreed to move the First Home Loan (FHL) to full cost recovery through Budget 2025

2. You have already agreed to stop Crown contribution to the FHL insurance premium by moving the FHL to full cost recovery [HUD 2024-005383 refers]. This will generate operating savings of up to \$18 million per annum and will be reflected in HUD's Budget 2025 Savings Initiative Submission.
3. Kāinga Ora – Homes and Communities (Kāinga Ora) administers the FHL insurance scheme and receives a premium of 1.2 percent of the loan value for every FHL underwritten. The insurance premium insures lenders against losses arising from mortgage defaults.
4. Costs towards the premium are currently shared between the first home buyer and the Crown, with contribution rates of 0.5 percent and 0.7 percent respectively. Under full cost recovery, the buyer will pay the full premium and the Crown will stop its funding. This raises the premium for the buyer from 0.5 percent to 1.2 percent, which can be added to the loan or paid upfront.
5. The insurance premium will not be adjusted for existing borrowers of the FHL or first home buyers who have settled on the FHL prior to the changes taking effect. However, there will be first home buyers who have pre-approved or approved FHL lending but have not settled when the premium rate changes. There is a chance that the Crown will have to continue payments in FY2024/25. HUD expects this would be a very small amount, but HUD will reflect the amount needed to hold in the appropriation to cover this in the Budget 2025 Savings Initiative Submission.

HUD has assessed that moving the FHL to cost recovery is unlikely to impact uptake for first home buyers

6. For an average FHL of \$550,000, the premium paid by buyers would increase from \$2,750 to \$6,600. If the premium is added to the loan, this would mean for an average FHL mortgage, the loan would change from \$552,750 to \$556,600, a difference of \$3,850.
7. The cost increase is less than 1 percent. Given the scale of the overall mortgage presumably over a 30-year loan term, the additional amount from the premium is negligible. HUD has assessed this is unlikely to impact buyers' ability to service their mortgage, impact the amount needed for a deposit, or how much they can borrow.



Kāinga Ora is obliged to give lenders a minimum of 30-day notice period for any changes to the FHL

8. There are currently seven participating lenders offering the FHL.¹ When a home is bought with a FHL, the lender collects the insurance premium from the buyer before this is paid to Kāinga Ora.
9. Subject to Cabinet's agreement to the Budget package in 2025, Kāinga Ora can work with lenders to get the changes to the FHL underway. Changes to the premium rate cannot be made immediately or on a particular date without Kāinga Ora giving lenders a minimum of 30-days advance notice first. This lead-in time would allow Kāinga Ora and lenders to work the changes into their system and update information for first home buyers.

The FHL appropriation is shared with the Kāinga Whenua Loan which will need some funding retained to continue its Crown contribution

10. The Kāinga Whenua Loan scheme enables Māori to build, purchase, or relocate a home on multiply-owned Māori land. It is available to Māori individuals or collectives, including land trusts.² For a regular home loan, a lender takes security over the house and the land. For a Kāinga Whenua Loan, Kāinga Ora takes security over the house but not the land. In the event of a mortgage default on the loan, the house could be removed but the land would still be retained by the landowner. The Kāinga Whenua Loan is currently only offered by Kiwibank. It is the only government-supported product for Māori who wish to build on collectively owned Māori land.
11. Similar to the FHL, there is an insurance premium cost for the Kāinga Whenua Loan shared by the borrower and the Crown at the same contribution rates as the FHL. The insurance premium is also administered by Kāinga Ora and is used to insure lenders against losses from defaults by the borrower.

HUD does not recommend that Kāinga Whenua Loan move to cost recovery

12. The small number of Kāinga Whenua Loans made each year³ mean the insurance premium cost to the Crown is far smaller than that of the FHL and any potential Crown savings are negligible. Retaining the Kāinga Whenua loan also recognises the additional costs to building on whenua Māori and the added difficulty in securing retail bank lending for this land tenure. The Commerce Commission recently recommended large banks join in offering the scheme, in order to expand its reach. HUD understands that the Minister of Finance will write to the large banks encouraging them to join (as part of broader communication on the Government's response to the Commerce

¹ Lenders offering the FHL: Westpac, Kiwibank, The Cooperative Bank, SBS Bank, Unity Money (Unity), Nelson Building Society (NBS), New Zealand Home Loans (NZHL).

² Unlike the FHL, individuals who access the Kāinga Whenua Loans do not have to be first home buyers and have different deposit requirements. No deposit is required for a loan below \$200,000 but there is a deposit requirement of 5 percent for every dollar borrowed above \$200,000. For example, a \$400,000 loan would require a deposit of \$10,000.

³ Around 10 or less Kāinga Whenua Loans per year, compared to around 1,600 FHLs per year.



Commission's Personal Banking Study recommendations). Therefore, HUD does not recommend moving the Kāinga Whenua Loan to cost recovery.

13. The Kāinga Whenua Loan is funded out of the same appropriation as for the FHL. HUD recommends retaining \$0.100 million per annum out of the \$18 million appropriation. This will ensure that if uptake increases, there will still be sufficient funding left in the appropriation for some growth in the scheme.

HUD would expect to have transparency of the costs to Kāinga Ora to operate the FHL insurance reserve

14. Premiums for the FHL are held by Kāinga Ora in an insurance reserve and invested while being held with interest proceeds being utilised to cover other costs within the organisation. The insurance reserve is also periodically revalued.
15. The Kāinga Ora Board delivered the turnaround plan on 20 November which outlines a series of actions to reduce the financial impact of Kāinga Ora on the Government Financial statements. There are actions related to individual functions and the level of funding associated with undertaking these functions. In light of this, as the actions are implemented, HUD would expect a greater level of transparency of the cost to operate each function and this should equally apply to the FHL scheme including the costs and revenues to provide sufficient cost recovery of this activity.

Risks

16. There is a risk that the Government could be perceived as further removing support for first home buyers by making changes to the FHL insurance, noting that the First Home Grant was discontinued in Budget 2024. As per our advice in paragraphs six and seven, HUD does not consider this change to the FHL to affect first home buyers to purchase a home.

Next steps

17. HUD will submit the Budget 2025 Savings Initiative for the FHL cost recovery to The Treasury by 23 December 2024.
18. Subject to Cabinet agreement to the Budget package, HUD will work with Kāinga Ora on informing lenders on the FHL insurance premium changes and develop any cross-agency communication plan as necessary.



Briefing

MOVING TO A FLEXIBLE FUND INCLUDING AN AFFORDABLE RENTAL SCHEME			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	05/12/2024	Priority	Medium
Tracking number	HUD2024-005706		

ACTION SOUGHT	
Action sought	Agree recommendations relating to the establishment of the flexible fund and approach to supporting affordable rentals
Deadline	10/12/2024

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jeremy Steele	General Manager – Housing Supports and Supply	§ 9(2)(a)	✓
Robert Murray	Principal Policy Advisor	§ 9(2)(a)	
Elaine Gyde	Senior Policy Advisor	§ 9(2)(a)	

OTHER AGENCIES CONSULTED
The Treasury, The Ministry for Social Development (MSD)



RECOMMENDED ACTIONS	
It is recommended that you:	
1. Note that fully integrating affordable rentals into the social housing system will require a phased approach, noting some decisions can be made now while others require more time to work through the associated policy and legislative implications.	<i>Noted</i>
Phase one decisions	
2. Agree that phase one will maintain momentum by advancing some quick win opportunities to support affordable rentals through the provision of grant funding and a devolved approach to tenant selection.	<i>Agree/disagree</i>
3. s 9(2)(f)(iv) [redacted]	<i>Agree/disagree</i>
s 9(2)(f)(iv) [redacted]	<i>Agree/disagree</i>
4. s 9(2)(f)(iv) [redacted] [redacted] [redacted] [redacted]	<i>Agree/disagree</i>
5. s 9(2)(f)(iv) [redacted] [redacted] [redacted] [redacted]	<i>Agree/disagree</i>
6. s 9(2)(f)(iv) [redacted] [redacted] [redacted]	<i>Noted</i>
Next steps	
7. Note that HUD will reflect your preferred approach in further advice on the Budget submission due 12 December.	

Jeremy Steele
**General Manager – Housing
Supports and Supply**

Hon Chris Bishop
Minister of Housing
..... / /



05/12/2024



Purpose

1. This briefing seeks in principle decisions, to inform Budget 2025, on the design of a flexible fund to support provision of affordable rentals, market supply and social housing. This includes initial advice on a phased approach to integrate affordable rentals with the social housing system.

Executive summary

2. You have indicated that you would like to streamline housing funds and programmes to reduce duplication, increase value for money and support a more flexible approach to tailoring investment to place (HUD2024-005382 refers). You have also expressed a particular interest in the role affordable rentals could play in reducing growing demand for social housing, and providing a pathway for households to transition out of social housing as their circumstances improve.
3. As a first step, you have agreed in principle to streamline funding by redirecting unallocated Whai Kāinga Whai Oranga (WKWO) funding to a general flexible fund. Securing this transfer through Budget 2025 would enable you to support provision of around 1900 to 2500 social and/or affordable homes through a mix of grant funding and ongoing operating payments. Additional homes may be possible if current work on improving access to finance for Community Housing Provider's (CHP's) lowers their borrowing costs.
4. The key benefit of supporting affordable rental provision is that it addresses supply and access barriers at lower cost to the Crown than social housing, s 9(2)(f)(iv) [REDACTED]. This briefing sets out some key high-level choices associated with the design of an affordable housing scheme, including choices around tenant eligibility and allocation, rent settings, who to partner with, and how they are funded.
5. s 9(2)(f)(iv) [REDACTED]
[REDACTED] s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
6. We therefore recommend a two-phase approach to implementing the flexible fund, which would indicatively involve:
 - a. **Firstly, maintaining momentum by advancing some quick-win opportunities to deliver affordable rentals through provision of grants** (noting the available funding is heavily weighted to capital in FY25, which is best suited to conditional grants). This could include advancing up to 400 homes from the existing WKWO pipeline. As is currently the case, individual providers would be responsible for selecting their own tenants. However, we



could provide additional guidance and/or review provider’s own tenant select policies to ensure they are appropriately targeted.

- b. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- 7. We will reflect your preferred approach to establishing and implementing the flexible fund in further advice on new spending initiatives for Budget 25, due 12 December.
- 8. Further information on how HUD is preparing for the transition to an active purchaser approach is attached at **Annex A**. We will provide further advice on options for structuring HUD’s purchasing function in the New Year.


Background

- 9. You have agreed in principle to reprioritise unallocated Māori housing funding to a general flexible fund for affordable rentals and, where necessary, subsidising market supply in mixed developments (HUD 2024-005383 refers). This would be the first step towards a flexible fund that could include social housing and potentially support for home ownership.
- 10. Initiatives like Going for Housing Growth will improve supply, and place downwards pressure on rents, over time. However, even in a well-functioning market:
 - a. It will remain unprofitable for the market to build homes in some places and typologies at the volumes needed to address demand
 - b. Some people will struggle to pay a market rent, even for a modest home
 - c. Others will struggle to access and sustain suitable housing regardless of price.
- 11. We currently address these market limits principally through social housing, and a range of demand side subsidies such as the AS. Despite significant increases in expenditure, many households remain in precarious, unsuitable or unaffordable accommodation.
- 12. There are also limited incentives and options for people to move on from social housing when their circumstances improve, due to the limited supply of affordable housing, increased tenure stability afforded by social housing, and relative generosity of IRRS compared to the AS.



What we know about the nature and extent of unmet housing needs

13. People’s housing challenges are often interrelated, meaning they could include any combination of supply, affordability, and access and stability barriers. The following diagram provides a high-level summary of what we do know.

INTERRELATED CHALLENGES/EXAMPLES	WHAT WE KNOW
	<p>Housing Supply:</p> <ul style="list-style-type: none"> • Development economics and market supply responsiveness are strongest in main centres like Auckland and Christchurch, and poorer in regional locations like Rotorua, Hastings and Northland. • There is undersupply of one and four plus bedroom homes throughout New Zealand. <p>Affordability:</p> <ul style="list-style-type: none"> • Around half of households eligible for AS receive the maximum. • Whilst rental affordability has improved in some main centres, it has deteriorated across the regions. <p>Access and stability</p> <ul style="list-style-type: none"> • People on the social housing register are most likely to be single and needing a one-bedroom home, and disproportionately Māori or Pacific Peoples. • Around 100,000 households live in crowded housing. • One in three survey respondents report having experienced discrimination buying or renting a home¹.

How increasing the supply of affordable rentals could help

14. Depending on the detailed design and targeting, providing increased support for affordable rentals via the flexible fund could deliver a range of benefits, including:

Meeting needs in place:

- Improving affordability** by adding affordable supply. Benefits could go to households or government through lower AS/Temporary Additional Support (TAS) (or avoiding paying IRRS).
- Improving housing access** for people who may otherwise struggle to access market housing, be in social housing, be in a more expensive market rental, or insecure or substandard housing arrangements with poor outcomes.

Improving housing system performance:

¹ WERO research [WERO-Research-Brief-3 Housing-discrimination.pdf](#)




- c. **Adding to overall supply.** Homes are more likely to be “additional” if focussed on places and typologies with poorer development economics.
 - d. **Growing the community housing sector** – both as tenancy managers, and where appropriate, by supporting them to own their own affordable rental portfolio (including through recycling any surplus revenues).
15. Some examples of how other initiatives have helped to address these issues, both here (including the Affordable Housing Fund) and in Australia, are provided in Annex B. These have supported a mix of social, affordable and market priced housing.

Key design choices and considerations for a phased approach


16. Fully integrating affordable rentals into the social housing system will require a phased approach. Some design choices and transitional arrangement can be implemented quickly, while others will require more time to work through the associated policy and legislative implications. The optimal approach will depend on the relative importance you place on:

s 9(2)(f)(iv)




17. Some of the key design choices are discussed in more detail below, and include:

s 9(2)(f)(iv)



Who we are targeting

18. Drawing hard boundaries between eligibility for social and affordable housing is difficult, as they both address similar challenges and deliver improved access, affordability and stability.

19. s 9(2)(f)(iv)
- 



s 9(2)(f)(iv) [Redacted]

a. s 9(2)(f)(iv) [Redacted]
[Redacted]

b. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

c. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]

20. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

21. s 9(2)(f)(iv) [Redacted]

22. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

s 9(2)(f)(iv) [Redacted]

23. s 9(2)(f)(iv) [Redacted]



§ 9(2)(f)(iv)

24. § 9(2)(f)(iv)

25. § 9(2)(f)(iv)

26. § 9(2)(f)(iv)

27. § 9(2)(f)(iv)

28. § 9(2)(f)(iv)

§ 9(2)(f)(iv)

29. § 9(2)(f)(iv)

§ 9(2)(f)(iv)



s 9(2)(f)(iv) [redacted]

30. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]

31. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]

s 9(2)(f)(iv) [redacted]

32. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]

a. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]

b. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]

c. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]

d. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]

33. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]

34. s 9(2)(f)(iv) [redacted]
[redacted]

s 9(2)(f)(iv) [redacted]



s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

35. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

The approach to funding and financing

36. Stable and predictable funding will be critical to providing the sector with confidence to invest in growing its capacity and capability to deliver a pipeline of affordable housing.

s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

37. The AHF and WKWO fund these costs (including the rent subsidy) via upfront conditional grants. s 9(2)(f)(iv) [Redacted]

[Redacted]
[Redacted]
[Redacted]

38. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted] In contrast, we know the principal barrier to attracting institutional investment is the adequacy of returns as opposed to accessing debt and equity.

Contracting

39. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

40. s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

Complementing affordable rentals with subsidies for new supply

41. In some locations with poor development economics, subsidising market supply may be a cost-effective way to address overall housing shortages. However, it is less targeted than funding social or affordable housing and reliant on market filtering to support



household’s housing choices. Nevertheless, we consider this could still make sense in a limited range of circumstances.

42. We recommend limiting provision of subsidies for open market supply to situations where development economics are poor, the development incorporates some social or affordable housing, and the subsidy is needed to get the development over the line; and/or reduce concentrations of deprivation within the development. We will provide further advice on the benefits and costs as part of a B25 submission.

Fiscal implications

43. The scenarios below show the cost of subsidising affordable rentals at 20% below market rent via different funding approaches, compared to social housing. The modelling is illustrative only and assumes that all of the properties have a \$650,000 construction cost and market rent of \$560.⁴ In reality, these will vary by housing type and location. This table does not include any AS costs or savings, as the interactions are complex and heavily case dependent. We will explore this further in the cost benefit analysis to support the Budget bid.

Table 1 – Illustrative modelling to show the cost of affordable rentals and social housing

APPROACH	SOCIAL HOUSING	AFFORDABLE OPERATING PAYMENT	AFFORDABLE RENTAL 50% GRANT
Crown Capital Contribution	-	-	\$325,000
Tenant contributions per annum	\$8,736	\$23,296	\$23,296
Tenant rent contribution % of market rent	30%	80%	80%
Present Value Government subsidy over 25 years	\$688,415	\$487,949	\$557,911 ⁵

44. The following table provides an overview of the funding that could be consolidated into the flexible fund for affordable rentals or social housing. This represents the potential savings from redirecting unallocated WKWO funding and decisions on resetting investment (PHO, First Home Loan), minus cost pressures identified in the performance plan [HUD2024-005593 refers].⁶

⁴ The discount rate is 8% and the market rent rise is 2.70% (Based on Treasury’s rates for commercial proposals between 1-30 years).

⁵ This includes the cost of amortising the conditional capital grant over 25 years, which is a non-cash expense.

⁶ This is after provisioning for 13 WKWO projects and iwi prototype, Ka Uruora tranche 2, that have already been committed to.



Table 2 – Funding split

	FY25	FY26	FY27	FY28	FY29
Capital	136	12	74	44	21
Operating	23	6	51	70	67

45. The nature of funding influences how it can be used. In early years, the funding is heavily weighted towards capital which is best suited to supporting capital grants. Later year funding is more heavily weighted toward operating funding, which is better suited to supporting social and affordable housing provision via ongoing operating and rent subsidies. We support funding a mix of affordable rental and social housing.
46. Across the forecast period, the funding could indicatively support:
- a. Grant funding for the delivery of up to 400 affordable rentals in the existing WKWO pipeline. This assumes up to \$535,000 of grant funding per home. Noting that most of the capital funding best suited to grants is available in the first three years.
 - b. Operating payments for either:
 - i. 750 affordable rentals and 750 social homes, or
 - ii. 1800 affordable rentals and no social housing, or
 - iii. 1300 social homes, and no affordable rentals.
47. There would also be some remaining funding that could be used to provide grants for further affordable rentals (potentially alongside Budget '24 social housing places), or to subsidise market supply in mixed-tenure developments where necessary, via the active purchasing approach.
48. The total subsidy for ongoing operating payments would be lower if work on providing CHPs with cheaper access to finance for social housing (e.g. through direct government lending or finance guarantees) was extended to affordable rentals [ECO-24-MIN-0277 refers].

Implementation and transition

49. Assuming a fully integrated system with reduced use of grants over time, the following table shows what that transition could look like along with the key policy decisions and interdependencies.

Table 3: Indicative approach to transition and implementation



WHAT WE ARE TRYING TO DO	Maintain momentum and prepare for transition – tenant selection devolved to providers.		Fully embed flexible funding and potential to fully or partially integrate social housing and affordable rentals tenant allocation systems	
Indicative timeframe	24/25	25/26	26/27	27/28 and beyond
Funding approach	Affordable rentals are principally funded through grant funding. Social housing funded via IRRS and OS, potentially with some early-stage funding.		Increasing reliance on operating payments for affordable rentals.	§ 9(2)(f)(iv)
Related policy decisions/ Interdependencies	<ul style="list-style-type: none"> Budget 2025 decisions. Decisions on options to improve CHP access to finance. 	§ 9(2)(f)(iv)		

Consultation

50. MSD and the Treasury have been consulted on this advice. § 9(2)(f)(iv)

Next steps

51. We will reflect your preferred approach in further advice on the draft Budget submission for new spending initiatives due on 12 December 2024, and the resetting investment Cabinet paper in February/March. This will include options on the relevant investment in affordable versus social housing.

Annexes

- Annex A: HUD’s new delivery model.
- Annex B: Overview of New Zealand and overseas approaches to funding affordable housing
- Annex C: § 9(2)(f)(iv)



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



Annex A: HUD's new delivery model

Your manifesto committed to establishing a function within HUD to allocate funding for social housing on a contestable basis. You have indicated that Housing Funding Authority could be established as a departmental agency within HUD.

In the early 2025 you will receive advice on options for structuring HUD's purchasing function, including a departmental agency and other options.

Below we set out how HUD intends to implement the active purchaser approach in priority places. This approach would be applied to new investment confirmed through Budget 2025.

From 9 December HUD's Delivery group will come into effect. The new structure will organise HUDs delivery around a number of core functions:

- **System investment planning and prioritisation** to determine investment and procurement strategies for the system, including priority places for investment and broad allocation of funding available across places. These investment priorities would be based on housing need assessments.
- **System Performance and Outcome Monitoring** to track delivery and outcomes across priority places and programmes. To ensure consistency and value for money across places, HUD will also develop and maintain contracting, procurement and benchmarking frameworks.
- **Place based investment planning and prioritisation** to develop local investment strategies in priority places working with communities. Based on funding allocated to priority places, HUD would identify the most appropriate interventions to achieve desired outcomes. These strategies could include new social housing, affordable rentals, land acquisition and the Residential Development Underwrite and contracting of housing and support services (i.e. Housing First and Transitional Housing).
- **Place based solution development** to work with appropriate local delivery partners to agree specific actions to deliver against the housing strategies – price, quality, size and tenure – and structure appropriate commercial deal and develop delivery plan
- **Solution enablement and delivery**: commercial negotiation, contract development and delivery of proposed solution.

HUDs new delivery model will have much stronger focus on investment to improve the performance of local housing systems and to meet need in place. It will enable a more sophisticated understanding of current and future needs at national level and how this plays out in local housing markets.



Place-based investment strategies will be based on need and capability and capacity of partners in a location, with flexibility to deliver a range of tenures and work with the best fit providers (including Kāinga Ora).

HUD is trialling this approach through the strategic partners to deliver Budget 2024 social housing place. Confirming further pipeline of investment affordable rentals and some market supply through Budget 2025 will enable HUD to further embed this model.

Within this model Ministers would set clear outcomes for investment in the system and would have oversight of delivery and outcomes. HUD would then determine the appropriate mix of investment across locations and develop and agree investment strategies and action plans to deliver against governments outcomes in priority places.

Annex B: Overview of New Zealand and overseas approaches to funding affordable housing

INITIATIVE	FUNDING APPROACH	OVERVIEW	WHAT IT'S DELIVERED
Current New Zealand initiatives			
Affordable Housing Fund – Rental Pathway	Grants	Providing \$148 million of grant funding for not-for-profit organisations to develop or buy newly built affordable rental housing and rent it at a 20 percent discount to market rents. Eligible organisations included community housing providers, iwi and Māori housing providers, councils, and charitable trusts. The homes are targeted at lower income households who can't afford a market rent but are ineligible or a lower priority for social housing.	Has contracted delivery of 487 homes, with 64 delivered so far.
Whai Kāinga Whai Oranga	Grants	Providing a four-year, \$730 million commitment to speed up the delivery of Māori-led housing. It funds both small-scale Māori housing projects and larger developments, from repairing existing homes to building new ones. Whai Kāinga Whai Oranga is jointly administered with Te Puni Kōkiri.	~ 1,000 new homes (supply) ~ 1046 approved or contracted
Previous New Zealand initiatives			
Social Housing Fund (2011/12 to 2014/15)	Grants	Provided \$141 million of funding to grow provision of social and affordable housing by not-for-profit housing providers including registered charities and Māori providers. The funding predated the ability for community housing organisation to access the Income Related Rent Subsidy. The affordable housing included affordable rentals, rent to buy and shared ownership.	~1,000 social and affordable homes
Housing Innovation Fund (2003/4 to 2010/11)	Grants Suspensory loans Term loans	Provided a total of \$114 million in grants and loans to community housing organisations and councils providing housing for low- and moderate-income households whose needs were not being met by the market. Term loans were repayable, and interest free for the first 10 years. Suspensory loans were usually non-repayable.	~ 800 new homes ~ 900 repairs or remediation to existing homes
Council housing loans (various initiatives and time periods, starting in the early 1900s)	Loans	Councils typically focussed on housing for single people, particularly pensioners, to complement state provision of family homes. Many of these homes have subsequently been sold or transferred to arm's length registered Community Housing Providing for use as social housing (as Council's can't access the Income Related Rent Subsidy)	[Reference council housing stocktake]
Australian initiatives			
National Rental Affordability Scheme (NRAS) (2008 to 2014)	Tax credits (for profits) Operating subsidies (not for profits)	Offered an annual incentive (subsidy or tax credit) to property developers, investors and community housing organisations who committed to building new homes and renting them to eligible tenants at a 20 percent discount to market rent for 10 years. The subsidy was originally set at AU \$8000 per annum and increased in-line with CPI. The extent to which this flat subsidy exceeded the cost of the rent discount varied by region and typology.	~37,000 homes
Housing Australia (various initiatives) (2018 to ongoing)	Grants Availability payments Concessionary loans	Housing Australia was established to facilitate the growth of the community housing sector across Australia and administers a range of initiatives. This includes providing grant funding, concessionary loans, and availability payment for social and affordable homes. Eligible applicants include registered charities, indigenous and veterans housing providers, and state and local governments. Eligible applicants can also enter into SPVs with developers and investors. (note: Housing Australia also administers a governed guaranteed bond aggregator)	Aims to support 40,000 new social and affordable homes



s 9(2)(f)(iv)





Briefing

BUDGET 2025 SUBMISSION FOR HOUSING AND URBAN DEVELOPMENT			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	13 December	Priority	High
Tracking number	HUD2024-005781		
ACTION SOUGHT			
Action sought	<p>Agree to savings and new investment to inform Budget 2025 initiatives comprising of:</p> <ol style="list-style-type: none"> 1. Total Savings and reprioritisation of uncommitted Māori Housing funding of \$400.420 million operating and \$470.875 million capital over the forecast period (2024/25 to 2028/29). 2. \$182.493 million of the operating savings over the forecast period are required to offset Performance Plan cost pressures. 3. New investment of \$173.516 million operating and \$287.553 million capital (from total savings and reprioritisation) over the forecast period to be applied to a flexible fund for affordable rentals, social housing and in limited circumstances subsidising market supply. 4. Residual savings of \$44.411 million operating and \$183.322 capital across the forecast period that could be returned to the centre and/or support discussions with Minister Seymour regarding the Baseline Savings Programme. 		
Deadline	16 December 2024 to enable Budget 2025 submissions to be completed and submitted to Treasury by 1pm 23 December 2024.		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Brad Ward	Deputy Chief Executive	§ 9(2)(a)	✓
Nick McNabb	Chief Advisor	§ 9(2)(a)	



OTHER AGENCIES CONSULTED

The Treasury (Housing and Urban Growth Team)



RECOMMENDED ACTIONS	
It is recommended that you:	
1. Note that the Minister of Finance has invited you to submit targeted policy savings and a new spending initiative for Budget 2025 and Minister Seymour has also written to you regarding the Baseline Savings Programme.	<i>Noted</i>
2. Note that through the Reset of investment and Performance Plan for the Housing Portfolio HUD has: a. Identified opportunities for savings and uncommitted Māori Housing funding of \$400.420 million operating and \$470.875 million capital across the forecast period (2024/25 to 2028/29). b. Identified operating cost pressures of \$182.493 million across the forecast period c. Recommended reprioritising savings and uncommitted Māori Housing funding to a flexible fund for affordable rentals, social housing, and in limited circumstances subsidising market supply.	<i>Noted</i>
<i>Confirming savings for Budget 2025</i>	
3. Note you have already agreed to move to cost recovery for the First Home Loan, and HUD will realise savings from exiting Contracted Emergency Housing in Rotorua by December 2025.	<i>Noted</i>
4. Agree to include the following initiatives as savings for Budget 2025: a. <u>Housing Infrastructure Fund</u> : savings of \$183.322 million in recyclable capital and \$9.063 million operating from enforcing milestone draw stop events for four loan facilities. b. <u>Reset of Housing and Support Services</u> : commit to savings of \$15 million in 2027/28 and \$30 million per annum from 2028/29 in anticipation of HUD's review of Transitional Housing and Public Housing Services (i.e.	<i>Agree/Disagree</i> <i>Agree/Disagree</i>



	<p>Housing First, Rapid Rehousing, and Sustaining Tenancies) to be carried out in 2025.</p> <p>c. <u>Uncommitted Māori Housing funding</u> of \$187.964 million operating and \$287.553 million capital over the forecast period, with the expectation this funding is reprioritised to a flexible fund, with funding ringfenced for 400 affordable rentals within the current Māori Housing pipeline.</p>	<p><i>Agree/ Disagree</i></p>
<p>5.</p>	<p>Agree not to include potential capital savings from the Large Scale Projects in Budget 2025 at this stage, as HUD does not have sufficient information to make informed recommendations on the associated risks and trade-offs with progressing savings.</p>	<p><i>Agree/ Disagree</i></p>
<p>6.</p>	<p>Note HUD will provide advice on 17 December 2024 with a proposed way forward to reprioritise Large Scale Project investment, prioritising enabling social housing renewal as agreed by Cabinet in its response to Kāinga Ora’s turn-around plan [EXP-24-MIN-0084].</p>	<p><i>Noted</i></p>
<p>7.</p>	<p>s 9(2)(f)(iv) [Redacted]</p>	<p><i>Agree/ Disagree</i></p>
<p>8.</p>	<p>s 9(2)(f)(iv) [Redacted]</p>	<p><i>Noted</i></p>
<p><i>Managing cost pressures within baselines</i></p>		
<p>9.</p>	<p>Note that operating savings of \$182.493 million across the forecast period need to be reprioritised so that Performance Plan cost pressures – from increasing market rents for social and transitional housing, and unfunded IRRS places for</p>	<p><i>Noted</i></p>



Housing First and Rapid Rehousing – can be managed within baselines.	
<i>New Investment</i>	
10. Agree that HUD submits a new spending initiative for a flexible fund that provides for: a. Additional social and affordable rentals; b. In limited circumstances, subsidising supply of market housing within mixed developments of social or affordable housing, in areas where need is high and development profitability and market supply are low.	<i>Agree/ Disagree</i>
11. Agree that new investment through the flexible fund be phased to reflect the nature and timing of funding available for reprioritisation, s 9(2)(f)(iv) [REDACTED] [REDACTED] [REDACTED]	<i>Agree/ Disagree</i>
12. Agree that \$173.516 million operating and \$287.553 million capital across the forecast period be reprioritised to a flexible fund with investment in two phases: a. Phase One (to June 2027) to complement delivery of Budget 2024 social housing places: i. \$55.875 million operating and \$238.146 million capital to provide upfront grants for around 600 affordable rentals (including 400 from the current Māori Housing Pipeline). ii. \$25.000 million operating funding to provide grants to subsidise market supply within developments that must also include social housing and/or affordable rentals. b. Phase Two (from June 2027): \$92.641 million operating and \$49.408 million capital for between 1,300 and 1,800 social homes and affordable rentals, and some market housing, funded predominantly through operating payments with some flexibility to provide up-front capital payments (where providers continue to face access to finance challenges).	<i>Agree/ Disagree</i>



13.	Note that spending through Phase One is in the form of one-off grants and does not affect the scale of new investment through Phase Two which uses mostly ongoing operating payments and will be spent later in the forecast period.	<i>Noted</i>
14.	Note that Performance Plan cost pressures and new investment through the flexible fund can be funded from savings and uncommitted Māori Housing funding, with savings of \$44.411 million and \$183.322 million recyclable capital remaining.	<i>Noted</i>
15.	Note that remaining savings could be returned to the centre and/or support discussions with Minister Seymour regarding the Baseline Savings Programme.	<i>Noted</i>
<i>Reprioritising funding for Upfront Operating Supplement</i>		
16.	Note that Cabinet agreed in principle to make up to \$70 million upfront Operating Supplement available to Community Housing Providers to support delivery of the Budget 2024 social housing places, with the capital costs met through reprioritisation from within the Housing Portfolio [ECO-24-MIN-0277 refers].	<i>Noted</i>
17.	Agree that \$70 million of Kāinga Ora debt be reprioritised to fund capital expenditure required to provide upfront Operating Supplement payments to CHPs, as Kāinga Ora's debt forecast for scenario two sees debt peaking at \$21.4 billion in 2036/37 compared to the debt cap of \$22.9 billion.	<i>Agree/ Disagree</i>
18.	Note the change to appropriations in recommendation 17 will be included in the 2025 March Baseline Update.	<i>Noted</i>
<i>Next steps</i>		
19.	Note that HUD can provide draft budget submissions to your office on 18 December 2024 if required; submissions are due with Treasury at 1pm 23 December 2024.	<i>Noted</i>
20.	Note that you are required to write to the Minister of Finance outlining your budget proposals, and HUD will provide a draft letter for this purpose to your office on 18 December 2024.	<i>Noted</i>



21.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	<i>Noted</i>
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Brad Ward
Deputy Chief Executive
13 / 12 / 2024

Hon Chris Bishop
Housing
..... / /



Purpose

1. To set out decisions required to inform new investment and savings initiatives for Budget 2025 to be submitted to Treasury by 1pm 23 December 2024 and additional savings that could be returned to the centre and/or support discussion with Minister Seymour regarding the Baseline Savings Programme.

Background

2. On 15 November 2024, the Minister of Finance wrote to you to invite you to submit savings and new investment initiatives through Budget 2025. You also received a letter from Minister Seymour on 4 December 2024 regarding the Baseline Savings Programme.
3. Through Budget 2024, savings of \$1.524 billion operating and \$285 million capital were identified across the Housing Portfolio.
4. Through the reset of investment (the Reset), HUD recommended changes to streamline funds and improve flexibility and value for money, and priorities for savings and new investment in Budget 2025. The Reset identified opportunities for savings and uncommitted Māori Housing funding of \$400.411 million operating and \$470.875 million capital across the forecast period.
5. A key recommendation from the Reset was to reprioritise savings and remaining funding from Māori Housing to a general flexible fund for affordable rentals, and where required, subsidising market supply in areas like Hastings and Rotorua. s 9(2)(f)(iv)
 and the potential sequencing of investment through the flexible fund.
6. The Performance Plan for the Housing Portfolio, submitted on 7 November 2024, committed some of the savings identified through the Reset to meet cost pressures across the forecast period of \$182.493 million, and signalled that remaining savings be reprioritised to the general flexible fund.
7. On 25 November, Cabinet agreed in principle to provide a portion of Operating Supplement (OS) upfront to support CHP's access to finance. The capital costs of providing these upfront payments of \$70 million would be funded through reprioritisation from within the Housing Portfolio and agreed by yourself and the Minister of Finance.
8. Alongside the Reset, Kāinga Ora has submitted its Turnaround plan. Kāinga Ora's HYEPU forecasts reflect the cost savings committed through Budget 2024 and forecast debt peaking at \$21.4 billion in 2036/37 compared to the debt cap of \$22.9 billion. Reports back in March to Ministers may identify further savings which can be incorporated into Budget 2025 decisions.



9. This briefing sets out remaining decisions regarding savings and new investment required to finalise budget submissions. The key components of the recommended budget package are summarised in Annex One along with remaining savings that could be returned to the centre and/or support discussion with Minister Seymour regarding the Baseline Savings Exercise.

Housing Portfolio Savings

10. We recommend that savings of \$400.420 million operating and \$470.875 million capital over the forecast period be considered through the budget process (including Minister Seymour's Baseline Savings Programme).
11. You have already agreed to move to cost recovery for the First Home Loan, and HUD will exit Contracted Emergency Housing in Rotorua by December 2025. Both will generate operating savings from 2025/26.
12. We need decisions from you about providing savings through Budget 2025 from:
 - a. Housing Infrastructure Fund (HIF): HUD has recommended you enforce the consequences of milestone draw stop events for the loan facilities for the Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Quail Rise. If access to the loan facilities is removed this would provide one off savings of \$183.322 million of recyclable capital and \$9.063 million operating over the forecast period [HUD2024-005284 refers].
 - b. Review of housing and support services: As part of the Reset, you agreed that HUD review Transitional Housing and Public Housing Services (i.e. Housing First, Rapid Rehousing and Sustaining Tenancies) in 2025. We recommend that you commit to savings now of \$15 million in 2027/28 and \$30 million per annum from 2028/29. HUD is confident these savings can be found within the programmes. s 9(2)(f)(iv)
13. Through the Reset you agreed in principle to reprioritise remaining Māori Housing funding to a general flexible fund [HUD 2024-0055383 refers]. Your intention is to move away from separate funds doing similar things, towards a simpler more flexible set of funding tools.
14. We recommend the Māori Housing funding that remains uncommitted is included as savings through Budget 2025, with the expectation this funding is reprioritised to a flexible fund.
15. Within the flexible fund we can maintain priority for investment in Māori Housing. In the short term you can ringfence some funding for projects in the current pipeline (as recommended below). In the medium an active purchasing approach, that prioritises investment to meet needs in place, and investment criteria that reflects the additional



challenges with developing whenua Māori land would ensure continued investment in Māori Housing.

- 16. Through the Reset HUD identified further potential capital savings through the Large Scale Projects. However, we do not recommend these are included in Budget 2025 process at this stage. HUD does have sufficient information sufficient information to make informed recommendations on the associated risks and trade-offs with progressing savings. A key risk is that savings defer costs to the future, rather than deliver improved value for money.
- 17. HUD will provide advice on 17 December 2024 setting out a way forward to reprioritise Large Scale Project investment with a priority on enabling social housing renewal as agreed by Cabinet in its response to Kāinga Ora’s turn-around plan [EXP-24-MIN-0084]. s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
- 18. s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 19. Minister Upston will however progress a savings initiative through Budget 2025 that will increase the AS entry threshold for homeowners from 30 percent to 40 percent, with some exclusions (i.e., superannuates). Some of this funding will be reprioritised to adjust AS boundaries to account for urban expansion and introduce a mechanism for regular updates.

Cost Pressures

- 20. Your Performance Plan for the housing portfolio outlined cost pressures from market rent increases for social and transitional housing, and unfunded IRRS places for Housing First and Rapid Rehousing. These cost pressures amount to \$182.493 million across the forecast period and need to be offset by savings through Budget 2025.
- 21. Through the Performance Plan you were required to manage cost pressures within baselines – i.e. find offsetting savings – to the end of the forecast period only (to 2028/29). Cost pressures, particularly from market rents, will continue to grow in outyears without mitigation.
- 22. HUD will identify interim options in March 2025 to mitigate the cost pressures arising from IRRS places for Housing First and Rapid Rehousing [HUD2024-005682]. s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]



Reprioritising to new spending

23. After Performance Plan cost pressures are offset, remaining savings and uncommitted Māori Housing funding are shown in Table One below. Note the different profile of capital and operating funding. Capital funding is higher in early years and lower in outyears, while operating funding rises over the forecast period.

Table One: Savings and reprioritisation remaining after cost pressures

	2024/25	2025/26	2026/27	2027/28	2028/29	FORECAST PERIOD TOTAL
Operating	38.386	5.638	50.961	55.301	67.641	217.927
Capital	136.446	11.536	74.351	44.350	20.870	287.553
Capital (recyclable)	53.672	45.335	50.589	15.657	18.069	183.322

24. Through the Reset we recommended reprioritising savings and uncommitted funding within Māori Housing to a general flexible fund. Initially the flexible fund could focus on affordable rentals and market supply, with social housing integrated through Budget 2026.
25. In subsequent advice on *Moving to a flexible fund including an affordable rental scheme* [HUD2024-005706 refers] we recommended a phased approach to new investment to reflect:
- The nature and phasing of funding available for reprioritisation. The higher levels of capital funding in earlier years is suited to continued provision of up front grants to fund affordable rentals. Higher outyear operating funding could support movement to an ongoing operating payment for affordable rentals and additional social housing places.
 - s 9(2)(f)(iv) [REDACTED]
26. Given this context, we recommend a two phased approach where savings and uncommitted Māori Housing funding from Table One support delivery of between 1,900 and 2,400 social homes and affordable rentals, and some market homes, through:



a. Phase One – delivery to June 2027 to complement delivery of Budget 2024 social housing places: \$55.875 million operating and \$238.146 million capital for around 600 affordable rentals (including 400 from the existing Māori Housing Pipeline) and \$25.000 million operating for some market supply within social housing and affordable rental developments.

b. s 9(2)(f)(iv)
[Redacted text]

27. As discussed with you on 9 December 2024, you could retain flexibility around the specific mix of tenures delivered through Phase Two. Through Budget 2025 you could commit funding beyond June 2027, noting further work on the specific role for affordable rentals and that final mix of tenures would be determined in consultation with partners in priority places.

28. The Minister of Finance’s letter asks whether new investment could be deferred to Budget 2026. Investment in Phase One would be contracted over the next 12-18 months so could not be deferred. The key question for Phase One is the scale of investment alongside delivery of Budget 2024 social housing places, relative to retuning savings to the centre. With respect to Phase Two, for Budget 2024 places to be delivered by June 2027 these would need to be contracted by December 2025 at the latest. If funding for new social housing and affordable rental supply beyond June 2027 is deferred to Budget 2026 there could be a six-to-twelve-month period where contracting could stall. Committing funding through Budget 2025 would also:

- a. Enable greater funding certainty for strategic partners, with HUD able to provide funding certainty for delivery to 2029.
- b. Signal increased future financing requirements to inform Treasury’s work to support better access to debt financing for CHPs.

Savings that could be returned to the centre

29. The new investment proposed above does not commit all savings identified, with additional savings that could be returned to the centre and/or support discussion with Minister Seymour regarding the Baseline Savings Programme:

a. Housing Infrastructure Fund funding is recyclable and would not easily support delivery through the flexible fund outlined above. Recyclable capital of \$183.322 million could be returned. Recyclable loans could support further Progressive Home Ownership loans or increase funding for Land for Housing and the Residential Development Underwrite. These programmes do not require additional funding at this time.



- b. A further \$44.411 million of operating savings across the forecast period could be returned to the centre. These savings are not in outyears so are not available to fund additional places through Phase Two outlined above. Further operating funding is not required to find additional affordable rentals from the Māori housing pipeline, or to subsidise market supply.
- 30. Additional savings for the Baseline Savings Programme could be provided within the forecast period by scaling back investment in Phase One, and in outyears by scaling back investment in Phase Two.
- 31. We will provide advice in the new year about returning these savings to the centre and/or supporting discussions with Minister Seymour.

Other Budget 2025 related matters

- 32. On November 2024, Cabinet agreed in principle to make up to \$70 million upfront OS available to Community Housing Providers to support delivery of the Budget 2024 social housing places [ECO-24-MIN-0277 refers]
- 33. We recommend the capital cost required to pay the upfront OS be reprioritised from Kāinga Ora Debt, with changes to appropriations made through the 2025 March Baseline Update. Based on scenario two from the Kāinga Ora turn-around plan, Kāinga Ora's debt will peak at \$21.4 billion in 2036/37 compared to the debt cap of \$22.9 billion, meaning there is sufficient headroom to reprioritise to support CHP financing.
- 34. s 9(2)(f)(iv) [Redacted]
- 35. s 9(2)(f)(iv) [Redacted]
- 36. s 9(2)(f)(iv) [Redacted]
- 37. s 9(2)(f)(iv) [Redacted]



38. Subject to final decisions, investment through Budget 2025 and Budget 2024 will have been funded through reprioritisation within the Housing portfolio. s 9(2)(f)(iv)

Risks

39. s 9(2)(f)(iv)
40. Enforcing the consequences of a council's contract breach and removing its access to its remaining HIF loan facility may impact on central government's relationships with those councils and the associated Urban Growth Partnership. There is also a risk of pushback from developers and/or existing ratepayers, as they will be the ones paying the additional interest costs.

Consultation

41. We have consulted with Treasury and have incorporated their specific feedback. Based on previous engagement on the Reset and Performance Plan we know Treasury is sceptical of subsidising new supply through the flexible fund and want to see more detail of guardrails and decision making under the flexible fund. Budget submissions will set out further evidence to support the limited circumstances where government might subsidise new supply, and further advice on the design of the flexible fund will be provided in 2025.

Next steps

42. We will reflect your decisions around savings and new investment in Budget submissions due with Treasury by 1pm 23 December 2024. Based on advice from Treasury we will provide separate submissions covering:
- The Performance Plan cost pressures
 - Savings required to offset Performance Plan cost pressures
 - Proposed new investment
 - Savings required for proposed new investment.
43. Treasury has advised that remaining savings that are not required to offset cost pressures or for new investment are not submitted to Treasury in December 2024. Rather these remaining savings should inform discussion with Minister Seymour regarding the Baseline Savings Programme in early 2025.



44. We can provide draft submissions to your office on the 18th of December 2024 for feedback if required.
45. You are also required to write to the Minister of Finance summarising your submissions. We will also provide a draft letter on 18 December 2024.
46. In early 2025 we will provide you with a draft of the March report back to Cabinet on the Reset. We expect this to seek agreement to:
 - a. The role of government investment in housing and urban development and changes to funds
 - b. Priorities for savings and investment through Budget 2025
 - c. Moving to an active purchasing approach to drive better value for money out of government investment in housing
 - d. s 9(2)(f)(iv) [REDACTED]
47. To inform the Reset cabinet paper you will also receive advice in February 2025 on:
 - a. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
 - b. Further advice on structural options for active purchasing.

Annex One: Summary of savings, cost pressures and new investment

INITIATIVE	COMMENT AND DECISION SOUGHT	OPERATING (\$M)		CAPTIAL (\$M)	
		Forecast period (2024/25-28/29)	Outyears	Forecast period (2024/25-28/29)	Outyears
First Home Loan	You have already agreed to move to cost recovery for the First Home Loan and to retain \$0.100m in the appropriation for the Kāinga Whenua Loan (which would not move to cost recovery).	71.600	17.900	-	-
Contracted Emergency Housing (Rotorua)	HUD will exit CEH motels in Rotorua by December 2025 in line with the Government's commitment	86.793	25.029	-	-
Review of Housing and Support Services	You have agreed that HUD will review Transitional Housing and Public Housing Services in 2025. We seek your agreement to commit \$15 million operating savings in 202/28 and \$30 million per annum savings from 2028/29.	45.000	30.000	-	-
Housing Infrastructure Fund	HUD has recommended you enforce the consequences of milestone draw stop events for the loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise.	9.063	-	183.322	
Uncommitted Māori Housing funding	You have agreed in principle to reprioritise remaining Māori Housing funding to a flexible fund. We seek your agreement to reprioritise uncommitted funding to a flexible fund, with funding ringfenced for 400 affordable rentals from the current Māori Housing pipeline.	187.964	81.480	287.553	20.870
Total Savings		400.420	154.409	470.875	20.870
Performance Plan Cost pressures	Cost pressures that need to be managed within baselines across the forecast period: <ul style="list-style-type: none"> • Payments for Social and Transitional Housing being contractually linked to rent growth • Unfunded IRRS places for Housing First and Rapid Rehousing 	182.493	86.768 ¹	-	-
Proposed New Spending – flexible fund	Phase One: grants for around 600 affordable rentals (including 400 homes from Māori Housing pipeline) and some market supply to complement delivery of Budget 2024 Social Housing places.	80.875	-	238.146	-
	s 9(2)(f)(iv)	92.641	67.641	49.408	20.870
Remaining Savings	Remaining savings can be returned to the centre, and/or support discussion with Minister Seymour regarding the Baseline Savings Programme.	44.411	-	183.322	-

¹ As noted in paragraphs 21 and 22 HUD is required to offset cost pressures across the forecast period only. These cost pressures are expected – without mitigation – to grow in outyears. The figure shown in the table above for outyear cost pressures is for 2028/29. Work in 2025 will identify potential options to mitigate these outyear cost pressures.





Aide mémoire

TARGETED BASELINE SAVINGS MEETING WITH MINISTER SEYMOUR 29 JANUARY			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	24/01/2025	Priority	Medium
Tracking number	HUD2025-006172		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Colin Lynch	Deputy Chief Executive, Policy	s 9(2)(a)	✓
Nick McNabb	Chief Advisor, Strategy, Insight and Governance	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
N/A			



Purpose

1. To inform the approach to your meeting with Minister Seymour on 29 January 2025 on the targeted baseline savings exercise for Budget 2025.
2. Your priorities for Budget 2025, and proposed work in 2025 to inform Budget 2026, suggest minimal savings would be available for this targeted baseline savings exercise in Budget 2025.

Background

3. Minister Seymour is leading a targeted baseline savings exercise to identify further savings for Budget 2025 and beyond. The exercise is targeted to portfolios where expenditure has grown significantly since 2015. Identified savings would be in addition to the those identified through the main budget process. Minister Seymour has asked that you write to him by 13 February outlining additional savings proposals.
4. Through Budget 2024, savings of \$1.811 billion operating and \$285 million capital were identified across the housing portfolio. This included a 17% reduction in HUDs departmental budget in 2024/25 and a 16% decline in FTE's. Some of the savings were used to fund 1,500 new social housing places for Community Housing Providers. Net savings contributed 25% of the baseline savings across government.
5. Your savings and spending priorities for Budget 2025 submitted to Treasury in December have been informed by the Reset of Investment. You have proposed that savings and uncommitted Māori housing funding are used to offset cost pressures, outlined in your Performance Plan, and to support a flexible fund for social housing (including affordable rentals) and in limited circumstances some market supply.
6. Alongside the Reset of Investment, Kāinga Ora submitted its Turnaround Plan in November. Kāinga Ora's HYEPU forecasts reflected the cost savings committed through Budget 2024 and forecast debt peaking at \$21.4 billion in 2036/27 compared to the debt cap of \$22.9 billion. Cabinet has now endorsed the plan, which sets Kāinga Ora on a path to fiscal sustainability and surplus in 2036.
7. The Government has also met the target to reduce Emergency Housing to below 800 households by 2030. The actions taken by the Government to reduce emergency housing has generated savings of \$703.639 million over the four years from 2024/25 to 2027/28 compared to BEFU.
8. The remainder of this note provides further information to support your discussion with Minister Seymour including:
 - The drivers of increased expenditure across the housing portfolio
 - A summary of your savings and new spending priorities for Budget 2025



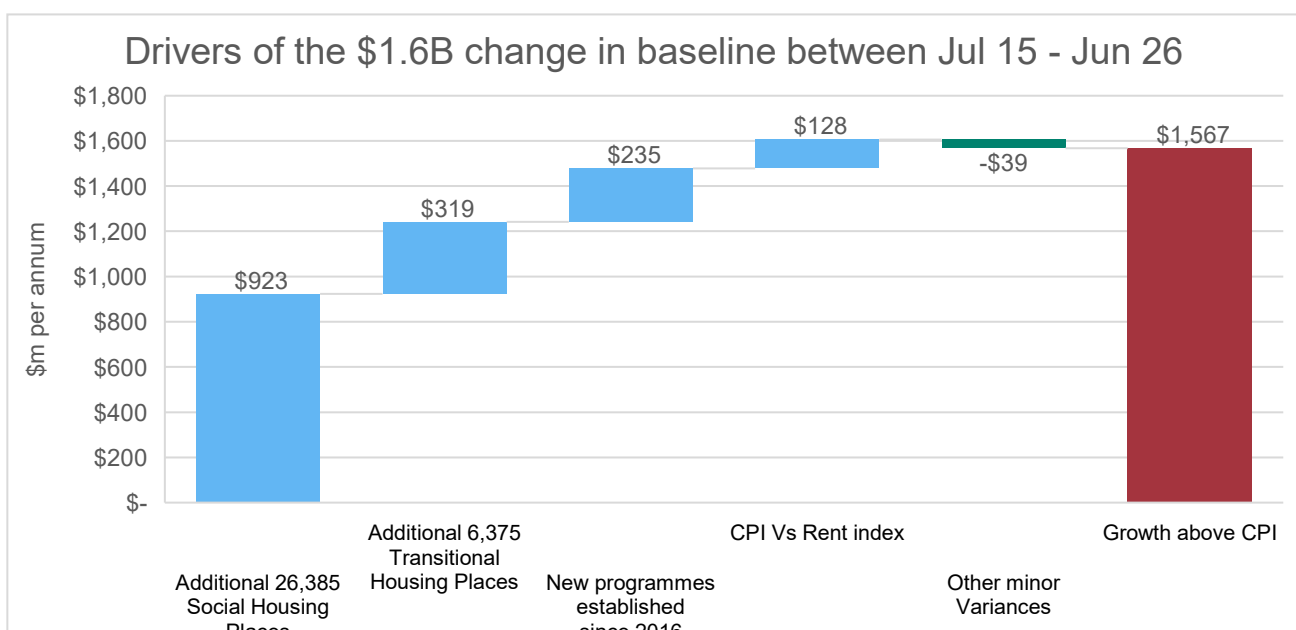
- Treasury’s suggestions to Minister Seymour on areas of focus for the baseline savings exercise and how your programme is addressing these.
- Annex A provides a high level snapshot of housing funds and your actions to improve effectiveness and value for money through Budgets 2024, 2025 and 2026.
- Annex B provides suggested talking points.

Drivers of increased expenditure in the housing portfolio

9. In late 2024 the Treasury provided Minister Seymour with a data pack showing that housing portfolio expenditure has grown at a much faster rate than inflation. For this reason, the Housing Portfolio has been included in the targeted baseline savings exercise.

10. Treasury’s analysis indicated that Housing Portfolio expenditure will grow by \$1.567 billion over and above a notional CPI number from July 2015 to June 2026. This is largely due to increased volumes. The chart below details the drivers of the growth since July 2015 which include:

- An additional 26,385 social houses.
- Establishing and then bringing on 6,375 transitional housing places.
- The introduction of new programmes. These include Māori Housing Programmes, Underwrites Programme, Contracted Emergency Housing, Kāinga Ora Baseline funding and housing support services.
- Growth in market rents, which drive spending on social housing and transitional housing. The rental price index over the assessment period has been significantly higher than CPI growth.





Summary of the savings and new spending proposed through the Budget 2025

11. In July 2024 Cabinet agreed to reset investment in housing and urban development, to streamline programmes, improve value for money and increase flexibility to meet needs in place through the active purchaser approach recommended by the Kāinga Ora review. Cabinet also agreed the reset should inform savings and new investment priorities for Budget 2025.
12. Your priorities for Budget 2025, reflected in your 20 December 2024 letter to the Minister of Finance and in detailed submissions to Treasury, are summarised in Table One below.
13. You have also proposed that residual savings be used to contribute to the Regional Deals Secretariat and that HIF capital savings are reprioritised to support the Crown Infrastructure Partner’s Greenfield Model. Any savings that remain could be available for the targeted savings exercise – although these will be minimal.
14. s 9(2)(f)(iv)
[Redacted text]
15. Your letter to the Minister of Finance also suggested considering a more ambitious investment in social housing (including affordable rentals) of 1,000 new places a year from June 2027 funded through savings made in Emergency Housing.

Table One: Savings, cost pressures, and new spending initiatives submitted to Treasury for Budget 2025

INITIATIVE	COMMENT	OPERATING (\$M)		CAPITAL (\$M)	
		Forecast period (2024/25-28/29)	Outyears	Forecast period (2024/25-28/29)	Outyears
First Home Loan	Move to cost recovery for the First Home Loan	71.600	17.900	-	-
Contracted Emergency Housing (Rotorua)	Exit CEH motels in Rotorua by December 2025 in line with the Government's commitment	86.793	25.029	-	-
Review of Housing and Support Services	Savings in anticipation of review of Transitional Housing and Public Housing Services in 2025.	45.000	30.000	-	-
Housing Infrastructure Fund (HIF)	Removing remaining loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise.	9.063	-	183.322	
Uncommitted Māori Housing funding	Reprioritise uncommitted Māori Housing funding to a flexible fund. You will receive further advice in the week of 27 January on ringfencing funding for projects within the current Māori Housing pipeline and changes to funding settings.	187.964	81.480	287.553	20.870
Total Savings		400.420	154.409	470.875	20.870
Performance Plan Cost pressures	Cost pressures that need to be managed within baselines across the forecast period: <ul style="list-style-type: none"> • Payments for Social and Transitional Housing being contractually linked to rent growth • Unfunded IRRS places for Housing First and Rapid Rehousing 	182.493	86.768 ¹	-	-
Proposed New Spending – flexible fund	Phase One: grants for around 600 affordable rentals (including from the current Māori Housing pipeline) and some market supply to complement delivery of Budget 2024 Social Housing places.	80.875	-	238.146	-
	s 9(2)(f)(iv)	92.641	67.641	49.408	20.870
Remaining Savings (after budget submissions).	You propose some remaining savings be used to fund the Regional Deals Secretariat and that HIF capital savings be reprioritised to the Crown Infrastructure Partner's Greenfield Model. These additional two proposals have not yet been submitted to Treasury. Any remaining savings could contribute to Minister Seymour's targeted savings exercise	44.411	-	183.322	-

¹ Note that HUD is required to offset cost pressures across the forecast period only. These cost pressures are expected – without mitigation – to grow in outyears. The figure shown in the table above for outyear cost pressures is for 2028/29. Work in 2025 will identify potential options to mitigate these outyear cost pressures.



Treasury’s recommended areas of focus for the targeted baseline exercise

19. In December 2024, the Treasury suggested potential areas of focus for Minister Seymour to discuss with you. These areas are set out in the table below, along with how these relate to your priorities (or other HUD work):

TREASURY SUGGESTED AREAS OF FOCUS	RELATION TO YOUR PROGRAMME
<p>s 9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>s 9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>Expediting the review of Public and Transitional Housing Support Services</p>	<p>Through the Reset you agreed that HUD review these programmes with MSD in 2025.</p> <p>However, you have proposed some savings through Budget 2025 anticipating the outcomes of the review.</p> <p>Ahead of the wider review, HUD will provide advice in March on options to mitigate the cost pressure associated with IRRS places for Housing First and Rapid Rehousing. Any reduction to cost pressures could free up savings for additional investment through the Flexible Fund and/or for the targeted baseline savings exercise.</p>
<p>s 9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>s 9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>



<p>Monitoring of housing contracts: ensuring entities are adequately resourced to enforce contractual obligations to enable return of funds in cases of under-performance</p>	<p>Through the Reset you have agreed to remove lending facilities for four HIF loans that had not met contractual milestones.</p> <p>You also propose to shift responsibility for the HIF and Infrastructure Acceleration Fund to National Infrastructure Funding and Financing Limited.</p> <p>For remaining programmes, HUD has reorganised its delivery function, which incorporates contract management, and will form the base for the Housing Funding Authority that you intend to embed within HUD.</p>
<p>s 9(2)(f)(iv) [Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>s 9(2)(f)(iv) [Redacted]</p> <p>[Redacted]</p> <p>s 9(2)(f)(iv) [Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>s 9(2)(f)(iv) [Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>

Next steps

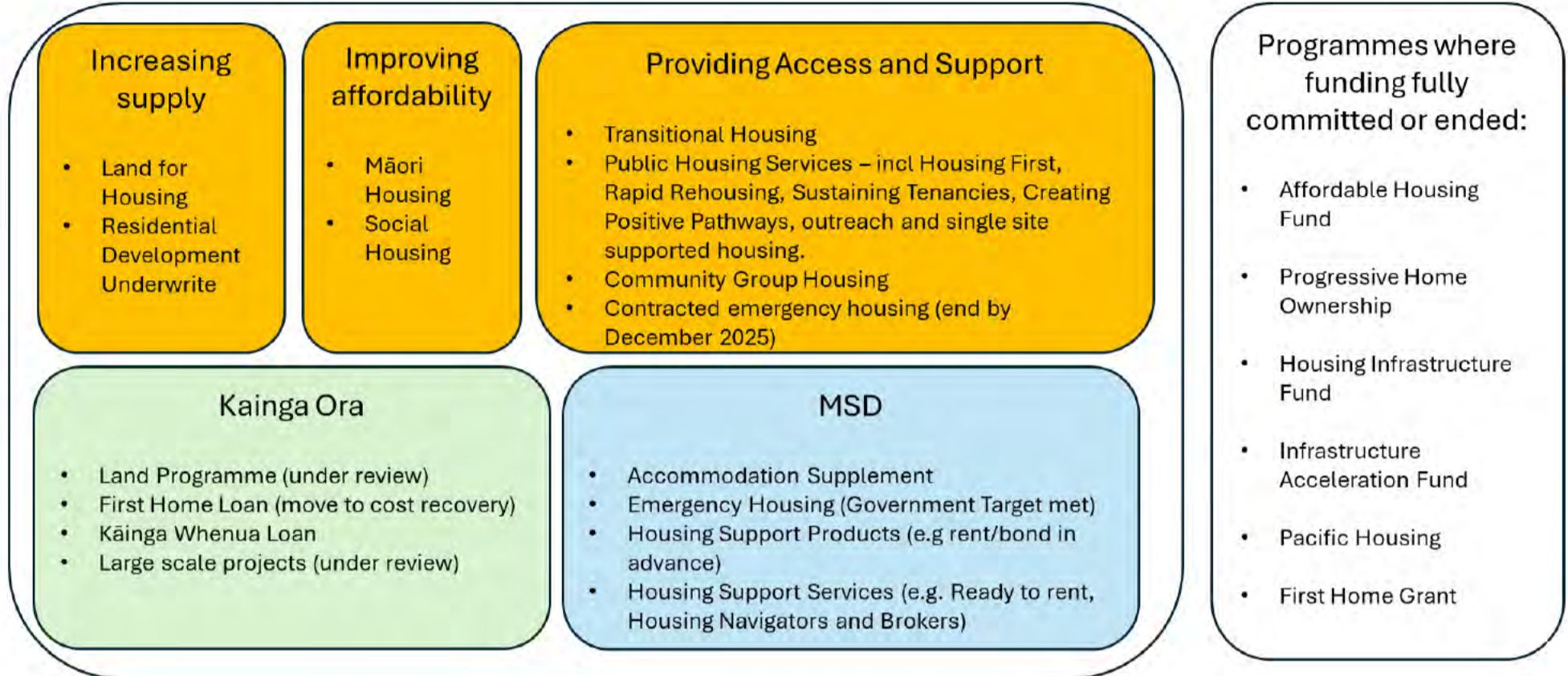
- 20. The meeting with Minister Seymour has been scheduled for 5:30pm on Wednesday 29th January 2025.
- 21. We will discuss approach to the meeting with you at the Housing Officials meeting at 12pm on Monday 27th January.

Annexes

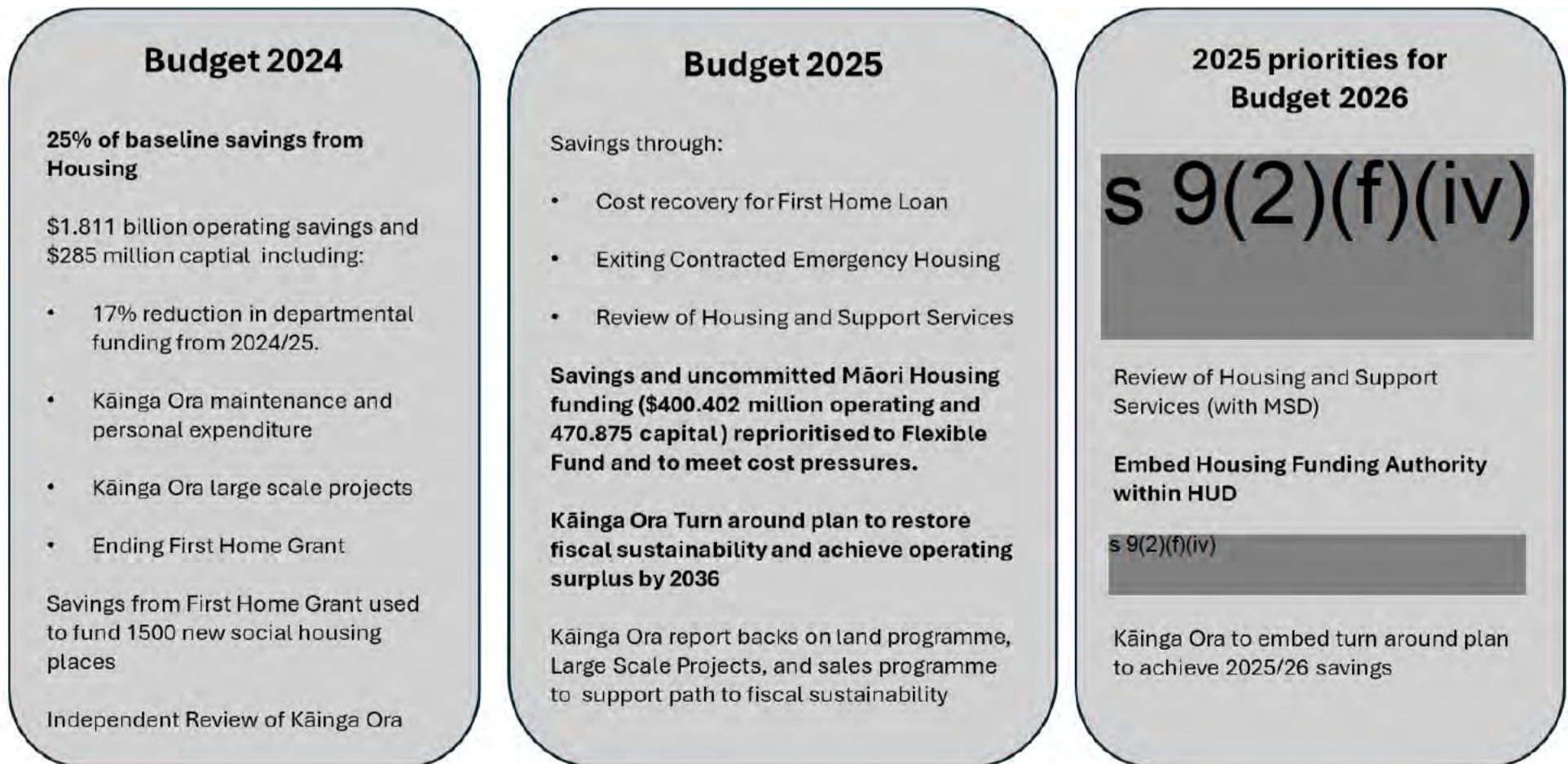
- 22. Annex A: Housing Funds and actions to improve value for money and effectiveness
- 23. Annex B: Suggested Talking Points

Annex A: Housing funds and improving value for money and effectiveness

Current Housing Portfolio Funds



Actions to improve value for money and effectiveness





Annex B: Suggested talking points

Gains we have made

1. When we came into Government I found funding system for housing complicated and confusing with multiple overlapping funds.
2. Through Budget 2024 the Minister of Finance and I carried out a rapid review of funds. Resulting savings made up 25% of total baseline savings across Government and funded 1,500 new social housing places for Community Housing Providers.
3. These savings included a 17% reduction in HUD's departmental budget in 2024/25, requiring a 16% reduction in FTEs.
4. We have refreshed the Kāinga Ora Board and they have developed a turn around plan which sets Kāinga Ora on the path to fiscal sustainability and surplus by 2036.
5. Our actions to reduce reliance on Emergency Housing have meant we reached our target 5 years ahead of plan, with savings of more than \$700m compared to BEFU forecasts.

Budget 2025 and priorities for the rest of the year

6. In July Cabinet agreed to reset investment in housing. HUD has completed this review including a line-by-line review of all HUD programmes
7. The reset has informed my proposals for Budget 2025, with savings and uncommitted Māori Housing funding – of more than \$400m operating and \$470m capital over the forecast period – reprioritised to meet cost pressures and to support new investment through a flexible fund.
8. As part of the flexible fund, I intend to establish affordable rentals as a form of social housing using an IRRS style operating payment. Given the complex interplay with social housing this flexible fund will be introduced in phases.
9. To make every dollar go as far as it can, HUD has reorganised its delivery group to operate like a Housing Funding Authority. This will implement the active purchaser approach recommended by the Kāinga Ora review with data and insights, and evidence of what works informing investment decisions.
10. s 9(2)(f)(iv)
[Redacted]
[Redacted]
[Redacted]
11. Taken together these actions amount to a comprehensive approach to streamlining and improving the flexibility of all funds across the housing system, to improve value for money and impact in meeting the needs of New Zealanders.
12. *Table Two provides suggested responses to Treasury's suggested areas of focus for the targeted baseline savings exercise*



Aide mémoire

HOUSING INFRASTRUCTURE FUND – LETTERS TO COUNCILS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	28/01/2025	Priority	Medium
Tracking number	HUD2025-006221		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Fiona McCarthy	Manager, Land Use and Land Markets	s 9(2)(a)	✓
Peter Owen	Policy Advisor, Land Use and Land Markets	s 9(2)(a)	

OTHER AGENCIES CONSULTED



Purpose

1. To provide you with draft letters to Mayors and Chief Executives of three councils, advising them that their access to interest free loans through the Housing Infrastructure Fund in relation to four projects will be removed.

Background

2. In December 2024 you agreed to enforce the consequences of Milestone Drawstop Events for four HIF project packages across three councils which had missed deadlines by over two years (HUD-005284 refers).
3. The relevant councils and project packages are:
 - a. Auckland Council's Northwest – Red Hills and Whenuapai
 - b. Waikato District Council's Te Kauwhata
 - c. Queenstown Lakes Council's Quail Rise and Ladies Mile.
4. You requested draft letters to Mayors and Chief Executives of the affected councils advising them of this decision. These are attached as Annex A.

Annexes

Annex A: Draft letters to Auckland Council, Waikato District Council, and Queenstown Lakes District Council.



Annex A: Draft letters to Auckland Council, Waikato District Council, and Queenstown Lakes District Council

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Wayne Brown

Mayor of Auckland

cc: Phil Wilson, Auckland Council Chief Executive

Via email to: Wayne.Brown@aucklandcouncil.govt.nz

Dear Mayor Brown,

Re: Housing Infrastructure Loan for Red Hills and Whenuapai

I refer to the Housing Infrastructure Fund (HIF) Facility Agreement “Red Hills and Whenuapai HIF Facility Agreement” (the Agreement) that Auckland Council signed with the Crown dated 30 September 2018.

Clause 12.1 of the Agreement states that when a milestone is missed by two years, the Crown will no longer be required to provide any further drawings and the facility limit will be reduced to the loan’s outstanding amount. The Red Hills and Whenuapai project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in this clause and to inform you that we consider that Auckland Council no longer has access to the remaining interest-free loan facility.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this. Additionally, the administration of one-off infrastructure funds for infrastructure that enables residential development distracts central government from undertaking work to enable growth to pay for growth.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Glyn Lewers

Mayor of Queenstown Lakes District Council

cc: Mike Theelen, Queenstown Lakes District Council Chief Executive

10 Gorge Road, Queenstown 9300

Dear Mayor Lewers,

Re: Housing Infrastructure Loan for Ladies Mile and Quail Rise

I refer to the Housing Infrastructure Fund (HIF) Facility Agreements “Ladies Mile” and “Quail Rise” (the Agreements) that Queenstown Lakes District Council signed with the Crown.

Clause 12.1 of each Agreement states that when a milestone is missed by two or more years, the Crown will no longer be required to provide any further drawings and the facility limit will be permanently reduced to the loan’s outstanding amount.

Each project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in these clauses and to inform you that we consider that Queenstown Lakes District Council no longer has access to the remaining interest-free loan facility.

This decision will not affect the Kingston HIF loan.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this. Additionally, the administration of one-off infrastructure funds for infrastructure that enables residential development distracts central government from undertaking work to enable growth to pay for growth.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Jacqui Church

Mayor of Waikato District Council

cc: Gavin Ion, Waikato District Council Chief Executive

15 Galileo Street, Ngāruawāhia 3720

Dear Mayor Church,

Re: Housing Infrastructure Loan for Te Kauwhata

I refer to the Housing Infrastructure Fund (HIF) Facility Agreement “Te Kauwhata” (the Agreement) that Waikato District Council signed with the Crown.

Clause 12.1 of the Agreement states that when a milestone is missed by two or more years, the Crown will no longer be required to provide any further drawings and the facility limit will be permanently reduced to the loan’s outstanding amount.

The Te Kauwhata project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in this clause, and to inform you that we consider that Waikato District Council no longer has access to the remaining interest-free loan facility.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this. Additionally, the administration of one-off infrastructure funds for infrastructure that enables residential development distracts central government from undertaking work to enable growth to pay for growth.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing



Briefing

MĀORI HOUSING FUNDING: CHANGES TO FACILITATE AFFORDABLE RENTALS (PHASE ONE)			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
CC Minister	Hon Tama Potaka	Portfolio	Associate Minister of Housing
Date	29/01/2025	Priority	Medium
Tracking number	HUD2025-006271		
ACTION SOUGHT			
Action sought	Agree new settings and investment for the Māori Housing pipeline.		
Deadline	7/02/2025		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Malo Ah-You	General Manager, Place-Based	s 9(2)(a)	✓
Melanie Smith	Head of Māori Housing Policy	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
N/A			



RECOMMENDED ACTIONS	
It is recommended that you:	
1. Note that you proposed an initial focus on affordable rentals (to complement delivery of social housing), funded through reprioritised Māori Housing funding.	<i>Noted</i>
2. Note that grant funding is an effective funding tool for facilitating affordable rentals, more so in areas where market housing is not economic.	<i>Noted</i>
3. Note that officials have explored other funding tools, including interest free loans, but consider them not commercially viable for affordable rentals.	<i>Noted</i>
4. Note that Māori housing has an existing pipeline in places of high housing need, with developments that are ready to go (some with resource consents in place).	<i>Noted</i>
5. Agree to use grant funding for the next tranche of Māori housing affordable rentals, to maintain momentum.	<i>Agree/Disagree</i>
6. Agree to reduce the cost to government by requiring a provider contribution of 50% of the build cost and capping the government contribution at a maximum of \$350,000 for supply and \$150,000 for infrastructure per home.	<i>Agree/Disagree</i>
7. Agree to the scale of Māori housing in Phase One being:	
Option 1: deliver at least 250 affordable rentals with the government contribution capped at \$125 million or	<i>Agree/Disagree</i>
Option 2: deliver at least 300 affordable rentals with the government contribution capped at \$150 million total or	<i>Agree/Disagree</i>
Option 3: deliver at least 400 affordable rentals with the government contribution capped at \$200 million (preferred option) or	<i>Agree/Disagree</i>
Option 4: deliver at least 428 affordable rentals with the government contribution capped at \$214 million	<i>Agree/Disagree</i>



Malo Ah-You
**General Manager, Place-
Based**
29/01/2025

Hon Chris Bishop
Minister of Housing
..... / /

Hon Tama Potaka
**Associate Minister of
Housing**
..... / /



Purpose

1. This briefing provides advice on short term investment options for affordable rentals from the Māori housing pipeline, to continue delivery progress in regions with housing need. This will allow time for longer term policy work to be undertaken on integrating affordable rentals into our housing system with a simpler set of funding tools.
2. It seeks decisions on new settings for grant funding that provide value for money, as well as decisions on the proposed level of investment/number of homes, so officials can commence discussions with providers to secure supply.

Executive summary

3. Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) is focusing on affordable rentals to complement the delivery of social housing funded through Budget 2024 while longer term policy work is undertaken to integrate affordable rentals into our housing system with a simpler set of funding tools.
4. Māori housing has an existing pipeline in places of high housing need, with developments that are ready to go in the short term, so uncommitted Māori housing funding has been earmarked to be invested in this typology.
5. With the reprioritisation of this funding, there is the opportunity to change subsidy settings to reduce the cost to government while maintaining momentum in Māori housing until the Flexible Fund settings are designed.
6. Other funding tools, including interest free loans have been considered but are not commercially viable for facilitating affordable rentals as a tenure.
7. To meet the government's objectives of value for money while maintaining momentum in Māori housing, officials recommend retaining grants but with a reduced government subsidy and a higher provider contribution. Setting a reduced cap of 50% total government contribution or a maximum of \$500,000 total development cost enables flexibility to fund larger projects with the cap being reached infrequently.
8. There are choices as to the scale and nature of investment in Phase One that are outlined in this briefing.

Background

9. In your letter to Minister Willis of 20 December 2024, confirming Budget priorities for 2025, and the accompanying briefing (*HUD 2024-005681*) you proposed establishing a permanent role for affordable rentals in New Zealand's housing system. You also proposed that HUD would take a two phased approach to using uncommitted Māori housing funding and savings.
10. **Phase One:** An initial focus on affordable rentals to complement delivery of social housing funded through Budget 2024. A proposed \$55.875 million operating and \$238.146 million capital was reprioritised from Māori Housing funding and is available



in the short term for investment in affordable rentals. Contracting of Phase One was proposed to be from now until the end of 2025 with delivery occurring until June 2027.

11. **Phase Two** (from end of 2025): Moves to a more integrated model, where affordable rentals are a type of social housing, potentially funded by an operating payment like social housing.
12. As signalled in Budget 25 submissions, earmarked funding for Phase One could deliver around 600 affordable rentals, nominally proposed to be made up from approximately 400 from the existing Māori Housing Pipeline and the remainder from other places. This advice seeks to confirm how and to what scale funding is allocated to these places from the Māori Housing Pipeline.
13. You have requested information about the most cost-effective way to invest in affordable rentals. This advice sets out the options that have been considered for funding the Phase One Māori housing affordable rentals, including interest free loans, and the pros and cons of these options, considering both best value for money and commercial viability of these projects. We have assumed you remain focussed on affordable rentals as a typology and locations of high housing need.

Affordable rentals in many regions or rural locations pose challenging development economics which has been previously mitigated using grant funding

14. Grants have been used to fund affordable rentals in the past due to the low income streams generated by affordable rentals. While it will differ across places, the net rental income from an affordable rental in the regions could only support 20%-30% of the cost of development. For example:

ASSUMPTIONS	PER ANNUM
Affordable rent of \$480 pw (80% of \$600 pw market rent)	\$24,960
Operating costs (rates, insurance, tenancy costs based on social housing cost)	\$13,500
Net rental income	\$11,460
Amount of that can be serviced by this rental income (based on average 5-year interest rate of 6.1% across a 30-year term)	\$156,000



15. Obviously, there are variations¹ but for affordable rentals in the regions, this still leaves a significant gap relative to development costs, which needs to be met from the provider or government contribution.
16. In addition, for our iwi providers who own their housing long-term they do not expect to realise any capital gain from the project.

Interest free loans among other options would not be suitable for affordable rentals

17. Officials have considered an option where the Government provides interest free loans of up to 100% of the cost of development to housing providers.
18. Interest free loans are unlikely to be effective in delivering affordable rentals for this cohort in these areas given the analysis above. The areas for many of these affordable rentals are low-income areas, where rents and incomes are lower. The gap between the cost of development and the revenue generated from the affordable rental is significant, particularly in the areas the pipeline focuses on, and insufficient to fund delivery of new houses.
19. As an example, looking at a \$600,000 build cost and the provider using their net rental income of \$11,400 (example used in paragraph 14), it would take 52 years for the provider to repay their interest free loan.
20. To make interest free loans viable, the tenure would need to change to market ownership or progressive home ownership. While this would make the funding recyclable, it would change the target cohort to households with a higher income.
21. In addition, with an interest free loan model HUD would need to write down and recognise the full operating cost on day one rather than spreading it across 25 years. This gives the appearance of a higher cost in the short term, affecting Operating Balance Before Gains and Losses (OBEGAL). That is, concessionary loans would bring forward the OBEGAL impact into the forecast period vs grants spreading the cost over 25 years.
22. Officials have considered several other funding tools but they were not seen as commercially viable or more efficient. See **Annex One** for the other options that were considered.

Funding affordable rentals provides benefits to the housing system

23. Affordable rentals provide housing for households who cannot access or afford suitable private accommodation but are ineligible for social housing or unlikely to be able to access it due to being a lower priority and the long waitlist (BRF HUD 2024-005706 refers).

¹ If operating costs drop 20% and interest rates are 5% then the borrowing is \$217K.



24. These houses are aimed at that segment of the housing need that can afford a rental at 80% of market rent but face challenges accessing private housing. Some may be moving out of emergency housing or transitional housing as their circumstances improve but cannot afford private rentals or home ownership. In some circumstances it could provide a stepping stone for those exiting Social Housing until they can afford private rentals, ensuring Social Housing can be used by those who need it most.
25. Government subsidies for affordable rentals can reduce reliance on other government assistance such as emergency housing or social housing. While affordable rentals require government subsidies, they are lower whole of life cost than some other tenures, such as social housing. When the cost of affordable rentals provided by Māori housing providers is spread across 25² years it costs **s 9(2)(j)** annum (if funded at \$535,000 per home) compared with **s 9(2)(j)** annum for Social Housing.
26. The Māori housing pipeline is not the only source of affordable rentals but has an existing pipeline in places of high housing need, with developments that are ready to go and many with resource consents in place.
27. Maintaining a priority for investment in Māori Housing in Phase One ensures continuing new supply, continuity and minimising relational risks while the Flexible Fund settings are developed.
28. The subsidy for these houses has sometimes been higher than the Affordable Rental pathway due to the nature of delivering affordable rentals, in areas with high housing need which are often in regional or rural areas.
 - a. Due to poorer access to local authority infrastructure and historic underinvestment in rural areas, there is often increased costs for the infrastructure needed to build such homes, particularly if smaller scale. More significant grant funding is required to help offset this cost.
 - b. Regional and rural areas usually have lower rents and incomes which relative to development costs, lead to lower development profitability and larger subsidies needed to enable developments to break even and unlock housing in these areas.
29. While varying in size, the Māori housing providers who can deliver in these areas have limited capital, often primarily held in whenua Māori that has lower market value. Consequently, they often have insufficient ability to raise finance through other means, reducing their ability to contribute to the funding gap between development costs and income, requiring upfront investment to provide sufficient capital to build the housing.

The Māori housing grant funding model

30. The Māori housing model (WKWO) to date has funded supply, capability and infrastructure for a range of tenures with affordable rentals compromising the majority.

² The contract period that providers must provide the affordable rental. If they choose to sell the affordable rental, prior to 25 years, they must get agreement from HUD first where we can seek repayment of the grant on a pro rata basis.



It has focused on unlocking Māori housing which is usually located in regional or rural areas and face worse development economics and at times higher costs. Grants are currently provided to cover up to 75% of build cost and 100% of infrastructure, usually up to \$535,000 per house.

31. Both the cost per home and the percentage of government contribution varies widely between different projects. Each agreement is negotiated depending on the cost of developing the houses and required infrastructure, the capital the iwi/organisation can contribute and the scale.
32. The current WKWO limits of 100% of infrastructure costs and up to 75% of the build cost has previously worked out to a government contribution of around 50% - 85% of the total cost of a development. In the 14 recently approved deals, the average grant per home was **s 9(2)(j)** and the maximum benchmark was only reached three times.
33. With the reprioritisation of this funding to the Flexible Fund, there is the opportunity to change subsidy settings to reduce the cost to government while maintaining momentum in Māori housing until the Flexible Fund settings are designed.

Retaining grants while reducing the subsidy is likely the most effective way to meet objectives

34. To meet the government's objectives of value for money and reduced upfront investment officials recommend retaining grants but with a reduced government subsidy and a **higher provider contribution**. This is recommended as the most effective change that can be made quickly, while still recognising the commercial challenges and progressing some projects.
35. Officials recommend requiring a minimum of 50% contribution of the supply cost from providers (providers often already bring land, as well as contributing to the build cost up to 25%). That is, a new cap of a maximum government contribution of 50% of the total supply costs could be established, requiring providers to cover 50% of the supply cost themselves. As opposed to a lower cap, this provides sufficient flexibility to contribute up to 50% for providers who have restricted access to capital.
36. In tandem, the maximum benchmark of \$535,000 per home could be lowered to a cap of \$350,000 for supply and \$150,000 for infrastructure (\$500,000 total) to reduce the maximum cost to the government per house, and potentially overall.
37. That is, the total percentage of government contribution could be set at 50% max **and** a reduced cap for the amount per home could be set. Whichever is the lower contribution from the government (50% or \$350,000 for supply and \$150,000 for infrastructure) would be paid.
38. Note that this cap is a maximum, and in many cases the government contribution would be less, especially in the case of smaller dwellings. This upper limit would primarily be paid for larger homes, and in each case, there would be a matching 50% contribution from the provider, (if the recommended changes to settings are agreed.)



The 50% contribution also ensures that the provider has strong incentives to minimise costs and any cost escalation is borne by the providers.

39. The lowered cap of \$350,000 for supply and \$150,000 for infrastructure (\$500,000 total) has been taken from the Waikato-Tainui³ model. The model allows:
- flexibility for HUD to fund a range of typologies (1-4 bedrooms);
 - the capped Government contribution is designed to reduce overall development costs as the provider was responsible for costs above the cap and any cost escalation.
40. Officials have done some initial testing on whether we could lower the government's contribution for example lowering it to a cap of \$250,000 for supply and \$150,000 for infrastructure (\$400,000 in total). We determined that:
- further reductions in the cap would create significant barriers to entry by compromising the financial viability of the underlying operating model and restricting access to finance due to an inability to satisfy the lenders servicing and security requirements;
 - this would limit the pool of viable development opportunities for HUD to partner with our Māori Housing providers as they would less likely be able to afford to do it;
 - it would incentivise smaller homes regardless of need and demand.
41. Continuing with grants will result in no adverse impact to fiscal measures including OBEGAL (as opposed to interest free loans, see above).

There are options on the nature and scale of the investment in Māori housing in Phase One

42. In Budget submissions and advice provided to you on 6 December 2024 (*HUD2024-005807 refers*), we estimated that the total amount of funding needed for the proposed Māori Housing Pipeline (400 homes) would be \$214 million based off the previous \$535,000 per home cap.
43. As noted above, the changes to the settings to increase provider contribution and reduce grant to a maximum of \$500,000 per home would reduce the amount of funding required for the proposed Māori Housing pipeline. The options below show the available for funding projects from the Māori Housing pipeline:

³ In 2024, Waikato-Tainui was approved \$35 million Government investment to support the delivery of 57 affordable rentals and enable the infrastructure of a further 43 affordable rentals (100 infrastructure sites in total).



Options	Total cost with reduced cap	Funding remaining	Cost using previous subsidy	Funding remaining
Option 1: deliver at least 250 affordable rentals	\$125m	\$89m	\$134m	\$80m
Option 2: deliver at least 300 affordable rentals	\$150m	\$64m	\$161m	\$54m
Option 3: deliver at least 400 affordable rentals (preferred option)	\$200m	\$14m	\$214m	-
Option 4: deliver at least 428 affordable rentals	\$214m	-	-	-

44. These options are estimated using the reduced cap of \$500,000 per home and the current cap of \$535,000 per home. As discussed in paragraph 45, the majority of homes are likely below this so these numbers represent a minimum that could be delivered.
45. Our preferred option is Option 3, to deliver at least 400 homes, with the Government contribution capped at \$200 million. This option includes an initial saving of at least \$14 million and if the new settings are agreed to, we expect the overall development costings to reduce as we work with providers to refine their costs.
46. We have identified nine projects from our current Māori Housing pipeline that could provide over 600 affordable rentals within the next 2-4 years (full list attached as **Annex Two**). These projects are at various stages of build-readiness and some require further consideration, before proceeding.
47. Nine projects are located within priority regions, including Te Tai Tokerau – Northland (three), Te Tairāwhiti (one), the Bay of Plenty (two), Taranaki (one), Hawkes Bay (one), Waikato (one). The remaining project is located in Auckland.
48. These projects will also target vulnerable and low to medium income Māori and whānau who are experiencing poor or inadequate housing including those transitioning from emergency housing. In the most recent tranche of funding this targeting was overseen through the provision of a Tenancy Management Plan by providers.
49. If you agree to Option 3, we will work with our Māori Housing providers to identify 400 homes that could be progressed quickly.



Risks

50. Reducing the cost to government will have trade-offs by limiting the places and providers for whom a reduced government contribution is viable. This won't be viable for some providers because they won't have sufficient capital to pay the increased 50%.
51. HUD has signed Programme Delivery Partnership Agreements with the four iwi delivering the large scale partnerships that made up the programme pathway of WKWO. Significant changes to these partnerships would risk HUD's relationship and reputation with our iwi partners.

Next steps

52. If you agree to one of the options that continuum momentum using the Māori Housing pipeline, officials would begin negotiations for the agreed number of houses based on the new funding settings.
53. Separate additional advice will be provided on the allocation of any remaining funding such as to affordable rentals from other pipelines.

Annexes

Annex A: s 9(2)(f)(iv)

Annex B: s 9(2)(f)(iv)



s 9(2)(f)(iv)





Aide mémoire

ADDITIONAL INFORMATION ON HOUSING INFRASTRUCTURE FUND DRAWSTOP EVENTS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	10/02/2025	Priority	Routine
Tracking number	HUD2025-006325		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Olivia Burnett	Senior Policy Advisor	s 9(2)(a)	✓
Fiona McCarthy	Manager, Land Use and Land Markets	s 9(2)(a)	

OTHER AGENCIES CONSULTED
N/A



Purpose

1. To provide additional context for, and discuss the potential impacts of, the letters proposed to be sent to Auckland, Waikato District, and Queenstown Lakes District Councils about their Housing Infrastructure Fund (HIF) loans.

Background

2. The \$1 billion HIF provides 10-year interest-free loans to five high growth councils and the New Zealand Transport Agency (NZTA), for nine packages of transport and/or water infrastructure projects that enable housing. The HIF was intended to bring forward infrastructure to support councils in providing infrastructure ready land under the National Policy Statement – Urban Development Capacity 2016 (NPS-UDC).
3. Four of the nine HIF projects administered by the Ministry of Housing and Urban Development (HUD) missed contractual milestones by more than two years, which gave the Crown a choice about whether or not to reinstate the HIF loans. Details on the relevant councils and projects affected by this decision are set out in **Annex A**.
4. In December 2024, you and the Minister of Finance (as joint decision makers for the HIF) considered advice and agreed to not reinstate the HUD administered loans (HUD2024-005284 refers). No decisions have been made on the future of NZTA's HIF loans.¹
5. On 28 January 2025, we provided you with draft letters to consider and send to the relevant Mayors and Chief Executives (CEs) (HUD2025-006221 refers). You requested additional information on the context for and potential impact of these letters.

Discussions held to date

6. HUD officials met with council officials via Teams and had discussions over email while our advice was being developed. The key points raised during these conversations were that:
 - a. Project delivery delays were predominately due to circumstances outside of the councils' control (for example, flow on effects from COVID-19 lockdowns, supply chain issues, market conditions).
 - b. The growth areas enabled by the HIF loans were agreed Priority Development Areas (PDAs) which had been agreed to by both central and local government through work on spatial plans and/or Future Development Strategies (FDS's).
 - c. Despite the above, if the remaining HIF funding was no longer available, this would not materially impact on the delivery of infrastructure (as councils would likely seek funding from the Local Government Funding Agency (LGFA)).

¹ Background advice on NZTA's loans was provided by NZTA on 3 February 2025 (BRI-3252 refers).



7. Councils are not yet aware that a decision has been made by Ministers. Officials don't see a need to further discuss this at officials' level prior to communicating a decision.

Likely reaction from councils

8. Based on conversations held to date we expect that the relevant councils may be disappointed but understanding of the situation, given the clear direction from central government for fiscal responsibility at all levels of government, and the system shift where "growth pays for growth".
9. As HIF loans count towards the total debt a council can borrow, removing access to its HIF loan will increase the amount the council can borrow from the LGFA. As such, the council should still be able to finance the project through the LGFA, or with another tool such as the Infrastructure Funding and Financing Act (IFF Act), albeit with additional interest costs. Any additional funding needed above the HIF funding envelope has always been the responsibility of the relevant council.

Risks or sensitivities

Relationships

10. Removing access to the remaining loan facilities may impact on relationships with the relevant councils and Urban Growth Partnerships.
11. Additionally, councils may feel that a decision to remove access to their HIF loan is inconsistent with messaging they are receiving about the possible benefits that could be afforded to them under a Regional Deal.
12. Officials consider this risk can be mitigated by a strong communications approach around the benefits of current reforms (i.e. Going for Housing Growth) and a focus on the Crown's value for money.

Timing

13. Auckland Council have indicated a preference to find out the outcome by 28 February 2025, to align with the Annual Plan cycle and Watercare's bank and funding RFP's.
14. We have not received any preferred timeframes from other councils (other than 'as soon as possible'), although they will likely also be bound by similar timeframes for their own Annual Plans.

Sequencing with upcoming announcements

15. Notifying councils as soon as possible of the decision to cancel the remaining loan would give them more time to adjust their financing arrangements. However, waiting until the announcement of Going for Housing Growth Pillar 2 on 21 February could help councils better understand the upcoming system changes and how the decision to cancel the remaining loans aligns with broader reforms.
16. If you would like to wait until the Pillar 2 announcements, HUD will update the draft letters to include more detail about Pillar 2.



Next steps

17. We recommend that you send the attached letters to the Mayors and CEs of the relevant councils before 28 February 2025.
18. However, the approach to communicating the news with councils can be amended if desired. For example:
 - a. HUD officials could provide an update at the officials' level, with no Ministerial letter sent.
 - b. HUD officials could provide an update at the officials' level and indicate a Ministerial letter would be sent to the Mayors and CEs, prior to the letters being sent.
19. The savings identified through removing access to these loans are available for reprioritisation through Budget 2025. You have indicated a preference to put these savings towards the IFF Act 'Greenfield Model' which is being administered by the National Infrastructure Funding and Financing Company (NIFFCo). This is being worked through as part of the Budget process.

Annexes

Annex A: Project details

Annex B: Letters to Auckland, Waikato District, and Queenstown Lakes District Councils for your consideration



Annex A: Project details

COUNCIL AND PROJECT	INFRASTRUCTURE FUNDED BY HUD LOAN	HOUSES EXPECTED TO BE ENABLED BY INFRA DELIVERY	s 9(2)(i)
Auckland Northwest – Redhills and Whenuapai	<ul style="list-style-type: none"> Wastewater mains Pump stations Stormwater management 	7,700 (none delivered to date)	
Waikato Te Kauwhata	<ul style="list-style-type: none"> Upgrades to the water supply system A new wastewater treatment plant and reticulation network 	2,790 (~200 already delivered, and 600+ sites are infrastructure ready)	
Queenstown Ladies Mile	<ul style="list-style-type: none"> Upgrades to the water supply system A new wastewater treatment plant and reticulation network 	2,400 (none delivered to date)	
Queenstown Quail Rise	<ul style="list-style-type: none"> New three waters infrastructure including water reservoirs, rising mains, and pump stations Roundabout on SH6 Bus stops A pedestrian and cycle underpass 	900 (none delivered to date)	
Total	-	-	



Annex B: Letters to Auckland, Waikato District, and Queenstown Lakes District Councils for your consideration

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Wayne Brown

Mayor of Auckland

cc: Phil Wilson, Auckland Council Chief Executive

Via email to: Wayne.Brown@aucklandcouncil.govt.nz

Dear Mayor Brown,

Re: Housing Infrastructure Fund loan for Red Hills and Whenuapai

I refer to the Housing Infrastructure Fund (HIF) Facility Agreement “Red Hills and Whenuapai HIF Facility Agreement” (the Agreement) that Auckland Council signed with the Crown dated 30 September 2018.

Clause 12.1 of the Agreement states that when a milestone is missed by two years, the Crown will no longer be required to provide any further drawings and the facility limit will be reduced to the loan’s outstanding amount. The Red Hills and Whenuapai project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in this clause and to inform you that we consider that Auckland Council no longer has access to the remaining interest-free loan facility.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Glyn Lewers

Mayor of Queenstown Lakes District Council

cc: Mike Theelen, Queenstown Lakes District Council Chief Executive

10 Gorge Road, Queenstown 9300

Dear Mayor Lewers,

Re: Housing Infrastructure Fund loan for Ladies Mile and Quail Rise

I refer to the Housing Infrastructure Fund (HIF) Facility Agreements “Ladies Mile” and “Quail Rise” (the Agreements) that Queenstown Lakes District Council signed with the Crown.

Clause 12.1 of each Agreement states that when a milestone is missed by two or more years, the Crown will no longer be required to provide any further drawings and the facility limit will be permanently reduced to the loan’s outstanding amount.

Each project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in these clauses and to inform you that we consider that Queenstown Lakes District Council no longer has access to the remaining interest-free loan facility.

This decision will not affect the Kingston HIF loan.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



[Date]

Mayor Jacqui Church

Mayor of Waikato District Council

cc: Gavin Ion, Waikato District Council Chief Executive

15 Galileo Street, Ngāruawāhia 3720

Dear Mayor Church,

Re: Housing Infrastructure Fund loan for Te Kauwhata

I refer to the Housing Infrastructure Fund (HIF) Facility Agreement “Te Kauwhata” (the Agreement) that Waikato District Council signed with the Crown.

Clause 12.1 of the Agreement states that when a milestone is missed by two or more years, the Crown will no longer be required to provide any further drawings and the facility limit will be permanently reduced to the loan’s outstanding amount.

The Te Kauwhata project has missed a milestone by at least two years, and I have instructed officials to enforce the consequences set out in this clause, and to inform you that we consider that Waikato District Council no longer has access to the remaining interest-free loan facility.

I recognise that this news may be disappointing. However, I am a strong believer in growth paying for growth, and do not consider that the HIF adequately facilitates this.

Pillar 2 of Going for Housing Growth will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development.

If you have any questions or require further clarification, please do not hesitate to contact the officials you usually engage with at the Ministry of Housing and Urban Development.

Yours sincerely,

Hon Chris Bishop
Minister of Housing



Briefing

2025 MARCH BASELINE UPDATE SUBMISSION: VOTE HOUSING AND URBAN DEVELOPMENT			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	20 February 2025	Priority	High
Tracking number	HUD2025-006261		
ACTION SOUGHT			
Action sought	<ol style="list-style-type: none">approve changes to the appropriations for which you are responsible for within Vote Housing and Urban Development; andsign and forward the 2025 March Baseline Update (MBU) submission (including tables 1 and 2) to the Minister of Finance.		
Deadline	1pm Monday 24 February 2025		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Tony De Gregorio	Chief Financial Officer	s 9(2)(a)	
Reuben Scott	Manager, Financial Reporting and Control	s 9(2)(a)	✓
OTHER AGENCIES CONSULTED			
The Treasury, Kāinga Ora – Homes and Communities (Kāinga Ora) and Tāmaki Redevelopment Limited.			



RECOMMENDED ACTIONS	
It is recommended that you:	
<p>i. note that the MBU process provides an opportunity for appropriation Ministers to seek Minister of Finance approval to:</p> <ul style="list-style-type: none"> • make changes to appropriations to reflect or implement relevant Cabinet or joint Ministers' decisions approved since the 2024 October Baseline Update (OBU); and • make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet; 	<i>noted</i>
<p>2. agree to the proposed financial changes to appropriations as set out in the 2025 MBU submission (Annex A); and</p>	<i>agree/disagree</i>
<p>3. agree to sign and forward the 2025 MBU submission (including tables 1 and 2) to the Minister of Finance by 1pm Monday 24 February 2025.</p>	<i>agree/disagree</i>

Colin Lynch
Deputy Chief Executive, Policy,
Te Tūāpapa Kura Kāinga - Ministry
of Housing and Urban
Development
20/02/2025

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

1. This briefing outlines the impacts of Cabinet and joint Ministers' decisions approved since the 2024 OBU and seeks your approval to make changes to appropriations for Vote Housing and Urban Development, as part of the 2025 March Baseline Update (MBU) process.

Executive summary

2. The Ministry of Housing and Urban Development (the Ministry) is seeking joint Ministers' approval to a number of appropriation changes to reflect or implement relevant Cabinet or joint Ministers' decisions approved since the 2024 OBU, and to make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet.

Background

3. The MBU process provides an opportunity for appropriation Ministers to seek Minister of Finance approval to make changes to appropriations to:
 - a. reflect or implement relevant Cabinet or joint Ministers' decisions approved since the 2024 OBU; and
 - b. to make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet.
4. Joint Ministers are requested to approve changes, within the criteria set out in the Cabinet Office Circular CO (18) 2, *Proposals with Financial Implications and Financial Authorities*.
5. This is a technical update with its contents designed to require no review by Cabinet.
6. There are no changes that require Cabinet approval or should be considered as part of the Budget process.
7. The proposed changes including changes to appropriations for the Vote are included in the 2025 MBU submission as set out in Annex A. The format of this submission is largely prescribed by a Treasury Circular.
8. The effect on OBEGAL since 2024 OBU of the above appropriation changes and forecast changes is an immaterial increase in costs of \$14 million over the forecast period. This is mainly due to increased costs for projects funded by the Infrastructure Acceleration Fund currently run by Kāinga Ora, however administration of the Infrastructure Acceleration Fund will be transferred to the National Infrastructure Funding and Financing Agency by June 2025.

See Annex D for more details.



9. Once approved, the consolidated 2025 MBU submission (including tables 1 and 2) for Vote Housing and Urban Development is required to be forwarded from your office to the Minister of Finance for final approval.

MBU Changes

10. The following proposed changes are explained in more detail in Annex A.
11. Three requests for new multi-year appropriations (MYA) for He Kūkū ki te Kāinga - Increasing Māori Housing Supply, Progressing the Pipeline of Māori Housing and Land for Housing Programme - developers' loan payments, as the existing appropriations expire on 30 June 2025 and new MYAs are required as funding is required beyond this date as the programmes are currently scheduled to continue. (Funding will be transferred from the expiring MYAs to the new MYAs from 2024/25 to 2025/26 and outyears at Budget 2025).
12. Change in various appropriations' titles and/or scope statements - from the term *Public Housing* to *Social Housing*, to reflect current terminology. These changes are effective from 1 July 2025 and will be reflected in the Vote Housing and Urban Development 2025/26 Estimates of Appropriations, and subsequent budget/financial statements.
13. Approval for one Expense transfer and several In-Principle Expense and Capital transfers from 2024/25 to 2025/26 and 2027/28 due to one or more of the following factors; these transfers will not constrain future Budget decisions. A table summarising the programmes affected and the changes required is shown in Annex E:
 - Aligning payments with programme delivery; e.g. Local Innovations and Partnership Fund
 - Delays in contracting with housing providers; e.g. Early-Stage Operating Supplement paid to Community Housing Provers (CHPs)
 - Delays in obtaining Council approvals and titles from LINZ; e.g. Land acquisition of stage three – the Neighbourhood at Ormiston
 - Delays in construction.

Non-departmental expense transfer

- i. Local Innovations and Partnership Fund

In-Principle Departmental expense or capital transfers

- ii. WAI2750 Enquiry
 - i. Rental expenditure
 - ii. Property Provider Management System

In-Principle Non-departmental expense or capital transfers



- iii. Emergency Housing Reset
 - iv. Progressive Home Ownership Fund - Support Services
 - v. Affordable Housing Fund
 - vi. Community Housing Providers Early-stage Operating Supplement
 - vii. Land acquisition of stage three – the Neighbourhood at Ormiston
 - viii. Forecasting Adjustments to the Housing Programme.
- d. Approval of adjustments funded from revenue changes. These reflect latest expected year end forecasts and relate to:
- Departmental adjustments*
- ix. Revenue from secondments
 - x. Revenue from Sublease of Premises
- Non-departmental adjustments*
- xi. Crown Revenue from Third Parties
 - xii. Crown revenue sales forecasts and resulting cost of sales
14. Recycling of Funds Back into the Build Ready Development appropriation – seeking a ‘top up’ the Affordable Housing Fund for those homes that have been purchased through underwrites and subsequently on-sold. The funding will be reprioritised into Residential Development Underwrite MYA at the 2025 October Baseline Update.
- e. Other Funding adjustments:
15. Transferring Funding from Build Ready Developments to the Residential Development Underwrite Purchase appropriation - fiscally neutral adjustment from the Affordable Housing MYA to the Residential Development Underwrite MY MCA
- i. Approval for adjustments from the reforecast of several Multi-year Appropriations (MYAs), e.g., Buying off the Plans programme and Shovel Ready projects to align budgets with forecasted actual expenditure.
16. Request for one performance reporting exemption from 2024/25 for Vote Housing and Urban Development. An exemption is being sought for the newly established *Land for Housing Programme – developers’ loans – Fair value write down* category of the existing Housing Programme Fair Value Impairment Loss and Inventory Disposal multi-category appropriation. Due to the nature of the transactions being funded, the performance information will not be informative.
17. Request for a new category to be created called “*Amortisation of Upfront Payments MCA – Social Housing Providers - Early Stage Operating Funding*” to the existing Amortisation of Upfront Payments MCA. This will replace two existing categories in



the MCA which duplicate each other. Funding will be transferred from these two categories to the new category (from 2025/26 onwards) as part of Budget 2025. Treasury advised us to follow this process.

18. One item listed in Table 2 attached to this submission does not require joint Ministers' approval. This item is detailed here to ensure you have visibility of all the Ministry's vote changes. All Cabinet/joint Ministers' decisions relating to Vote Housing and Urban Development made since the previous baseline update have been included in this update as follows:
 - i. *Approval to Development Agreements for 1 - 139 Carrington Road, Mt Albert, Auckland [HUD2024-005751 refers].*

Risks

19. The proposed adjustments hold no risk as they are fiscally neutral over the forecast period. However, the risk of not approving the changes to Vote Housing and Urban Development's appropriations is that the Ministry will not have sufficient funds for committed projects (funding agreements are in place) which have been delayed due to factors outside the Ministry's control.

Consultation

20. The Treasury were provided with a draft of the attached letter. No significant issues arose from their review.
21. Kāinga Ora and Tāmaki Redevelopment Limited provided updated forecast data for the fiscal forecasts.

Next steps

22. Please **approve** changes to the appropriations for which you are responsible for within Vote Housing and Urban Development; and
23. Please **sign** and forward the 2025 MBU submission (including tables 1 and 2) to the Minister of Finance
24. The Minister of Finance will advise you of her approval to the submission from 17 March 2025.
25. As noted in the submission, the Ministry has begun a review of the appropriations structure of Vote Housing and Urban Development for consideration for the Estimates of Appropriations 2025/26, due to the large number of appropriations managed by the Ministry (which require full consultation with the Treasury). Any formal changes (including changes to performance measures) will be sought via the Budget 2025 process.



26. Other changes to appropriations arising from Budget 2025 decisions will also be reflected in the Estimates of Appropriations 2025/26.
27. Appropriation changes arising from Cabinet's decision¹ to transfer KiwiBuild residual underwrite activity from Kāinga Ora to the Ministry will be sought for approval after Budget Day 2025.

Annexes

28. The following are attached:
 - a) Annex A - 2025 March Baseline Update Submission for Vote Housing and Urban Development.
 - b) Annex B - Table 1 Summary Table of Baseline Numbers for Vote Housing and Urban Development.
 - c) Annex C - Table 2 Financial Changes proposed for Vote Housing and Urban Development.
 - d) Annex D – Table showing changes in OBEGAL since 2024 OBU.
 - e) Annex E – Table showing In-Principle Expense and Capital Transfers (IPECTs) Summary of Programmes Affected.

¹ CAB-24-MIN-0495.01 refers.

Annex D – Table showing changes in OBEGAL since 2024 OBU

OBEGAL imact	OBU 2024 Forecast						MBU 25 forecast						Variance					
	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	2028/29 (M's)	Total (M's)	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	2028/29 (M's)	Total (M's)	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	2028/29 (M's)	Total (M's)
Large Scale Projects - Operating Expenditure	73	54	63	13	-	202	70	38	62	26	7	202	3	16	1	(13)	(7)	0
Kāinga Ora - Land Programme	6	7	7	8	10	37	5	7	7	9	10	37	1	0	(0)	(0)	(1)	(0)
Kāinga Ora - Shovel Ready Projects/Housing Assistance	32	18	3	0	0	53	31	18	3	0	0	52	0	0	0	0	0	0
First Home Grants	20	-	-	-	-	20	15	-	-	-	-	15	5	0	0	0	0	5
Social Housing - Community Housing Providers	296	332	370	393	402	1,792	296	332	370	393	402	1,792	0	0	0	0	0	0
Social Housing Services	107	108	110	87	87	499	107	108	110	87	87	499	0	0	0	0	0	0
Infrastructure Acceleration Fund	67	169	191	243	191	860	62	196	196	171	252	876	5	(27)	(5)	72	(62)	(16)
Build Ready Development programme write-downs	17	3	-	-	-	20	17	3	-	-	-	20	0	0	0	0	0	0
Buying off the Plans and Land for Housing - holding costs & write-down	5	5	4	0	-	14	8	5	4	-	-	17	(3)	0	0	0	0	(3)
Land for Housing - Operations	2	25	-	-	-	27	2	25	-	-	-	27	0	0	0	0	0	0
Total	624	720	746	744	690	3,525	613	731	751	685	759	3,538	12	(11)	(4)	59	(69)	(14)

Annex E: Expense Transfer - Programme Affected

PROGRAMME	DESCRIPTION	IPECTS SOUGHT	JUSTIFICATION FOR IPECT
<i>Local Innovations and Partnership Fund</i>	Contestable fund for local initiatives to respond and prevent homelessness. Three funding rounds have now been completed, with no further rounds planned and uncommitted funding to be returned.	Transfer of \$2 million from 2024/25 to 2025/26	The Ministry can continue to meet contractual obligations; i.e. make payments when milestones are met.

In-Principle Expense and Capital Transfers (IPECTs) Summary of Programmes Affected

PROGRAMME	DESCRIPTION	IPECTS SOUGHT	JUSTIFICATION FOR IPECT
<i>Wai2750 Enquiry</i>	The Housing Policy and Services Kaupapa Inquiry (Wai 2750).	Up to \$0.650 million from 2024/25 to 2025/26	Will enable the Ministry to continue to act as the lead agency for the enquiry.
<i>Rental Expenditure</i>	Savings could be realised long-term. However the Ministry will need to incur costs in the short term e.g. write-off previously capitalised fit out costs (in accordance with current accounting standards).	Up to \$1.450 million from 2024/25 to 2025/26	Ability to realise savings long term.
<i>Property Provider Management System</i>	Capital funding received for the design and implementation of a Property Provider Management (PPM) software system.	Up to \$2.300 million from 2024/25 to 2025/26	Will utilise residual capital funding for improvements and integration with the Ministry's broader systems.
<i>Emergency Housing (EH) Reset</i>	The purpose of EH funding is to support local initiatives to reduce reliance on motels for emergency accommodation e.g. in places like Hamilton City and Wellington metropolitan area.	Up to \$15.798 million from 2024/25 to 2025/26 (\$5.953 million) and 2027/28 (\$9.845 million)	EH – continued ability to support the government's plans to reduce the reliance on motels for emergency accommodation.
<i>Progressive Home Ownership</i>	The PHO fund offers approved providers a loan to partner with individuals, families and whānau in a rent-to-buy, shared equity or leasehold arrangement. Also includes payments for wraparound support services in the form of grants.	Up to \$3.500 million from 2024/25 to 2025/26	Contractual obligations will be met.

Affordable Housing Fund	Affordable Rental Pathway: the purpose of the pathway is to support non-profit providers in developing new affordable rental homes for individuals who are either ineligible or have low priority for public housing but cannot afford market rent.	Up to \$75 million from the 2023/24 to 2024/25	Contractual obligations will be met.
Community Housing Providers (CHPs) (Early-stage Operating Supplement)	The Early-Stage Operating Supplement is paid to help address barriers that CHPs face in accessing capital for new build public housing developments.	Up to \$40 million from 2024/25 to 2025/26	Supports the Minister's decision to continue to support housing provided by CHPs.
Land acquisition of stage 3 – the Neighbourhood at Ormiston	Appropriation was established to fund (from the Housing Agency Account) the purchase of stage 3 land at The Neighbourhood (the Site) at Ormiston for up to \$40 million to protect the interests of the 56 Stage 1 KiwiBuild owners and secure continued development on the site.	Up to \$4 million from 2024/25 to 2025/26	Contractual obligations will be met.
Forecasting Adjustments to the Housing Programme (Technical Appropriations)	These concern technical appropriations to recognise the non-cash expenses associated with implementation of government housing policy. E.g. deferred settlement agreements associated with land sales.	Up to \$50 million from 2024/25 to 2025/26	Required to correctly account for housing transactions in accordance with the Public Finance Act 1989.

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister of Transport
Leader of the House
Associate Minister of Finance
Associate Minister for Sport and Recreation



February 2025

Hon Nicola Willis
Minister of Finance
Parliament Buildings
WELLINGTON

Dear Nicola

2025 March Baseline Update

Submission for Vote Housing and Urban Development

Introduction

This report covers items affecting the baseline for **Vote Housing and Urban Development** which is administered by the Ministry of Housing and Urban Development (the Ministry) for the 2025 March Baseline Update.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The Table 2 referred to below is attached to this letter.

The proposed changes to baselines are as follows:

Changes requiring approval of joint Ministers

New Multi-Year Appropriations (MYAs)

Three current MYAs expire on 30 June 2025. These appropriations will fund an increase in the housing supply in future years and are ongoing programmes, which carry on beyond 30 June 2025. New MYAs are required to provide flexibility, given the uncertainty around when payments will be made. MYAs reduce the risk of overspending in a period, if payments are unexpectedly made, which were not previously forecasted. Funding will be transferred from 2024/25 to the new MYAs as part of the Budget 2025 process (technical initiatives).

Accordingly, I seek your agreement to establish three new MYAs, to run from 1 July 2025 to 30 June 2030, as follows:

He Kūkū ki te Kāinga - Increasing Māori Housing Supply MYA

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Housing and Urban Development	Minister of Housing	Ministry of Housing and Urban Development	He Kūkū ki te Kāinga - Increasing Māori Housing Supply	Non-departmental Output Expense	This appropriation is limited to increasing the housing supply provided by Māori service providers.

Progressing the Pipeline of Māori Housing MYA

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Housing and Urban Development	Minister of Housing	Ministry of Housing and Urban Development	Progressing the Pipeline of Māori Housing	Non-departmental Output Expense	This appropriation is limited to interventions that develop Māori housing capability across the Māori housing continuum and reduce technical and cost barriers to increasing the supply of Māori housing.

Land for Housing Programme - developers' loan payments MYA

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Housing and Urban Development	Minister of Housing	Ministry of Housing and Urban Development	Land for Housing Programme - developers' loan payments	Non-departmental Capital Expenditure	This appropriation is limited to interest-free loans related to development payments to developers under the Land for Housing programme.

Change in Appropriations' Titles and/or Scope Statements

I am seeking your approval for a change in various appropriations' titles and/or scope statements from the term *Public Housing* to *Social Housing*, to reflect current terminology. These changes are effective from 1 July 2025 and will be reflected in the Vote Housing and Urban Development 2025/26 Estimates of Appropriations, and subsequent budget/financial statements. The appropriations and scope statements affected are listed in Annex A1.

Expense and Capital Transfers/In-Principle Expense and Capital Transfers

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2 (where applicable).

Wai2750 Enquiry

The Housing Policy and Services Kaupapa Inquiry (Wai 2750) was initiated in 2019 and the stage one hearings were completed in 2021. *Kāinga Kore: The Stage One Report of the Housing Policy and Services Kaupapa Inquiry on Māori Homelessness* was released in May 2022 and the Tribunal, Crown and claimants are now in preparation for stage two.

Stage two involves four pakitara (themes): Whenua Māori, Te Ao Kāinga, Whānau Kāinga and Hauora. The first theme likely to be considered by the Waitangi Tribunal (the Tribunal) is Whenua Māori. The Ministry is awaiting direction from the Tribunal on when hearings will commence but is likely to be mid to late 2025.

The Tribunal is responsible for setting the timetables for hearings. The claimants consider eight hearing weeks will be required for their evidence across the four pakitara, with a further three weeks (11 weeks in total) for opening and closing submissions, technical evidence and any other matters.

The Ministry is working with several agencies to coordinate the Crown response to the Inquiry and is preparing analysis and evidence to support the Crown's participation.

The Ministry, as lead agency, does not have any option but to participate in the Inquiry. Hence the expenditure is essential and unavoidable to support the Crown's participation in the Inquiry. Without an expense transfer the Ministry is unable to cover these costs from its existing baseline without significant risks to delivery of other BAU programmes the Ministry manages.

Accordingly, to ensure the funding profile aligns with stage two timing which is uncertain and outside of the Ministry's control, I seek your approval for an In Principle Expense Transfer (IPET) of up to \$0.650 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister of Housing					
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA	(0.650)	0.650	-	-	-

The intended category that funding is to be transferred to is: *Policy Advice and Ministerial Servicing* (Departmental Output Expense).

Rental Expenditure

As part of the Government’s mandate to reduce expenditure, the Ministry has been investigating the use of its office space on Waterloo Quay in Wellington.

By subleasing or relinquishing an entire floor, the Ministry could save up to \$1 million per annum in operating costs. Whilst a number of interested parties have viewed the office space, the Ministry has been unable to meaningfully progress negotiations but still intends to progress this option.

In order to realise the savings on its annual lease costs, the Ministry will need to firstly write-off previously capitalised fit out costs (in accordance with current accounting standards), as well as fund the entire lease for the affected floors until floor space can be re-let or exited and the long-term savings can then be realised. Total one-off costs, expected to be incurred should the Ministry exit floor space, are approximately \$1.450 million. This has been built into the Ministry’s internal budgets for 2024/25 but may not now occur until a later time and there is no funding in the outyears for such costs.

Accordingly, to ensure funds are available for the above work, for which timing is uncertain and outside of the Ministry’s control, I seek your approval for an IPET of up to \$1.450 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister of Housing					
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA	(1.450)	1.450	-	-	-

As these expenses are indirect costs, the costs transferred (once confirmed) are intended to be distributed amongst the three categories in this multi-category appropriation (MCA): *Management of Housing Provision and Services, Facilitating the Purchase and redevelopment of land for housing purposes and Policy Advice and Ministerial Servicing* (all are Departmental Output Expenses).

Property Provider Management System

At Budget 2023, the Ministry received capital funding of \$3.451 million [CAB-23-MIN-0139 refers] for the design and implementation of a Property Provider Management (PPM) software system. This system was initiated to reduce reliance on older Ministry of Social Development (MSD) legacy systems, to enable the Ministry to directly manage property providers, and to enhance internal contract management.

The project was intended to be delivered with MSD as a partner agency contributing to the design and development of the solution. Shifting priorities and funding constraints at MSD required them to pull out of the project before delivery of their inputs was complete.

The original project’s sequencing required completion of MSD deliverables before moving on to build the internal contract management function. As the deliverables were not received, the project team released a limited version of the system, as it was available for use even though the project wasn’t fully completed.

The PPM solution that has been rolled out replaced the Ministry’s reliance on MSD’s ShareFile system and the disparate tools used by the Ministry’s Commercial and Contracts team, which often did not communicate effectively with each other. PPM consolidates these tools into one cohesive application, streamlining daily workflows and improving efficiency.

The next stage of the project is to realise other benefits related to the projects original scope: secure file uploads from providers (including reports, contracts, and sensitive documents), notifications for uploaded files, a monthly reports transfer to the Ministry’s Data and Products team, as well as providing a comprehensive view and management of provider/contact/contract/transitional housing place portfolios.

Accordingly, due to the delays incurred from MSD not providing their intended deliverables, I seek your approval for an In Principle Capital Transfer (IPCT) of up to \$2.300 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister of Housing					
Ministry of Housing and Urban Development - Capital Expenditure PLA	(2.300)	2.300	-	-	-
Departmental Capital Injection					

Emergency Housing Reset

In Budget 2022, Cabinet approved the establishment of the Emergency Housing Tagged Operating Contingency of \$355.000 million [CAB-22-MIN- 0129 refers].

The Cabinet Social Wellbeing Committee approved drawdowns of \$15.000 million in April 2023 [SWC-23-MIN-0028 refers] and \$155.000 million in August 2023 [SWC-23-MIN-0103 refers] of the above tagged contingency for the purpose of increasing the availability of suitable emergency housing alternatives to Emergency Housing Special Need Grant motels in Hamilton City and Wellington metropolitan areas by addressing gaps in the system and improving accessibility to support services.

Due to many competing demands within the housing space, availability of experienced providers to support the comprehensive design process has been limited and the design of the bespoke services has not been completed in time to have contracts and funding available to providers in the 2024/25 financial year. In addition to this, contracts that have now been executed have confirmed payment schedules which do not currently align with the funding profile; hence funding needs to be transferred from the current financial year to outyears.

This transfer of funding from 2024/25 will directly support the continued implementation of both the Hamilton and Wellington implementation plans. The Ministry has reviewed its baseline funding in future years and would be unable to meet these costs if the transfer is not approved. It would result in a need to reduce other transitional housing supply in other areas which is required to support motel exits in other regions.

Accordingly, due to the uncertainty over the timing of payments, which are outside of the Ministry's control, I seek your approval for an IPET of up to \$15.798 million from 2024/25 to 2025/26 (\$5.953 million) and 2027/28 (\$9.845 million) as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister of Housing					
Multi-Category Expenses and Capital Expenditure:					
Transitional Housing MCA	(15.798)	5.953	-	9.845	-

The intended categories that funding is to be transferred to are: *Provision of Transitional Housing Places* and *Transitional Housing Services*. (Both categories are Non-departmental Output Expenses).

Local Innovations and Partnership Fund

The Local Innovations and Partnership Fund supports local initiatives to respond to and to prevent homelessness. It contributes to efforts to reduce reliance on emergency accommodation.

The timing of the Local Innovation and Partnership Fund payments to providers needs to be aligned with contract milestones schedules. Contracting for the fund is now

complete and the Ministry has confirmed contract payment schedules with each provider. An expense transfer is required to align the final payment schedules with the contracts, as contracts are spread over multiple financial years. If the transfers are not approved, it would result in a reduction of services in the outyears, which would put the Ministry at risk of breaching its contracts across multiple providers.

Accordingly, to ensure the funding profile aligns with eventual milestone payments, I seek your approval for an Expense Transfer ET of \$2 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Output Expense:					
Local Innovations and Partnerships	(2.000)	2.000	-	-	-

Progressive Home Ownership (PHO) - Support Services

In Budget 20, Cabinet approved \$7 million enduring funding for Progressive Home Ownership Support Services [CAB-20-MIN-0155.18 refers], which provides funding for grants to be paid to housing providers to give courses to new homeowners who purchase homes under the PHO scheme.

The Ministry returned \$2 million of the FY 2024/25 funding and \$5 million per annum of the enduring funding for the subsequent outyears as part of Budget 24 Savings [CAB-24-MIN-0148.40 refers]. This left \$5 million of funding available in FY 2024/25, and \$2 million per annum thereafter.

Initial support service grant payments are made available to providers when households enter into the scheme (i.e. take possession). In addition, annual post occupancy support payments are paid over the term of the PHO loan (10-15 years). Due to delays in the completion of construction, support services grants have not been paid as forecasted for 2024/25.

Therefore an IPET is required to align funding for the grants with the anticipated timing of the grant payments.

Accordingly, due to delays encountered in the completion of construction which are outside of the Ministry’s control, I seek your approval for an IPET of up to \$3.500 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	20258/29& Outyears
Non-departmental Output Expenses					
Support Services to increase home ownership	(3.500)	3.500	-	-	-

Affordable Housing Fund

In December 2021, Cabinet approved the establishment of the Affordable Housing Fund (the Fund), including a project pathway for rental homes known as the Affordable Rental Pathway [SWC-21-MIN-0228 refers]. The purpose of this pathway is to support non-profit providers in developing new affordable rental homes for individuals who are either ineligible or have low priority for public housing but cannot afford market rent.

The Affordable Rental Pathway comprised two separate rounds of funding, with a total of \$150 million available to be allocated. Twenty-nine projects were approved for a total of \$148 million. Subsequently, as contract negotiations have progressed, delivery milestones have been and are being finalised.

At February 2025, 27 projects have been contracted, with the final two projects expected to be contracted before the end of the month. Six projects are completed and \$55 million has been disbursed to developers.

An In Principle Capital Transfer (IPCT) is required to align the funding with the timing of the eventual milestone payments to third parties. A transfer is being requested due to delays encountered in contract finalisation, meaning that milestone payments will be made at times different than initially anticipated.

Accordingly, due to delays in the finalisation of contracts which are outside of the Ministry's control, I seek your approval for an IPCT of up to \$75 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Upfront Payments MCA	(75.000)	75.000	-	-	-

The intended category that funding is to be transferred to is: *Affordable Housing Fund - Prepayment of Grants* (Non-departmental Capital Expenditure).

Community Housing Providers (CHPs) (Early-stage Operating Supplement)

In July 2021, Cabinet agreed to bring forward up to \$55.525 million as Early-Stage Operating Supplement (ES) funding [SWC-21-MIN-0106 refers]. The intention is to help address barriers that CHPs face in accessing capital for new build social housing developments. This enables flexibility around the timing of payments, to allow funding that would usually be paid out as Operating Supplement (OS) over the length of (often 25-year) CHP contracts to be paid in a lump sum during the development and construction stage of a new build project. For certain projects that meet the criteria, up to 50% of the development costs will be funded this way.

Changing the funding settings to offer ES gave the Ministry flexibility to better support CHPs to build new social housing places, particularly in priority locations, including delivery of places under the Public Housing Plan 2021-2024.

An IPCT is required to align the funding to the timing of the eventual payments to these providers.

The main drivers that have contributed to the longer timing than originally forecasted are the high threshold to access ES, requiring CHPs to fully demonstrate that they have exhausted all other avenues of funding before being considered for ES, and delays in CHPs achieving the development milestones required to receive ES payments.

Accordingly, due to these delays which are outside of the Ministry’s control, I seek your approval for an IPCT of up to \$40 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Minister of Housing					
Multi-Category Expenses and Capital Expenditure:					
Upfront Payments MCA	(40.000)	40.000	-	-	-

The intended category that funding is to be transferred to is: *Community Housing Providers - Early-Stage Operating Supplement* (Non-departmental Capital Expenditure).

Land acquisition of stage three – the Neighbourhood at Ormiston

In October 2023, the Ministry on behalf of Kāinga Ora as agents on behalf of the Crown, obtained authority from Ministers for the Power to Act, to fund (from the Housing Agent Account) the purchase of stage three land at The Neighbourhood (the Site) at Ormiston for up to \$40 million to protect the interests of the 56 stage one

KiwiBuild owners and secure continued development on the site [Joint Ministers' Briefing HUD2023-003142 refers.]

As a result, Kāinga Ora was authorised on behalf of the Crown to negotiate the purchase of stage three land at the Neighbourhood at Ormiston up to \$40 million including a condition for the developer to complete and handover the remaining 56 KiwiBuild Properties in stage one.

While construction is expected to be completed by the end of February 2025, the process of obtaining engineering and s224c approval from Auckland Council, as well as the issuance of Titles from LINZ, is likely to extend the project's completion date to October 2025. Additionally, personnel changes within the land vendor entity have contributed to delays in the construction progress. This project is expected to incur costs of \$36 million by 30 June 2025.

Accordingly, due to the uncertainty of the timing of obtaining approvals and titles from external parties, I seek your approval for an IPCT of up to \$4 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Capital Expenditure:					
Land purchase within the Housing Agency Account	(4.000)	4.000	-	-	-

Forecasting Adjustments to the Housing Programme (Technical Appropriations)

The Ministry has reviewed its forecasts and I seek your approval for the following IPCT to align the authority to lend with the timing of developers exercising their contractual right to take up deferred settlement options (timing is uncertain and outside of the Ministry's control), of up to \$50.000 million from 2024/25 to 2025/26 as follows:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Housing Programme Fair Value Impairment Loss and Inventory Disposal	(50.000)	50.000	-	-	-

The intended category that funding is to be transferred to is: *Land for Housing – Deferred Settlements* (Non-departmental Capital Expenditure).

Fiscally Neutral Adjustments

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2.

Other Revenue – Departmental

Revenue from Secondments

The Ministry has seconded staff to external agencies. The salary costs of these secondees are paid by the Ministry and charged to the relevant agency. As the Ministry is bearing these costs, the associated revenue of \$220,000 is required to be recognised in the 2024/25 financial statements

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expense:					
Policy Advice and Ministerial Servicing (funded by departmental revenue)	0.220	-	-	-	-

Revenue from Sublease of Premises

As stated previously the Ministry subleases excess floor space at its office in Wellington. This agreement was entered into in keeping with the Government's mandate to reduce public expenditure. Additionally, the Ministry subleases carpark space to some of its executives.

The annual sublease revenue from the above sources is \$320,000.

The Ministry incurs leasing costs on the subleased floor space and carparks.

Accordingly, I seek your approval for the following fiscally neutral adjustment as detailed below, with no impact on the operating balance or net core Crown debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expenses:					
Facilitating the Purchase and redevelopment of land for housing purposes (funded by other revenue)	0.030	-	-	-	-
Management of Housing Provision and Services (funded by other revenue)	0.110	-	-	-	-
Policy Advice and Ministerial Servicing (funded by other revenue)	0.180	-	-	-	-
Total Operating	0.320	-	-	-	-

Crown Revenue from Third Parties

The Crown owns 39.7ha. of land at Carrington Road in Auckland, acquired as part of the Land for Housing programme. The Ministry (on behalf of the Crown) is working with developers to deliver a new urban village of at least 4,000 homes at this site.

The land has two tenancies for incidental commercial buildings located at this site, from which the Crown receives rental income. This revenue covers costs such as maintenance and insurance, that the Crown is incurring for these buildings.

The forecast rental income for the 2024/25 financial year is \$1.900 million.

Furthermore, during consultation with external parties, it was determined that additional infrastructure could be installed at the same time as the wider development works get underway. This benefits the taxpayer as the marginal costs of installing this upgraded infrastructure is lower than it would be if they had to be installed as standalone projects.

The Ministry has agreed to facilitate the following at a total cost of \$538,000:

- High-capacity fibre and water connections, requested by Health New Zealand at a total cost of \$76,000; and
- High-capacity stormwater system, requested by Auckland Transport at a cost of \$462,000.

The Land for Housing programme is incurring these costs on behalf of these external agencies before recharging on to the parties above. All costs and associated revenue will be recognised in the 2024/25 financial year. However, at the 2024 MBU a fiscally neutral adjustment was approved for \$441,000 for revenue and costs for the projects outlined above. Therefore an adjustment for the balance remaining of \$97,000 needs to be requested.

Accordingly, I seek your approval for the following fiscally neutral adjustments totalling \$1.997 million, with no impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Output Expenses:					
Infrastructure Investment to Progress Urban Development (MYA)	0.097	-	-	-	-
Operating the Land for Housing Programme (MYA)	1.900	-	-	-	-
Non-Tax Revenue:					
Other Revenue received from Third Parties	0.097	-	-	-	-
Rent	1.900	-	-	-	-
Total Operating Expenditure	1.997				
Total Revenue	1.997				

Transferring Funding from Build Ready Developments to the Residential Development Underwrite Purchase appropriation

The Ministers of Finance and Housing have the delegated authority to make all necessary decisions in relation to the wind down of the KiwiBuild programme and Build Ready Development pathway, in order to move to a single underwriting programme, including approving changes to appropriations regarding underwrites [ECO-24-MIN-0121 refers].

At the 2024 October Baseline Update (OBU) funding for Build Ready Developments (Affordable Housing Fund MYA) was increased by \$19.826 million, which was funded from the on-sale of three underwritten developments which had been purchased by the Ministry (on behalf of the Crown). At OBU I signalled that these funds would then be transferred to the Residential Development Underwrite Purchase multi-year multi-category appropriation (MY MCA) to fund this programme.

Therefore I am seeking approval to transfer \$19.826 million available from the Affordable Housing Fund appropriation to the Residential Development Underwrite MY MCA.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Output Expense: Affordable Housing Fund (MYA)	-	(19.826)	-	-	-
	2024/25 to 2028/29				
Multi-Category Expenses and Capital Expenditure: Residential Development Underwrite (MY MCA) Non-Departmental Output Expenses: Residential Development Underwrite purchases			19.826		

Note that the indicative spending profile for the above appropriation is as follows:

	\$m – increase/(decrease)				
Indicative annual spending profile	2024/25	2025/26	2026/27	2027/28	2028/29
Residential Development Underwrite (MY MCA) Non-Departmental Output Expenses: Residential Development Underwrite purchases	-	19.826	-	-	-

Forecasting Adjustments

An explanation of each proposed forecasting adjustment is listed below with the amounts specified in Table 2 attached to this letter.

Crown Revenue Sales Forecasts

The Ministry has updated its revenue forecast for sales of land and of underwritten properties.

Accordingly, I seek your approval for the following forecast adjustments against revenue, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-tax Revenue					
Land for Housing Revenue	(36.104)	36.104	-	-	-

Other Technical Changes

An explanation of each proposed technical change is listed below with the amounts specified in Table 2 attached to this letter.

Cost of sales

As requested above, the Ministry is seeking to update its revenue forecast for sales of land and underwritten properties. Therefore, it requires a rephrasing of associated expenditure related to these sales.

Accordingly, I seek your approval for the following forecast adjustments against sales costs with a corresponding impact on the operating balance and/or net core Crown debt.

The following forecast adjustments are required to align the appropriations with the forecasted revenue, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA					
Non-departmental Other Expenses:					
Sale of Land and Dwellings – Costs	(36.104)	36.104	-	-	-

Recycling of Funds Back into the Build Ready Development (BRD) appropriation

On 21 June 2022, Cabinet agreed that proceeds from third parties from on-selling the purchase of the underwritten developments can be used to increase the Affordable Housing Fund non-departmental output expense MYA up to \$65 million [CPC-22-MIN-0017 refers].

I seek your agreement to ‘top up’ the Affordable Housing Fund for those homes that have been subsequently on-sold to be made available for reprioritisation into the Residential Development Underwrite MY MCA in due course at the 2025 OBU. Since the 2024 OBU, one development purchased as an underwrite has recently been on-sold for proceeds of \$4.626 million¹. The revenue received from the sale of the underwrites is being utilised to fund an increase in the BRD appropriation (until a subsequent fiscally neutral adjustment to the Residential Development Underwrite MY MCA at the 2025 OBU). The revenue received fully offsets the increase.

Accordingly, I seek your approval for the following technical adjustment of \$4.626 million, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)
Vote Housing and Urban Development Minister of Housing	2024/25 to 2028/29
Non-departmental Output Expense: Affordable Housing Fund (MYA)	4.626

Note that the indicative spending profile for the above appropriation is as follows:

	\$m – increase/(decrease)				
Indicative annual spending profile	2024/25	2025/26	2026/27	2027/28	2028/29
	-	4.626	-	-	-

Reforecast of MYAs

The Buying-off-the Plans, Infrastructure Investment to Progress Urban Development, Kāinga Ora Land Programme, Kāinga Ora - Homes and Communities Crown Lending Facility, Land for Housing Programme - developers' loan payments, Progressive Home Ownership Fund Tāmaki Regeneration Company Limited - Equity Injection and Housing Acceleration Fund MYAs have had forecast updates which have changed their indicative spending profiles.

Accordingly, I seek your approval for the following spending profile changes, with no impact on the operating balance and/or net core Crown debt:

¹ Hayes Avenue Tauranga \$4.626 million (settlement December 2024).

	\$m – increase/(decrease)				
Vote Housing and Urban Development Minister of Housing	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Output Expenses:					
Buying off the Plans Programme (MYA)	37.015	(6.010)	(31.005)	-	-
Operating the Buying off the Plans Programme (MYA)	0.926	(0.150)	(0.776)	-	-
Infrastructure Investment to Progress Urban Development (MYA)	(0.604)	-	0.604	-	-
Non-departmental Other Expense:					
Kāinga Ora Land Programme (MYA)	(0.608)	0.608	-	-	-
Non-departmental Capital Expenditure:					
Kāinga Ora - Homes and Communities Crown Lending Facility (MYA)	(10.000)	-	10.000	-	-
Progressive Home Ownership Fund (MYA)	8.304	(3.776)	(4.528)	-	-
Tāmaki Regeneration Company Limited - Equity Injection MYA	-	135.000	(135.000)	-	-
Multi-Year Multi-Category Appropriations					
Housing Acceleration Fund					
Non-departmental Capital Expenditure:					
Investment in Crown-owned Entities to Advance Development-Ready Land	(35.363)	35.363	-	-	-
Non-departmental Other Expense:					
Investment in Infrastructure to Advance Development-Ready Land	(8.241)	8.241	-	-	-

Total Operating	28.488	2.689	(31.177)	-	-
Total Capital	(37.059)	166.587	(129.528)	-	-

Request for Performance Reporting Exemptions for 2024/25 Onwards for Vote Housing and Urban Development

I am seeking your approval for the exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A2. Annex A2 provides reasons for why these exemptions are sought. Any exemptions and the reason for the exemption are disclosed in the Estimates. For those appropriations subject to Budget decisions, your approval would be subject to the reason for granting the exemption still being applicable once these decisions are taken.

Establishing a New Category in an Existing Multi-category Appropriation

I am seeking your approval to create a new category called “*Amortisation of Upfront Payments MCA – Social Housing Providers - Early Stage Operating Funding*” to the existing Amortisation of Upfront Payments MCA, as set out in Annex A3. At Budget 2025 a technical initiative will be requested to move all funding in the two following categories to the new category, from 2025/26 onwards (effectively combining funding in these two categories into the new category due to their duplication):

- Amortisation of Upfront Payments - Community Housing Providers - Early Stage Operating Supplement; and
- Amortisation of Upfront Payments - Public Housing Upfront Capital Payments.

Other Cabinet/Joint Minister’s Decisions

Some items listed in Table 2 attached to this submission do not require joint Minister approval. All Cabinet/joint Ministers’ decisions relating to Vote Housing and Urban Development made since the 2024 OBU have been included in this update and are listed in detail in Table 2 attached to this letter:

- *Approval to Development Agreements for 1 - 139 Carrington Road, Mt Albert, Auckland* [HUD2024-005751 refers]

Changes to appropriation structures

As stated at the 2024 MBU and 2024 OBU [HUD briefings HUD2024-003651 and HUD2024-005350 refer] the Ministry needs to restructure its appropriations as there are too many separate appropriations and several different appropriation types.

[REDACTED]

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9(2)
(f)
(iv)

There could also be changes in the appropriation structure arising from Budget 2025, e.g. reprioritisation between programmes. Such changes will also be approved via the Budget 2025 process and will also be reflected in the Estimates of Appropriations 2025/26.

Furthermore on 16 December 2024, Cabinet agreed to transfer KiwiBuild residual underwrite activity from Kāinga Ora – Homes and Communities to the Ministry by June 2025 [CAB-24-MIN-0495.01 refers]. Due to the time required to work through the changes, any changes to the Ministry's appropriations (from 2025/26 onwards) will be requested after Budget Day 2025.

Recommendations

I agree and recommend that you:

1. **agree** to establish a new multi-year appropriation for He Kūkū ki te Kāinga - Increasing Māori Housing Supply MYA, effective from 1 July 2025 to 30 June 2030, as detailed above;
2. **agree** to establish a new multi-year appropriation for Progressing the Pipeline of Māori Housing MYA, effective from 1 July 2025 to 30 June 2030, as detailed above;
3. **agree** to establish a new multi-year appropriation for Land for Housing Programme - developers' loan payments MYA, effective from 1 July 2025 to 30 June 2030, as detailed above;
4. **agree** to changes in various appropriation's titles and/or scope statements from the term *Public Housing* to *Social Housing*, effective from 1 July 2025 as listed in Annex A1;
5. **agree** the changes to those baselines for the appropriations in Vote Housing and Urban Development that require joint Ministers' approval, as set out in Table 2;
6. **agree** that the proposed changes to appropriations and departmental capital injections and withdrawals for 2024/25, covered by recommendation 5 above, be included in the 2024/25 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
7. **agree** to the in-principle expense and capital transfers from 2024/25 to 2025/26 and 2027/28 outlined in this letter; and
8. **authorise** the Minister of Finance and the Minister of Housing to jointly agree to the final amount(s) to be transferred for the in-principle expense and capital transfers outlined in this letter, following completion of the 2024/25 audited financial statements, with no impact on the operating balance and/or net core Crown debt across the forecast period.

I recommend that you:

9. **grant** an exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A2;
10. **approve** the addition of a category “*Amortisation of Upfront Payments MCA – Social Housing Providers - Early Stage Operating Funding*” to the existing Amortisation of Upfront Payments MCA listed in Annex A3;

I recommend that you:

11. **note** that Table 2 includes for completeness other changes to baselines for the appropriations in Vote Housing and Urban Development that have been approved by Cabinet or joint Ministers since the previous baseline update or do not require such approval;
12. **note** that technical initiatives will be requested at Budget 2025 to transfer existing funding from 2024/25 to 2025/26 and outyears, from three MYAs that are expiring 30 June 2025, to the new MYAs in recommendations 1-3 above;
13. **note** that a technical initiative will be requested at Budget 2025 to transfer existing funding from two categories within the Amortisation of Upfront Payments MCA to the new category created in recommendation 10 above from 2025/26 onwards;
14. **note** that changes to appropriations (including performance measures) arising from work to streamline the Ministry’s appropriations structures and arising from Budget 2025 decisions will be reflected in the Estimates of Appropriations 2025/26;
15. **note** that any changes to the Ministry’s appropriations (from 2025/26 onwards) arising from Cabinet’s decision to transfer KiwiBuild residual underwrite activity from Kāinga Ora – Homes and Communities to the Ministry will be requested after Budget Day 2025.

Hon Chis Bishop
Minister of Housing
...../...../2025

Annex A1: Change in Appropriations' Titles and/or Scope Statements from 1 July 2025 for Vote Housing and Urban Development

Current MCA Title	Changed MCA Title	Current Appropriation Scope Statement	Changed Appropriation Scope Statement	Current Category Title	Changed Category Title	Current Category Scope Statement	Changed Category Scope Statement
Public Housing MCA	Social Housing MCA	The single overarching purpose of this appropriation is to secure and purchase the provision of public housing and associated support services.	The single overarching purpose of this appropriation is to secure and purchase the provision of social housing and associated support services.	Purchase of Public Housing Provision	Purchase of Social Housing Provision	This category is limited to purchasing the provision of public housing and related services from public housing providers.	This category is limited to purchasing the provision of social housing and related services from social housing providers.
				Services for People in Need of or at risk of Needing Public Housing	Services for People in Need of or at risk of Needing Social Housing	This category is limited to the provision of support services to those in need of public housing or those at risk of entering or exiting public housing.	This category is limited to the provision of support services to those in need of social housing or those at risk of entering or exiting social housing.
				Services Related to the	Services Related to the	This category is limited to the provision of	This category is limited to the provision of

Current MCA Title	Changed MCA Title	Current Appropriation Scope Statement	Changed Appropriation Scope Statement	Current Category Title	Changed Category Title	Current Category Scope Statement	Changed Category Scope Statement
				Provision of Public Housing	Provision of Social Housing	services related to the provision of public housing by a public housing provider.	services related to the provision of social housing by a social housing provider.
Upfront Payments MCA	<i>No change</i>	The single overarching purpose of this appropriation is to record the prepayment of expenses associated with implementation of government housing policy.	<i>No change</i>	Community Housing Providers - Early Stage Operating Supplement	<i>No change</i>	This category is limited to early-stage operating funding to Community Housing Providers who provide Public Housing.	This category is limited to early-stage operating funding to Community Housing Providers who provide Social Housing.

Annex A2:

Proposed exemptions from end-of-year performance reporting

Criterion 3:

- a) The appropriation or category of appropriation or category of non-departmental expenses or non-departmental capital expenditure is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity; and
- b) an exemption is sought on the basis that end-of-year performance information for the appropriation or category is not likely to be informative

Vote	Appropriation/ category title	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative because...	2024/25 (\$000)
Housing and Urban Development	Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA) <i>Category: Land for Housing Programme – developers' loans – Fair value write down</i>	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative due to the technical nature of the transactions giving rise to the expenses under this category.	14,600 ²

² Indicative spending profile

Annex A3:
New Category to existing Multi-Category Appropriation

Additional category/ categories to be added to existing Multi-Category Appropriation (MCA)				
Existing MCA Title	Existing Overarching purpose statement	Vote Name	Department Name	Minister of/for Portfolio
Amortisation of Upfront Payments	The single overarching purpose of this appropriation is to recognise the amortisation of prepaid expenses associated with implementation of government housing policy.	Vote Housing and Urban Development	Ministry of Housing and Urban Development	Minister of Housing
Additional Category Type	Additional Category Title	Additional Category Scope		
Non-Departmental Other Expense	Social Housing Providers - Early Stage Operating Funding	This category is limited to the amortisation of early stage operating funding provided to Community Housing Provers who provide Social Housing.		

Table 1: Summary Table of Baseline Numbers, 2024/25 MBU, Vote 27 - 0: Housing & Urban Dvlpmt - Housing and Urban Development.

Appropriations	2024/25			2025/26			2026/27			2027/28			2028/29		
	Agreed Changes		Revised Baseline	Agreed Changes		Revised Baseline	Agreed Changes		Revised Baseline	Agreed Changes		Revised Baseline	Agreed Changes		Revised Baseline
	\$000	%	\$000	\$000	%	\$000	\$000	%	\$000	\$000	%	\$000	\$000	%	\$000
Appropriations															
Departmental Output Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental Capital Expenditure	-	-	3,700	-	-	2,551	-	-	1,400	-	-	1,400	-	-	1,400
Non-Departmental Output Expenses	11,634	2	636,166	(19,360)	(8)	237,100	(31,177)	(13)	215,579	-	-	122,623	-	-	146,103
Benefits or Related Expenses	-	-	35,000	-	-	-	-	-	-	-	-	-	-	-	-
Capital Contributions to the Department (Pre PFAA)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Departmental Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Departmental Other Expenses	(608)	(1)	80,912	608	-	273,128	-	-	46,789	-	-	46,789	-	-	46,789
Non-Departmental Capital Expenditure	24,004	1	4,111,361	131,224	9	1,580,267	(129,528)	(2)	5,190,801	-	-	945,999	-	-	-
Repayment of Debt (Pre PFAA)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure	(79,168)	(2)	3,758,444	99,534	2	4,910,028	-	-	3,099,063	-	-	2,895,740	-	-	2,867,525
Total Appropriations	(44,138)	(1)	8,625,583	212,006	3	7,003,074	(160,705)	(2)	8,553,632	-	-	4,012,551	-	-	3,061,817
Crown Revenue and Receipts															
Tax Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Tax Revenue	(34,107)	(22)	119,501	36,104	35	139,286	-	-	80,126	-	-	116,539	-	-	116,539
Capital Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Crown Revenue and Receipts	(34,107)	(22)	119,501	36,104	35	139,286	-	-	80,126	-	-	116,539	-	-	116,539
Output Revenue															
Revenue Crown	-	-	67,633	-	-	63,562	-	-	62,894	-	-	62,588	-	-	62,222
Revenue Dept	220	183	340	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Other	320	100	320	-	-	-	-	-	-	-	-	-	-	-	-
Total Output Revenue	540	1	68,293	-	-	63,562	-	-	62,894	-	-	62,588	-	-	62,222
Capital Injections	-	-	2,300	-	-	1,151	-	-	-	-	-	-	-	-	-

Table 2: Baseline Changes Report, 2024/25 MBU, Vote 27 - 0: Housing & Urban Dvlpmt - Housing and Urban Development.

	Classification	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Authority for Change	Final Year Funding
Non-Departmental Output Expenses								
Local Innovations and Partnerships								
Non-Dept Annual Appropriation								
Local Innovation and Partnership Fund	ECT	(2,000)	2,000	-	-	-	CO (18) 2 para 37	On going
Total changes - Non-Departmental Output Expenses		(2,000)	2,000	-	-	-		
Multi-Category Expenses and Capital Expenditure								
Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)								
Non-Departmental Other Expenses								
<u>Sale of Land and Dwellings – Costs</u>								
Non-Dept Annual Appropriation								
Cost of Sales	Tech Adj	(36,104)	36,104	-	-	-	CO (18) 2 para 59.1	On going
Managing the Housing and Urban Development Portfolio (MCA)								
Departmental Output Expenses								
<u>Facilitating the Purchase and redevelopment of land for housing purposes</u>								
Dept Annual Appropriation								
Revenue from Sublease of Premises	FNA	30	-	-	-	-	CO (18) 2 para 32.5	On going
Revenue Other								
Revenue from Sublease of Premises	FNA	30	-	-	-	-	CO (18) 2 para 32.5	On going
<u>Management of Housing Provision and Services</u>								
Dept Annual Appropriation								
Revenue from Sublease of Premises	FNA	110	-	-	-	-	CO (18) 2 para 32.5	On going
Revenue Other								
Revenue from Sublease of Premises	FNA	110	-	-	-	-	CO (18) 2 para 32.5	On going
<u>Policy Advice and Ministerial Servicing</u>								
Dept Annual Appropriation								
Revenue from Secondments	FNA	220	-	-	-	-	CO (18) 2 para 32.5	On going
Revenue from Sublease of Premises	FNA	180	-	-	-	-	CO (18) 2 para 32.5	On going
Revenue Dept								
Revenue from Secondments	FNA	220	-	-	-	-	CO (18) 2 para 32.5	On going
Revenue Other								
Revenue from Sublease of Premises	FNA	180	-	-	-	-	CO (18) 2 para 32.5	On going

	Classification	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Authority for Change	Final Year Funding
Total changes - Multi-Category Expenses and Capital Expenditure		(35,564)	36,104	-	-	-		
Total changes - Output revenue (Crown +Dept+Other)		540	-	-	-	-		
Non-Tax Revenue								
Land for Housing Revenue								
Non-Dept Revenue								
Crown Revenue Sales Forecasts	Fcst Adj	(36,104)	36,104	-	-	-	CO (18) 2 para 61	On going
Other Revenue received from Third Parties								
Non-Dept Revenue								
Crown Other Revenue from Third Parties	FNA	97	-	-	-	-	CO (18) 2 para 32.5	On going
Rent								
Non-Dept Revenue								
Crown Rental Revenue from Third Parties	FNA	1,900	-	-	-	-	CO (18) 2 para 32.5	On going
Total changes - Non-Tax Revenue		(34,107)	36,104	-	-	-		

Multi-year Appropriations

Multi-year Appropriations	Totals	Classification	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Authority for Change	Final Year Funding
Non-Departmental Output Expenses									
Affordable Housing Fund (MYA) (From 01 July 2022 - 30 June 2027)									
Appropriation									
Vote changes for this baseline									
Recycling of Funds Back into the Build Ready Development (BRD) appropriation	4,626	Cabinet	-	4,626	-	-	-	CPC-22-MIN-0017	On going
Transferring Funding from Build Ready Developments to the Residential Development Underwrite Purchase appropriation	(19,826)	FNA	-	(19,826)	-	-	-	CO (18) 2 para 32.2	On going
Overall change to appropriation	(15,200)								
Buying off the Plans Programme (MYA) (From 01 July 2022 - 30 June 2027)									
Appropriation									
Vote changes for this baseline									
Reforecast of Buying off the Plans Programme MYA	-	Tech Adj	37,015	(6,010)	(31,005)	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
	\$000		\$000	\$000	\$000	\$000	\$000		
Infrastructure Investment to Progress Urban Development (MYA)									
(From 01 July 2024 - 30 June 2029)									
Appropriation									
Vote changes for this baseline									
Crown Other Revenue from Third Parties	97	FNA	97	-	-	-	-	CO (18) 2 para 32.5	On going
Reforecast of Infrastructure Investment to Progress Urban Development MYA	-	Tech Adj	(604)	-	604	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	97								
Land for Housing Programme (MYA)									
(From 01 July 2022 - 30 June 2027)									
Appropriation									
Vote changes for this baseline									
Approval to Development Agreements for 1 - 139 Carrington Road, Mt Albert, Auckland	(25,700)	FNA	(25,700)	-	-	-	-	HUD2024-005751	On going
Overall change to appropriation	(25,700)								
Operating the Buying off the Plans Programme (MYA)									
(From 01 July 2022 - 30 June 2027)									
Appropriation									
Vote changes for this baseline									
Reforecast of Buying off the Plans Programme MYA	-	Tech Adj	926	(150)	(776)	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								
Operating the Land for Housing Programme (MYA)									
(From 01 July 2022 - 30 June 2027)									
Appropriation									
Vote changes for this baseline									
Crown Rental Revenue from Third Parties	1,900	FNA	1,900	-	-	-	-	CO (18) 2 para 32.5	On going
Overall change to appropriation	1,900								
<u>Non-Departmental Other Expenses</u>									
Kāinga Ora Land Programme (MYA)									
(From 01 July 2021 - 30 June 2026)									
Appropriation									
Vote changes for this baseline									

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
	\$000		\$000	\$000	\$000	\$000	\$000		
Reforecast of Kainga Ora Land Programme MYA	-	Tech Adj	(608)	608	-	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								

Non-Departmental Capital Expenditure

Kāinga Ora – Homes and Communities Crown Lending Facility (MYA) (From 01 October 2022 - 30 June 2027)

Appropriation

Vote changes for this baseline

Reforecast of Kainga Ora - Homes and Communities Crown Lending Facility MYA	-	Tech Adj	(10,000)	-	10,000	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								

Land for Housing Programme - developers' loan payments (MYA) (From 01 September 2021 - 30 June 2025)

Appropriation

Vote changes for this baseline

Approval to Development Agreements for 1 - 139 Carrington Road, Mt Albert, Auckland	25,700	FNA	25,700	-	-	-	-	HUD2024-005751	On going
Overall change to appropriation	25,700								

Progressive Home Ownership Fund (MYA) (From 01 July 2024 - 30 June 2029)

Appropriation

Vote changes for this baseline

Reforecast of Progressive Home Ownership Fund MYA	-	Tech Adj	8,304	(3,776)	(4,528)	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								

Tāmaki Regeneration Company Limited - Equity Injection (MYA) (From 01 July 2023 - 30 June 2027)

Appropriation

Vote changes for this baseline

Reforecast of Tamaki Regeneration Company Limited - Equity Injection MYA	-	Tech Adj	-	135,000	(135,000)	-	-	CO (18) 2 para 59.3	On going
Overall change to appropriation	-								

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding

Multi-Category Expenses and Capital Expenditure

Housing Acceleration Fund (MCA MYA)
(From 01 July 2021 - 30 June 2026)

Overall change to the Appropriation	-								
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MYMCA Category Details

Non-Departmental Capital Expenditure

Investment in Crown-owned Entities to Advance Development-Ready Land

Appropriation

Vote changes for this baseline

Reforecast of Housing Acceleration Fund MYA	-	Tech Adj	(35,363)	35,363	-	-	-	CO (18) 2 para 59.3	On going
Overall change to the appropriation category	-								

Non-Departmental Other Expenses

Investment in Infrastructure to Advance Development-Ready Land

Appropriation

Vote changes for this baseline

Reforecast of Housing Acceleration Fund MYA	-	Tech Adj	(8,241)	8,241	-	-	-	CO (18) 2 para 59.3	On going
Overall change to the appropriation category	-								

Residential Development Underwrite (MCA MYA)
(From 01 October 2024 - 30 June 2029)

Overall change to the Appropriation	19,826								
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MYMCA Category Details

Non-Departmental Output Expenses

Residential Development Underwrite Purchase

Appropriation

Vote changes for this baseline

Transferring Funding from Build Ready Developments to the Residential Development Underwrite Purchase appropriation	19,826	FNA	-	19,826	-	-	-	CO (18) 2 para 32.2	On going
Overall change to the appropriation category	19,826								

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding

Classification Key

Short Name	Description	Reference
Cabinet	Cabinet policy decision	Approvals are sought in cabinet papers (refer to cabinet manual), with authority given via a cabinet minute. The authority for change should reference both supporting documents.
ECT	Expense and Capital Transfer	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring funding within an appropriation across financial years.
ECT ip	Expense and Capital Transfer in-principle	Defined in (Cabinet Office Circular). The portion of an ECT that can't be accurately quantified so the transfer amount has been approved in-principle. 1st time can count in fiscal forecasts is OBU.
Fcst Adj	Forecast Adjustments	Defined in (Cabinet Office Circular). Adjustments to the forecast expenditure of PLAs or where there is a pre-determined cost calculation, or Crown Revenue.
FLoS	Front-Loading of Spending	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Bringing forward expenditure to create lasting cost savings.
FNA	Fiscally Neutral Adjustment	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring funding between appropriations within a financial year.
RoU	Retention of Underspend	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring underspend to the next financial year.
RoU 50%	Retention of Underspend @ 50%	Defined in CO Circular. Portion of an ROU can't accurately quantify so the transfer amount of 50% of an underspend has been approved in-principle. 1st time can count in fiscal forecasts is OBU.
Tech Adj	Technical adjustment	Defined in (Cabinet Office Circular). Technical accounting adjustments with no cash impact to the Crown, MYA spending profile changes, non-controversial appropriation title or scope changes.
SuppsJune	Offset MYA June vs Supps Difference	This is a subset of the Technical Adjustments classification for neutral changes to the MYA spending profile to offset the difference between the Supps Forecast and June Actual.
BudgetOY4	Offset MYA Budget OY4 Rollover	This is a subset of the Technical Adjustments classification for neutral changes to the MYA spending profile to offset the rollover of Budget OY4 into OBU OY4.
Return Sav	Return of savings to the Crown	Returning savings to the Crown is always encouraged. Departments can achieve this by constantly looking for efficiency gains through improvements in processes and technology.
Crwn Liab	Recognition of Existing Crown liability	Crown liabilities need to be recognised as soon as possible. These affect Non-Departmental Appropriations.
Other	Other changes outside the above criteria	There should be very few changes outside the above criteria, so if there are any they require extra scrutiny.

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister for Sport and Recreation
Leader of the House
Associate Minister of Finance



Hon Nicola Willis
Minister of Finance
Parliament Buildings
Wellington

Dear Nicola

In my Budget 2025 letter to you, dated 20 December 2024, I raised the prospect of three additional initiatives that were not included in the original submissions to the budget process. I am now seeking authorisation to submit these initiatives for consideration in the Budget 2025 process. These initiatives include:

- The Regional Deals Secretariat,
- The Greenfield Model, and
- Reducing Debt Financing Barriers for Community Housing Providers (CHPs).

My expectation is that the Regional Deals Secretariat and Greenfields Model will be fiscal neutral and funded within existing baselines. Treasury will provide separate advice to you on the fiscal implications of any interventions to support CHPs access to debt financing.

Additional initiatives for Budget 2025

Regional Deals Secretariat

In a November 2025 meeting with Minister Brown – in his capacity as the Minister of Local Government at the time – ongoing funding was discussed for the Regional Deals' Secretariat. I propose allocating approximately \$2 million annually from the unallocated savings over the forecast period to fund this Secretariat.

I understand that the Minister of Local Government has also made a formal budget proposal concerning the Secretariat. HUD will coordinate with Treasury to finalise the funding mechanism.

Greenfield Model

In December 2024, we jointly agreed to end council access to the remaining Housing Infrastructure Fund (HIF) loan facility by enforcing the consequences of the Milestone Draw-Stop Event. I propose reallocating the remaining \$183.322 million in capital to support the Greenfield Model, which will soon be managed by the National Infrastructure Funding and Financing Limited (NIFFCo). Under this model, NIFFCo will provide concessionary loans to developers for greenfield housing projects. Funds will be recyclable post-project completion.

While this model aligns with the recyclable nature of the HIF, its implementation may result in a non-cash operating impact. Options to utilise the \$44.441 million in identified unallocated

[IN-CONFIDENCE]

BUDGET-SENSITIVE

BUDGET-SENSITIVE

operating savings to mitigate this impact will be explored. HUD is working with The Treasury to assess the fiscal impacts and ensure they align with your fiscal expectations.

Reducing Debt Financing Barriers for CHPs (T2025-259)

In November 2024, Cabinet agreed that I would report back with further details on options to ensure CHPs have improved access to debt financing at lower cost and on more flexible terms. The Government's Q1 Action Plan also indicates that Cabinet will make decisions regarding the enhancement of access to capital for CHPs.

The main goal of these options is to enable CHPs to access debt financing under terms that more accurately reflect their actual risk profile and circumstances. This strategy aims to create a level playing field with Kāinga Ora and supports the government's objective of competitive neutrality.

Treasury officials are currently preparing advice detailing policy options and fiscal impacts of this scheme.

With your agreement I intend to submit these bids for consideration as per the agreed process.

Yours sincerely,

Hon Chris Bishop
Minister of Housing

[IN-CONFIDENCE]

BUDGET-SENSITIVE



Aide mémoire

BUDGET 2025 – HOUSING MULTILATERAL			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	27 February 2025	Priority	High
Tracking number	HUD2025-006532		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Colin Lynch	Deputy Chief Executive, Policy	s 9(2)(a)	✓
Nick McNabb	Chief Advisor, Strategy, Insight and Governance	s 9(2)(a)	

OTHER AGENCIES CONSULTED
The contents have been informed by discussion with the Treasury.



Purpose

1. To provide information on Treasury's high-level assessment of your Budget 2025 proposals ahead of the Housing Multilateral at 7:45pm on Wednesday 5 March
2. We can discuss the approach to the Multilateral with you at the Housing Officials meeting on Monday 3 March.
3. Based on Treasury's high-level assessment, potential outcomes from the Multilateral are that:
 - a. Savings are not required to offset cost pressures beyond 2026/27 providing the option to fund additional social housing places
 - b. New spending in the Flexible Fund is held in contingency subject to further design work on the fund and Housing Funding Authority.

Background

4. On 20 December you wrote to the Minister of Finance outlining your priorities for Budget 2025. At the same time HUD submitted detailed savings, cost pressure and new spending initiatives to Treasury. These initiatives are summarised in Annex A and comprise of:
 - a. Saving and uncommitted Māori Housing funding identified through the Reset of Investment that could be reprioritised
 - b. Cost pressures (price and volume) identified through the Housing Performance Plan
 - c. New investment through a Flexible Fund for social housing and affordable rentals, and in limited circumstances market supply
5. Based on advice from Treasury we submitted a quantum of savings sufficient to offset new spending and cost pressures only. The residual savings were not included in our submissions to Treasury.¹ For this reason, the savings in Annex A will look different to what you have seen before. Also to match information provided to the Minister of Finance, a ten-year view of capital is provided.
6. In preparation for the Housing Multilateral, Treasury has verbally outlined its high-level advice to the Minister of Finance.

Focus for the Multilateral

7. The Treasury have recommended the Multilateral cover the following points (the annotated agenda shared with your office is included as Annex B):

¹ The specific savings attached to cost pressures, new spending or residual is fairly arbitrary. Given the lumpy nature of Māori Housing spending across the forecast period, we fully allocated other savings to cost pressure and new spending, with a portion of uncommitted Māori Housing funding making up the residual.



- a. Savings and reprioritisation
 - b. Cost pressures
 - c. New investment
 - d. Links to the Reset of Investment
8. The Multilateral will also be attended by Ministers Upston and Potaka.

Savings and cost pressures

9. The Treasury are recommending that only near-term (Year 1 only) cost pressures are funded through Budget 2025. This approach applies to cost pressures for all departments.
10. For HUD this means Treasury does not support savings being reprioritised to offset cost pressures from 2026/27. Treasury's view is that decisions around how to manage these cost pressures can be deferred to future budgets. If the Treasury position were accepted this would mean HUD would have "extra savings" that are not required to fund cost pressures.
11. Treasury do not make any recommendation around how these "extra savings" should be used. These could be:
- a. Retained by HUD to cover future cost pressures should other mitigations not be available or acceptable
 - b. Returned to the centre
 - c. Added to the flexible fund to increase the volume of new social housing investment.
12. Treasury do not support savings through Budget 2025 from the proposed review of Housing Support and Services. Treasury's position would mean savings identified through the review would then be available in Budget 2026.
13. Taken together Treasury's position on cost pressures and savings mean there could be up to \$80 million in "extra savings" across the forecast period (and by implication equivalent unfunded future cost pressures).
14. If savings are used to increase the social housing commitment through the Flexible Fund (or returned to the centre), HUD would still need to find mitigation for cost pressures from 2026/27 through subsequent Budget proposals and/or the reviews of social housing and housing and support services in 2025.

New Investment

15. Treasury does not support proposed investment through the Flexible Fund at this time, and suggest that either:
- a. Decisions are deferred until Budget 2026 (with savings that would have funded the Flexible Fund presumably returned to the centre)



- b. Funding is held in contingency subject to further advice and decisions on the design of the fund and how this will be implemented through the Housing Funding Authority.
16. A key objective of the Flexible Fund is to provide added funding certainty for social housing delivery and signal your intention to establish a permanent role for affordable rentals. Deferring decisions until Budget 2026 will continue the stop start funding of social housing and require a pause in contracting with CHPs – as was the case in the first half of 2024. Any new investment through Budget 2026 is uncertain, relying on finding new savings and/or funding from new spending allowances.
17. Holding funds in contingency, subject to further design work, appears a pragmatic way to address Treasury’s concerns.
18. If funding is held in contingency, Ministers still have choices around the scope and scale the Flexible Fund. In addition to funding between 1,300 to 1,800 social homes (including affordable rentals) for delivery from June 2027, the Flexible Fund also includes, within the forecast period only, capital funding for affordable rentals and operating funding for market supply:
- a. Capital funding: could alternatively be used to increase delivery of Māori housing beyond the \$200 million announced by the Associate Minister of Housing on 4 February 2025 for at least 400 affordable rentals
 - b. Operating funding: along with residual savings and the “extra savings” noted above could support other initiatives including increased delivery of social housing.
 - c. Some funding could be returned to the centre.
19. Your budget letter to the Minister of Finance also suggested that residual savings could be used to fund the regional deals secretariat and the CIP greenfield model. You have written to the Minister of Finance to ask these be included as late initiatives for Budget 2025. Decisions on further social housing places will affect whether these late initiatives can also be progressed.

Reset of Investment

20. Treasury have also suggested a brief discussion of the Reset of Investment and implications of Budget 2025 decisions. If funding for the flexible fund is deferred until Budget 2026 this limits progress that can be made in 2025 to move to the new investment approach, and near-term actions that can be signalled in your report back to Cabinet.



Next steps

21. We can discuss the approach to the Housing Multilateral with you at the Housing Officials meeting on 3 March.

Annexes

Annex A: Summary of Housing Budget 2025 initiatives

Annex B: Proposed Annotated Agenda: Budget 2025 Housing Multilateral (provided by Treasury)

Annex A: Summary of Housing Budget 2025 initiatives

INITIATIVE	COMMENT	OPERATING (\$M)			CAPITAL (\$M)	
		Forecast period total (2024/25-28/29)	Forecast period average p.a.	Outyears	Ten-year spend (2024/25-33/34)	Outyears
Submitted Savings to cover cost pressures and new spending						
First Home Loan	Move to cost recovery for the First Home Loan	71.600	17.900	17.900	-	-
Contracted Emergency Housing (Rotorua)	Exit CEH motels in Rotorua by December 2025 in line with the Government's commitment	86.793	21.698	25.029	-	-
Review of Housing and Support Services	Savings in anticipation of review of Transitional Housing and Public Housing Services in 2025.	45.000	11.250	30.000	-	-
Housing Infrastructure Fund (HIF)	Removing remaining loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise.	9.063	2.266	-	-	-
Uncommitted Māori Housing funding	Reprioritise uncommitted Māori Housing funding to a Flexible Fund.	143.553	35.888	81.480	391.902	20.870
Total Submitted Savings		356.009	89.002	154.409	391.902	20.870
Performance Plan Cost pressures	Price pressure: market rent growth for social housing provided by Community Housing Providers	55.614	13.904	32.546 ²	-	-
	Price pressure: market rent growth for transitional housing	26.816	6.704	17.482 ²		
	Cost pressure: unfunded IRRS places for Housing First and Rapid Rehousing	100.062	25.016	36.740 ²		
	Total Cost Pressures	182.493	45.623	86.768²		
Proposed New Spending – Flexible Fund	Phase One: grants for around 600 affordable rentals and some market supply to complement delivery of Budget 2024 Social Housing places. Ministers have agreed and announced that \$200m will be available for at least 400 affordable rentals to delivered by Māori and Iwi providers.	80.875	20.219	-	238.145	-
	Phase Two: move to integrated model where affordable rentals are a type of social housing, funded with operating payments and some flexibility to provide capital grants. Could fund between 1,300 and 1,800 social homes (including affordable rentals) and some market supply.	92.641	23.160	67.641	153.758	20.870
	Total New Spending	173.516	43.379	67.641	391.902	20.870
Residual Savings – Not submitted to Treasury	You propose some remaining savings be used to fund the Regional Deals Secretariat and that HIF capital savings be reprioritised to the Crown Infrastructure Partner's Greenfield Model. These additional two proposals have not yet been submitted to Treasury	44.411	11.110	0.000	183.322	0.000

² Note that HUD is required to offset cost pressures across the forecast period only. These cost pressures are expected – without mitigation – to grow in outyears. The figures shown in the table above for outyear cost pressures is for 2028/29. Work in 2025 will identify potential options to mitigate these outyear cost pressures.



Annex B: Proposed Annotated Agenda: Budget 2025 Housing Multilateral (7.45-8.30pm, Wednesday 5 March)

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

Agenda Item 1: Savings in the Housing Portfolio

<p>Description of key issue</p>	<p>There are options around which savings you support as surfaced through the Housing submission:</p> <ul style="list-style-type: none"> • Contracted Emergency Housing (\$21.7 million average operating per annum); • First Home Loan (\$17.9 million average operating per annum); • Housing Infrastructure Fund (\$2.3 million average operating per annum); • Public Housing Services/ Transitional Housing (\$11.2 m average operating per annum); and • Māori Housing (\$35.9m average operating per annum and \$391.9 million total capital). <p>This will influence funding available to cover agreed cost pressures and for subsequent reprioritisation.</p>
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Agenda Item 2: Cost Pressures in the Housing Portfolio

<p>Description of key issue</p>	<p>The Minister for Housing has submitted a cost pressure initiative covering funding to maintain existing service volumes (<i>ID 16057</i>):</p> <ul style="list-style-type: none"> • Volume pressure funding for housing support services IRRS payments (\$25 million average operating per annum); • Price pressure funding to maintain transitional housing levels (\$6.7 million average operating per annum); and • Price pressure funding to maintain social housing (provided by Community Housing Providers (CHPs)) at current levels (\$13.9 million average operating per annum). <p>The amount agreed for cost pressures will impact savings available for reprioritisation and new priorities.</p> <p>We also note there are also longer-term reviews underway to consider ongoing management of cost pressures in the portfolio.</p>
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Agenda Item 3: New Spending in the Housing Portfolio

Description of key issue	Following provision for cost pressures, there are choices around how remaining agreed savings identified through the portfolio are best deployed, including whether funding is provided for HUD's proposed flexible fund.
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Agenda Item 4 – Resetting investment in Housing forthcoming Cabinet Paper

Description of key issue	There is significant overlap with Hon Bishop's Budget 2025 submission and the <i>Resetting Investment in Housing and Urban Development</i> review due to be considered by Cabinet in late March 2025.
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Briefing

CRITERIA FOR PROVIDING UPFRONT OPERATING SUPPLEMENT AND UPDATE ON STEPS TO IMPROVE CHP ACCESS TO FINANCE			
To Minister	Hon Chris Bishop	Portfolio	Housing
To Minister	Hon Nicola Willis	Portfolio	Finance
CC Minister	Hon Tama Potaka	Portfolio	Associate Housing
Date	03/03/2025	Priority	Medium
Tracking number	HUD2025-006163		
ACTION SOUGHT			
Action sought	Approve changes to the process for providing upfront Operating Supplement to Community Housing Providers.		
Deadline	10/03/2025		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Julia Pearce	Manager, Social Housing and Other Supports	§ 9(2)(a)	✓
David Shamy	Principal Advisor, Social Housing and Other Supports		
OTHER AGENCIES CONSULTED			
The Treasury			



RECOMMENDED ACTIONS		
It is recommended that you:		
1.	Agree that HUD remove the existing external-facing eligibility criteria for upfront Operating Supplement (OS), including requirements that Community Housing Providers must demonstrate how their upfront OS proposal complements delivery by Kāinga Ora.	<i>Agree/Disagree</i>
2.	Agree that instead, before considering upfront OS, a deal must meet all other requirements for social housing funding – i.e., is aligned with priority areas, meets value for money and delivery parameters, and meets national and local place-based investment planning and procurement strategies.	<i>Agree/Disagree</i>
3.	Agree that, subject to meeting these other requirements, HUD then consider the provision of upfront OS on a case-by-case basis using internal assessment criteria.	<i>Agree/Disagree</i>
4.	Note that if you agree to the above process, HUD's existing upfront OS internal assessment criteria will be amended to allow access for bigger CHPs, including our strategic partners, and use in urban areas where appropriate.	<i>Noted</i>
5.	Note HUD does not consider that any financial reprioritisation is required to meet immediate upfront OS requirements.	<i>Noted</i>
6.	Note HUD will return to Joint Ministers with reprioritisation options in line with Cabinet agreed conditions for future upfront OS requirements, if necessary.	<i>Noted</i>

Julia Pearce
**Manager, Social Housing
and Other Supports**

03 / 03 / 2025

Hon Chris Bishop
Minister of Housing

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Hon Nicola Willis
Minister of Finance

..... / /



Purpose

7. This paper seeks your agreement to the process for providing upfront Operational Supplement (OS) to Community Housing Providers (CHPs). An update on other short-term access to finance measures you announced in November last year is also provided.

Executive summary

8. The existing criteria and process used for allocating upfront OS is no longer consistent with Government's social housing investment priorities, and we recommend their removal.
9. As a replacement, we seek your agreement to a new process for determining access to upfront OS:
 - a. Before considering upfront OS, a deal must meet all other requirements for social housing funding – i.e., it is aligned with priority areas, meets value for money and delivery parameters, and meets national and local place-based investment planning and procurement strategies to be delivered by the Housing Funding Authority [HUD 2025-006355 refers].
 - b. Following this, HUD would consider upfront OS on a case-by-case basis to ensure alignment with Treasury Funding and Financing Framework and value for money.
10. For case-by-case assessments, we consider that existing internal allocation criteria are largely fit-for-purpose, with a strong focus on ensuring the need for the upfront OS is established, and funding is provided at the right level.
11. However, HUD will make some amendments (outlined in Annex A) to these internal criteria to better align with the new strategic approach to social housing. These changes are to:
 - a. enable bigger CHPs, including our strategic partners, to access upfront OS.
 - b. enable access to upfront OS in locations and for typologies where there are poor development economics, including in urban areas where appropriate.
12. Pending your agreement, HUD will communicate and implement the new process and criteria for approving upfront OS with CHPs.
13. In November, Cabinet agreed in principle to undertake reprioritisation of up to \$70m for the provision of upfront OS, provided this has “no adverse impact on the fiscal indicators [OBEGAL and net debt]”. The quantum of upfront OS funding required from existing allocations is being worked through. HUD will report back to Joint Ministers on reprioritisation options in line with Cabinet's conditions if funding is deemed necessary.



Background

14. In November 2024 Cabinet agreed in principle to provide \$70 million of OS upfront, where CHPs were facing challenges accessing equity to raise debt finance for build-to-own developments. This was to be used to support the delivery of 1500 social housing places funded through Budget 2024. Cabinet authorised the Minister of Finance and the Minister of Housing to agree any decisions reasonably necessary to give effect to this decision.
15. This formed part of a work programme focused on addressing the following key barriers that prevent CHPs from fully delivering on the Government’s ambitions for the sector (CAB-24-MIN-0458, ECO-24-MIN-277, and TR2024/2986 refer): funding and regulatory settings, a long-term pipeline of new social housing places, and access to equity.
16. Cabinet agreed that upfront OS should only be used where needed, and any unused amount rolled over for future places. This aligns with the Treasury’s Funding and Financing Framework, where government should provide ‘just enough’ funding to get projects over the line.
17. On 26 November 2024, Minister for Housing Hon Chris Bishop announced at the Community Housing Aotearoa Annual Conference that this funding was available.
18. On 5 February 2025, HUD updated you on new delivery parameters for strategic partnerships to deliver Budget 2024 social housing places [HUD2025-006256 refers]. In this update HUD committed to providing advice on a proposed process and criteria for upfront OS.

Analysis

Upfront OS can support housing proposals that are otherwise not viable

19. The 1500 social funding places funded through Budget 24 will be delivered by CHPs. One of the main constraints to CHPs being able to deliver these houses is their available equity and the high cost of borrowing.
20. Upfront OS can support quicker delivery of social housing in circumstances where CHPs have exhausted opportunities to use their asset bases, making it difficult and costly to raise finance for additional social housing. The two main scenarios where CHPs may have insufficient equity to secure finance for a project are:
 - a. Where they do not have sufficient equity to satisfy bank loan to value lending.
 - b. Where development costs exceed the value of the finished project, and a higher level of equity is therefore required.
21. In these scenarios upfront OS could be provided to “top up” the CHP’s equity to secure bank finance and make the project viable where it would otherwise not be. s 9(2)(g)(i)



s 9(2)(g)(i)

We seek your approval to change the current approach to OS allocation which is based on out-of-date eligibility criteria

22. In 2021, the then Government brought forward a portion of the OS to be paid up-front to CHPs. Currently there is a two-step process for accessing upfront OS:
 - a. External-facing eligibility criteria are applied; and
 - b. If a CHP is eligible, internal allocation criteria are used to determine final approval and the precise amount of upfront OS required.
23. The then Minister of Housing agreed to the external-facing eligibility criteria requiring CHPs to demonstrate how their proposal complemented delivery by Kāinga Ora.¹ This criteria is no longer aligned with this Government's social housing investment priorities, which seeks a 'level playing field' between CHPs and Kāinga Ora and stronger focus on value for money. Therefore, we recommend removing these eligibility criteria.
24. Instead, we recommend that before considering upfront OS, a deal must meet all other requirements for social housing funding – i.e., it is aligned with priority areas, meets value for money and delivery parameters, and meets national and local place-based investment planning and procurement strategies to be delivered by the Housing Funding Authority.

If a project is deemed eligible, we seek approval for a case-by-case analysis to be applied to ensure upfront OS is well allocated and at the right level

25. Following this, we propose to introduce a simplified single step process of case-by-case analysis for decisions on whether a CHP should receive upfront OS funding, and how much.
26. We considered options against alignment with the new delivery approach and Treasury's Funding and Financing Framework. The options we considered included whether proposals for upfront OS are assessed on a case-by-case basis or within a broader 'objective criteria' approach that allows CHPs to self-assess against objective metrics that would enable automatic allocation if met.
27. Options that would move away from HUD assessing individual upfront OS proposals, to an approach which guarantees access to upfront OS (so long as they met HUD's

¹ CHPs needed to meet at least one of the following criteria to be considered for upfront OS:

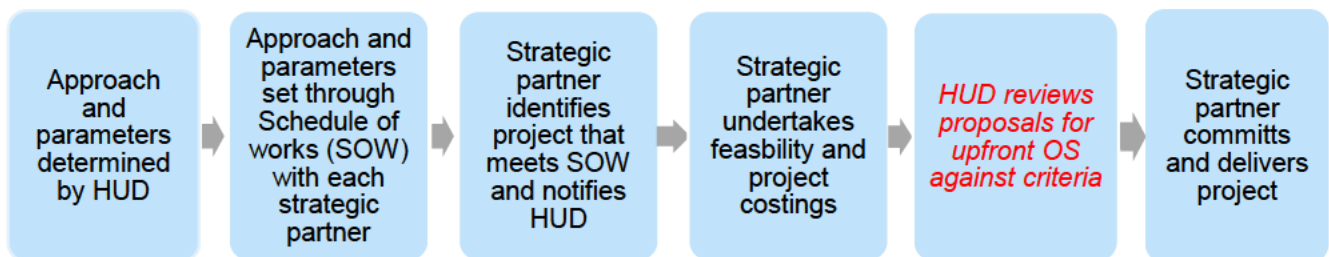
- The CHP owns or has access to land for the development;
- The development is in a location where Kāinga Ora has a limited presence or development pipeline;
- The development will provide bespoke housing solutions to meet the needs of individuals, families and whanau; and
- The proposal is innovative or exceptional.



‘objective criteria’) would potentially allow greater speed of delivery for CHPs and less layers of process to navigate.

28. However, HUD’s assessment is that this approach does not provide enough confidence that we are providing “just enough” upfront OS to be provided, consistent with Treasury’s Funding and Financing Framework. Given the limited allocation of upfront OS (\$70 million) and the likely high demand, HUD considers a case-by-case evaluation against consistent criteria to be important in ensuring it is put to best use, and only in circumstances where other options to support the project have been explored.
29. This is primarily because the diversity of CHPs and projects would necessitate HUD setting objective metrics that are either too broad to ensure meaningful confidence in the need for upfront OS and at the right level, or alternatively too specific and inflexible to enable upfront OS for some projects that would benefit.
30. Therefore, a case-by-case analysis is most appropriate and should be used when contracting Budget 2024 places. For strategic partnerships, case-by-case evaluation should take place prior to commitment of funding, per Figure 1 below.

Figure 1: new model for contracting social housing



31. For all other non-strategic partner CHPs, proposals would be assessed on a case-by-case basis according to criteria. This would effectively be business as usual, with CHPs approaching HUD with development opportunities.

There are trade-offs between case-by-case assessment and more flexible settings

32. While this case-by-case assessment will enable more alignment with the Treasury’s Funding and Financing Framework, it will likely have slower decision-making at the front-end compared to a broad and objective approach, whereby the CHP is automatically approved if they meet certain parameters.
33. HUD will mitigate this delay by clearly communicating criteria to CHPs, as well as broad social housing funding priorities, so that expectations of assessments and proposals can be better streamlined, and HUD minimises the receipt of proposals that have little chance of success.
34. We do not consider that this approach will create any significant delays in delivery than the status quo approach and consider that ensuring alignment with the Treasury Funding and Financing Framework is more beneficial than minor gains in administrative speed that could be achieved via an alternative option.



HUD will amend the existing internal allocation criteria to align better with government priorities and Treasury Funding and Financing Framework

Both strategic partners and smaller CHPs can benefit from upfront OS

35. In the past, upfront OS has been targeted to smaller CHPs because they lack assets and cash necessary to be able to access finance at a reasonable cost.
36. Strategic partners differ from smaller CHPs but can still benefit from upfront OS. They are larger, well established, provide housing in greater numbers, and have stronger balance sheets and higher equity ratios in each organisation's consolidated accounts.
- s 9(2)(ba)(ii)
37. Lack of equity for these strategic partners is generally because the CHP part of the organisation is more thinly capitalised than other parts of the group, with the parent entity unwilling or unable to further capitalise the CHP arm or provide assets as security for new social housing.
38. There is therefore value in assessing strategic partner proposals on a case-by-case basis, factoring in elements such as the provision of the CHP's own equity to support upfront OS funding. This may unlock projects that would not otherwise go ahead or enable strategic partners to deliver at greater scale than could otherwise be achieved without upfront OS funding.
39. Taking this into account, we have assessed existing internal criteria for upfront OS and consider they are largely fit-for-purpose, with a strong focus on ensuring the need for the upfront OS is established, and that it is at the right level. However, HUD will make some amendments to better align the strategic approach to social housing and Treasury's Funding and Financing Framework, this will include enabling:
- a. bigger CHPs, including our strategic partners, to access upfront OS where appropriate and needed.
 - b. access to upfront OS in locations and for typologies with poor development economics, including in urban areas where appropriate.
40. Further detail on the internal criteria and amendments are outlined in Annex A.

Update on funding for Upfront Operating Supplement

41. Cabinet agreed in principle to undertake reprioritisation of up to \$70m for the provision of upfront OS, provided this has "no adverse impact on the fiscal indicators [OBEGAL and net debt]".

s 9(2)(ba)(i)



42. The quantum of upfront OS funding required above existing allocations is being worked through. HUD will report back to Joint Ministers on reprioritisation options in line with Cabinet's conditions if funding is deemed necessary.

Update on increased use of leasing and contractual changes

43. Cabinet noted in November that the Minister of Finance and Minister of Housing would progress operational changes to Income Related Rent Subsidy contracts and the use of leasing.

Contracting changes

44. Respondents to the Social Housing Finance Request for Information highlighted a number of clauses in the current social housing contracts where changes could better enable CHPs to access finance for social housing projects. These clauses include the termination for convenience, step-in rights, turnaround period and general risk allocation of ongoing costs such as interest rate risk, council rates and insurance.
45. HUD is currently working through the feasibility of alternative approaches to these contractual elements with a view to incorporating any changes into contracts going forward. HUD will liaise with Treasury once proposed contractual changes have been determined and will report back to Joint Ministers if deemed necessary.

Increased use of leasing

46. The Minister of Housing has agreed that HUD should make increased use of leasing to provide social housing, where leasing meets value for money requirements (ECO-24-MIN-0277 refers).
47. To implement this decision, HUD has moved to an 'ownership agnostic' policy, with no predetermined preference for whether social housing is leased or owned by the managing CHP. It is expected that CHPs will prefer ownership over leasing where possible, as it provides more confidence in the retention of housing stock as social housing at the end of the contract. However, leasing will be used where ownership is not able to fit within HUD's funding parameters³.

Consultation

48. The Treasury has been consulted and supports this paper.

Next steps

49. Pending your agreement, HUD will communicate and implement the new process and criteria for approving upfront OS to CHPs.

s 9(2)(g)(i)



Annexes

Annex A - changes to internal criteria for upfront Operating Supplement.



Annex A - changes to internal criteria for upfront Operating Supplement

HUD has assessed the existing internal criteria used consider eligible upfront OS proposal and will make the following amendments

Existing criteria	Amend, Remove or Retain	Rationale
Value for Money (VFM) Checks	Amend to be considered as a prerequisite to criteria for upfront OS	Amending to avoid duplication. All upfront OS proposals will be assessed for value for money as part of our broad social housing investment strategy. Only those that meet this standard will progress to be considered against the detailed criteria for upfront OS funding allocation.
Regional Focus: Developments located in regional areas, rather than in main urban centres, given priority.	Amend to focus on locations and typologies where poor development economics require upfront OS to support project delivery, including urban centres where appropriate	Aligns with strategic direction for government investment and enables upfront OS to be used for typologies, including in urban areas.
Support for Smaller CHPs: Preference was given to small or emerging CHPs, rather than established, larger providers.	Remove	While upfront OS will likely be most needed and impactful for smaller CHPs with limited equity, reserving the opportunity to review projects for larger strategic CHPs on a case-by-case basis will allow flexibility and enable greater speed of delivery.
Exploration of Alternative Funding Sources: CHP required to demonstrate that all other potential funding avenues have been reasonably explored (including provision of matching equity at a minimum 5 percent of project cost).	Retain	Ensures that upfront OS is allocated to projects where it is most needed.
Lender Contributions: A clear understanding and evidence of the debt funders financial contribution.	Retain	Ensures transparency and accountability in the funding process.
Addressing Remaining Shortfalls: After the above criteria is met, funding is provided via development Funding, Equity or Cash Contribution.	Retain	Ensures just enough funding is provided to achieve outcomes, rather than more than enough.



Briefing

LARGE SCALE PROJECTS COST SAVINGS ADVICE			
To Minister	Hon Nicola Willis	Portfolio	Minister of Finance
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	13 March 2025	Priority	Medium
Tracking number	HUD2025-006413		

ACTION SOUGHT	
Action sought	Agree to the recommended approach to realising cost savings from the Housing Acceleration Fund component of the Large-Scale Projects
Deadline	19/03/2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jane Keane	Manager, Urban Development and Infrastructure	§ 9(2)(a)	
Glenn Phillips	Head of Crown Entity Monitoring	§ 9(2)(a)	✓

OTHER AGENCIES CONSULTED
Treasury, Kāinga Ora



RECOMMENDED ACTIONS

It is recommended that you:

- | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 1. | Agree to the following objectives for the reset Large Scale Project (LSP) programme:
a. Primary objective: enabling social housing renewal
b. Supporting objectives (subject to value for money):
i. Enabling increased housing supply
ii. Supporting intensification | <i>Agree/Disagree</i> |
| 2. | Note that your options to cancel Housing Acceleration Fund (HAF) funding for specific LSP neighbourhoods is limited to stages where activity is not already contracted, underway or completed (as listed in Annex C and discussed below) | <i>Noted</i> |
| 3. | Agree to withdraw HAF capital funding as part of Budget 2025 for:
a. Otaki o Te Wai stages 1-3 (Māngere), saving approximately \$53m; and
b. Wesley West (Mt Roskill) stages 1-2, saving approximately \$72m | <i>Agree/Disagree</i> |
| 4. | Either:
a. Agree to return the savings identified above to the centre (Treasury preferred option)
OR
b. Agree to retain the savings identified above as a tagged contingency in Vote Housing (HUD preferred option) | <i>Agree/Disagree</i>

<i>Agree/Disagree</i> |
| 5. | s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted] | <i>Agree/Disagree</i> |
| 6. | s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted] | |



<p>c. Progress on options to realise further efficiency savings (including right sizing overheads to the revised programme)</p>	
<p>7. Agree in principle to continue HAF funding for several stages in Māngere, Tāmaki, and Porirua, with total HAF costs of \$472m, subject to receiving updated business cases for these neighbourhoods</p>	<p><i>Agree/Disagree</i></p>

Glenn Phillips
Head of Crown Monitoring
13 / 03 / 2025

Hon Nicola Willis
Minister of Finance
..... / /

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

1. This briefing provides advice on cost savings opportunities from the Large-Scale Project (LSP) component of the Housing Acceleration Fund (HAF). It seeks decisions on:
 - a. Revised programme objectives to better reflect current government priorities.
 - b. Whether to continue or withdraw HAF funding for specific LSP neighbourhoods
 - c. Agreement to a June 2025 report back on cross-cutting savings opportunities across the LSP programme.

Executive summary

2. Cabinet has agreed to refocus the LSPs on social housing renewal. You have also expressed an interest in reducing HAF expenditure. We have worked with Kāinga Ora to reset the programme objectives and identify cost savings in line with these expectations.
3. Resetting the programme objectives will address concerns that the LSPs had too many, often competing or unfunded, objectives. We propose: a primary objective to *enable social housing renewal*; and two secondary objectives to *enable increased housing supply* and *support intensification*. The secondary objectives would only be pursued where they complement the primary objective and enhance overall value for money.
4. To meet the primary objective, the LSP programme needs to be carefully coordinated with ongoing work related to efficient use of other vacant Kāinga Ora land, and the Kāinga Ora social housing renewal plan, to ensure redevelopment activity is appropriately prioritised within the renewal capacity of 1,900 to 2,000 construction events per year.
5. The current forecast LSP approved budget is \$1.868 billion incorporated into the HAF appropriation. Due to the nature of the programme, the net costs are spread across a longer timeframe than the forecast period. Therefore, the fiscal forecasts are currently lower than the appropriation by \$260 million, incurred post June 2029. The proposed savings are also spread across a longer timeframe so only a portion will impact the fiscal forecasts with the remainder (reducing the debt burden post 2029).

We have identified a mix of neighbourhood specific and cross-cutting HAF savings options

6. We have looked at a mix of neighbourhood specific and cross-cutting HAF savings options. The neighbourhood specific options are limited to stages where funded activity has not yet been contracted. The options involve complex trade-offs between reducing the costs and risks to the Crown, managing partner and stakeholder expectations, and ensuring better social and urban development outcomes in locations with poor housing and infrastructure, and high deprivation levels.

Neighbourhood specific HAF funding that could be withdrawn in Budget 2025



7. We recommend that you agree to withdraw \$125 million from the programme (with \$67 million in the forecast period) in Budget 2025 for three stages in Māngere, and two stages in Mt Roskill. Joint Ministers have a choice to seek Cabinet agreement through Budget 2025 to retain the savings within Vote Housing for reprioritisation (e.g. to fund Early-Stage Operating Subsidies) or return the savings to the centre.

Cross cutting savings outside of the forecast period

8. s 9(2)(f)(iv) [Redacted]
9. s 9(2)(f)(iv) [Redacted]

HAF funding we recommend continuing in principle for specific stages

10. We recommend you agree in principle to continue \$472 million HAF funding for a range of stages in Māngere, Tāmaki, and Porirua, subject to receiving updated business cases in the June 2025 report back. Based on current information, we consider these locations are best aligned with the revised programme focus.
11. s 9(2)(f)(iv) [Redacted]

¹ This is a two-year transformation programme designed to deliver on the Kāinga Ora turnaround plan and improve Kāinga Ora’s ongoing financial viability.
² The LEAD alliance is a partnership between Kāinga Ora and five civil engineering companies.



Background

12. In November 2024, as part of the broader reset of Government investment in housing and urban development, you agreed (subject to further advice) to scale back investment in the LSPs by a further \$58 to \$222 million [HUD2024-005383 refers].
13. On 16 December 2024, Cabinet [CAB-24-MIN-0495.01 refers]:
 - a. Agreed to redefine the scope of the LSP programme to primarily focus on enabling social housing renewal, with any excess funding being included in the resetting investment report, now due in April 2025.
 - b. Agreed in principle to a Kāinga Ora social housing renewal programme for 2026/27 comprising:
 - i. 1,500 renewals through redevelopment and market acquisitions, and 400 retrofits of existing properties.
 - ii. Offset by 700 demolitions of existing properties to use for future developments; and 800 sales properties.
 - c. Agreed to amend Section 14 of the Kāinga Ora Homes and Communities Act 2019 to remove its operating principles. In effect, this will reduce the range of factors Kāinga Ora needs to consider when exercising its functions under that Act.

LSP history and overview

14. The LSPs were established between 2017 and 2019 to replace existing social housing reaching the end of its useful life with a mix of new social, affordable and market priced housing, through densification. Annex A sets out the original LSP objectives. There are five LSPs in Auckland (Mt Roskill, Tāmaki³, Māngere, Northcote and Oranga), and one in Eastern Porirua. These are established communities mostly in areas with good access to transport and amenities, but with high demand and generally poor market attractiveness for developers, due to poor housing and infrastructure condition and flooding challenges.
15. **Annex B** includes a high-level overview of the current status of each LSP.
16. Under the standard approach, Kāinga Ora demolishes the existing homes, remediates the land, funds or installs infrastructure, and subdivides the land into superlots that are either sold to private developers for building market (and previously affordable) housing, or retained by Kāinga Ora for social housing. In doing so, the neighbourhood-level redevelopment approach can help shift community perceptions of an area (i.e. its market

³ The Tāmaki LSP came out of an existing Crown-led urban development initiative dating back over 10 years, making it different to the other LSPs.



attractiveness) and reduce sales risk for private development partners, further supporting intensification objectives.

17. The programme was originally expected to be self-funding. However, Budget 2021 allocated \$2.3 billion of funding from the Housing Acceleration Fund (HAF) to cover unforeseen infrastructure and land remediation costs. Budget 2024 reduced the HAF funding envelope by \$435 million to \$1.86 billion. Savings measures included removing or rescoping infrastructure projects, increasing Auckland Council’s share of infrastructure costs, and removing affordable housing requirements (which adversely impact superlot sales) [HUD2024-004939 refers].
18. Due to the nature of the programme, the net costs are spread across a longer timeframe than both the appropriation and forecast period so the impact on the fiscal forecasts is lower than the fully appropriated amount. The current phasing of forecast spending is:

\$MILLIONS	ACTUAL TO JUNE 2024	24/25	25/26	26/27	27/28	28/29	OUTYEARS	TOTAL
Operating	-	70	38	s 9(2)(f)(iv)				
Capital	620	291	81					
Total	620	361	118					

19. The work undertaken to identify savings options has focused on the lifetime of the programme, so the impact on the fiscal forecasts will be lower than the total proposed savings. However, the savings will reduce the debt burden post the forecast period.

Updating LSP objectives

20. As recommended by the LSP Gateway review, we have worked with Kāinga Ora and Treasury to develop updated objectives for the LSP programme that better reflect current government objectives and priorities. The proposed objectives are set out below.

<p>Primary objective</p> <ul style="list-style-type: none"> • Enabling social housing renewal – in a manner that addresses climate risks and reflects changing needs. This will require careful coordination with the social housing renewal plan to prioritise activity, and minimise the delays between social homes being demolished and replaced.
<p>Supporting objectives</p>



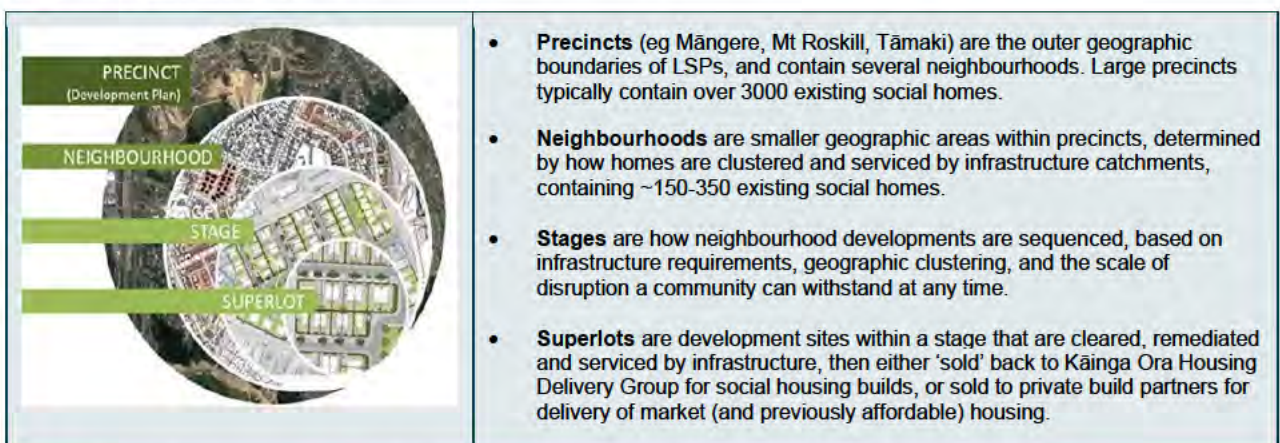
- **Enabling increased housing supply** – to complement Going for Housing Growth, and place downwards pressure on rents and house prices.
- **Supporting intensification** - in locations with good access to transport, jobs, education and amenities. Kāinga Ora’s contiguous land holdings in established locations mean it is uniquely placed to support this objective – both through facilitation and land provision.

21. Reducing and prioritising the programme objectives addresses concerns the LSPs had too many, often competing or unfunded, objectives. The primary objective reflects Cabinet’s expectation LSPs focus on enabling social housing renewal, which will be achieved by Kāinga Ora making superlots available for social housing delivery. The secondary objectives would be achieved by making superlots available to private developers for market housing. The supporting objectives would only be pursued where they complement the primary objective and enhance overall value for money (eg, where market housing provision alleviates pressure on social housing and/or improves urban productivity).

We have identified a mix of cross cutting and neighbourhood specific savings opportunities

22. We have worked with Kāinga Ora and Treasury to explore cost savings options reflecting the revised objectives. Some options are neighbourhood or stage specific (see explanation below), while others are cross cutting in nature. Some decisions can be taken in Budget 2025, while others require further work.

Diagram A: LSP structure overview



23. While Ministers can alter the LSP objectives and available HAF funding, individual asset management and staffing decisions ultimately rest with the Kāinga Ora Board. Some LSPs have attracted complementary investment from the relevant council and other infrastructure providers, such as the Tāmaki precinct which is delivered in partnership



with Tāmaki Regeneration Company, and the Māngere precinct that receives direct funding from Auckland Council. In some areas the growth component of council investment is intended to be recovered via Development Contributions.

Neighbourhood specific HAF funding that could be withdrawn in Budget 2025

24. **Annex C** provides an overview of the specific neighbourhoods where HAF investment could be withdrawn (i.e. excluding neighbourhoods where HAF funded activity has already been contracted, commenced or completed⁴), including recommendations.
25. We consider that decisions about the future of HAF funding for particular neighbourhoods should be based on prioritising improving the resilience and lifespan of the social housing portfolio, and meeting the needs of social housing tenants. This is consistent with the revised focus and proposed objectives for the LSP programme.
26. HUD recommends you withdraw HAF funding for the following neighbourhoods:
 - a. **Māngere:** Ōtaki o Te Wai Stages 1-3 - as these stages have no signed contracts for future work; are not receiving significant council contributions to cover infrastructure costs; and are not experiencing significant flood risk. The approximate cost savings are about \$53 million (\$41 million in the forecast period).
 - b. **Mt Roskill:** Wesley West Stages 1-2 - as they are primarily motivated by enabling market housing supply and densification in an area with existing transport links, rather than social housing renewal. The approximate cost savings are about \$72 million (\$26 million in the forecast period)
27. The phasing of these costs savings is set out in the following table:

\$MILLIONS	25/26	26/27	27/28	28/29	FORECAST	OUTYEARS	TOTAL
Otaki o Te Wai	8	17	14	2	41	12	53
Wesley West	19	(11)	24	(6)	26	46	72
Total	27	7	38	(4)	67	58	125

28. Removing these neighbourhoods from the programme does not limit future decisions on alternative delivery approaches or alignment with broader investment (e.g. a future

⁴ Eg Northcote and Oranga.



opportunity to align with other investment in any Middlemore hospital redevelopment) or testing in practice if the market will pick up growth costs without HAF funding (including how proposed development contribution increases impact private sector appetite).

- 29. Withdrawing HAF funding from these neighbourhoods will also free up social housing renewal capacity from the wider social housing renewal programme, enabling focus on where need is most urgent.

Cross cutting savings outside of the forecast period

- 30. s 9(2)(f)(iv)

 -
 -
 -

- 31. Kāinga Ora has identified \$50 million of programme level savings, all outside the forecast period, made up of: lower cost escalations; reducing contingencies; revenue issues with current superlots for sale; and internal costs to complete the programme.
- 32. There are elements of these net cost savings which require further consideration to balance the risk profile and get transparency over the internal Kāinga Ora costs necessary to complete the revised programme.
- 33. Of particular interest is that while Kāinga Ora has already identified some savings from disestablishing the LEAD alliance model⁸, these are currently more than offset by other proposed internal Kāinga Ora costs which officials have yet to fully examine or validate the drivers for.

s 9(2)(f)(iv)



We recommend maintaining HAF funding in principle for specific stages

34. HUD recommends you agree in principle to retain HAF funding for the following neighbourhoods and stages (see table). In general, these areas have concentrated social housing in places where the market is less likely to pick up all costs related to infrastructure upgrades, due to significant flood risk or poor development economics; or have existing agreements with partners.

LSP	NEIGHBOURHOOD / STAGE	RATIONALE	TOTAL HOMES	Cost forecast to complete
Māngere	s 9(2)(i)	<ul style="list-style-type: none"> Leverage existing council funding as expressed in the LTP⁹. Have a strong social housing focus. Located in areas where the market less likely to pick up development, due to poorer development economics and significant infrastructure and flooding challenges. Concentrated social housing exposed to severe weather event risks, presenting a significant business continuity challenge for Kāinga Ora, that needs addressing. This represents a significant component of the renewal activity in FY29 and FY31. Aligns with government direction to focus investment in areas where the private sector is less likely to intervene. 	2594	s 9(2)(i)
Tāmaki		<ul style="list-style-type: none"> Tāmaki neighbourhood has the largest social housing focus across the LSPs. Located in an area where the market is less likely to pick up development alone. Delivered in partnership with Tāmaki Regeneration Company (TRC). Has good potential future transport links. 	489	
Porirua		<ul style="list-style-type: none"> Poor development economics. Social housing focus. Ensures Kāinga Ora can honour its commitment to make 400 lots available to Ngāti Toa (including to on-lease for the Pacific housing initiative) 	316	

s 9(2)(i)



		<ul style="list-style-type: none"> Significant relationship and partnership breakdown risk if not continued. 		
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35. The Auckland LSPs overlap with some Local Board areas that rank high in the severe housing deprivation (SHD) index. The stages we recommend continue receive HAF funding rank high in SHD (Māngere and Tāmaki). Withdrawing funding may impact Māori housing outcomes, as 14-18% of the population are Māori, with 17-18% of Māori representation in the SHD. Pacific people are overrepresented in the SHD in these areas, and most likely to be disproportionately impacted if funding is withdrawn. Otaki O Te Wai also ranks low in the severe housing deprivation, which we recommend withdrawing.

36. Continuing HAF funding would still be subject to:

a. **Receiving updated neighbourhood level business cases for all neighbourhoods in the above table, s 9(2)(f)(iv)**

[Redacted text block]

b. **Kāinga Ora providing assurance of credible plans and available budget to replace any demolished social homes in a timely manner. s 9(2)(f)(iv)**

[Redacted text block]

Managing neighbourhoods removed from the LSP programme

37. Any neighbourhoods removed from the LSP Programme would continue to be managed by Kāinga Ora, under its business-as-usual asset management processes. The options available to Kāinga Ora would include:

- a. Deferring redevelopment until such time as it can fund the activities from its own balance sheet.
- b. Retrofitting as an alternative to demolition homes, where practicable.
- c. Selling existing homes, and purchasing or rebuilding social homes elsewhere.
- d. Exploring alternative delivery models.



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

General programme risks and trade-offs

RISKS RELATED TO CONTINUING HAF FUNDING FOR NEIGHBOURHOODS		
Risk	Impact	Mitigation (current and potential)
s 9(2)(f)(iv), s 9(2)(i) [Redacted] [Redacted] [Redacted] [Redacted]	High	s 9(2)(f)(iv), s 9(2)(i) [Redacted] [Redacted] [Redacted] [Redacted]
Cost overrun risk. Servicing superlots and remediating land may cost more than the programme is funded for.	Medium	s 9(2)(f)(iv), s 9(2)(i) [Redacted] [Redacted] [Redacted]
Misalignment with the Kāinga Ora social housing renewal programme, risking demolitions running ahead of renewal schedule, leading to vacant superlots and reducing housing availability.	High	Only demolish existing housing if there is capacity to replace homes in the renewal programme.
RISKS RELATED TO WITHDRAWING HAF FUNDING FROM NEIGHBOURHOODS		
Social housing outcome risks across the portfolio. Other beneficiaries may not be able to pick up their share of significant infrastructure upgrade costs, impacting social housing delivery.	High	Focus HAF funding in areas with poorest development economics to ensure positive housing outcomes.
Withdrawing infrastructure funding in some areas may create lost opportunity to maximise urban development outcomes due to a lack of coordination role, land fragmentation, and market building at lower density. However, there may be other development opportunities across Auckland.	Medium	Consider opportunities to maximise urban development opportunities and agglomeration benefits elsewhere as part of other work programmes, such as government role in spatial planning and urban development.



<p>Withdrawing HAF funding risks relationship breakdowns with partners, particularly where RFR land is involved. Reputation risk if Government does not deliver what it had planned.</p>	<p>High</p>	<p>Only withdraw HAF funding with no signed contracts or agreements between partners, and inform impacted councils, partners and other stakeholder as soon as possible.</p>
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Consultation

- 39. Treasury has been consulted for this advice. Kāinga Ora has provided information to inform our analysis. This briefing has been shared with a limited number of people at Kāinga Ora on an in-confidence basis due to budget sensitivity. The Kāinga Ora Board has been informed about these recommendations.
- 40. Kāinga Ora endorses that withdrawing HAF funding from (Mt Roskill) Wesley West and (Māngere) Otaki O Te Wai likely has the least unintended consequences for social housing outcomes. We recommend you discuss your decisions with the Board directly.

Financial implications

- 41. If you agree to the recommendations in this briefing, the HAF capital appropriation will be reduced by a total of \$125 million with a reduction in debt of \$67 million in the forecast period. Reducing HAF funding does not have direct implications on the OPEX.
- 42. s 9(2)(f)(iv)

Next steps

- 43. Subject to your decisions to the recommendations in this paper, HUD will:
 - a. reflect your decisions in the Resetting Investment report back to Cabinet.
 - b. s 9(2)(f)(iv), s 9(2)(j)
 - c. s 9(2)(f)(iv), s 9(2)(j)
 - d. HUD and Kāinga Ora will prepare an engagement plan to notify impacted partners and stakeholders, including providing talking points for you to give a heads up of upcoming changes to the Mayors of Auckland and Porirua, and the Chair of TRC.

- 44. s 9(2)(f)(iv)



Annexes

Annex A: Original programme objectives

Annex B: Large Scale Project overview

Annex C: Neighbourhood specific options and recommendations




Annex A: Original programme objectives

45. The original programme objectives vary by LSP, but broadly include:
- **Enabling more housing** – the programmes would enable delivery of 17,800 new homes on Kāinga Ora land, including a mix of social, affordable and market housing. The new infrastructure would also enable future intensification on surrounding privately owned land for 11,000 new homes.
 - **Enabling better social housing** – the replacement of around 4,400 social housing reaching the end of its useful life with around 6,500 warm, dry, and fit-for-purpose social housing homes.
 - **Intensifying in the right places** – provide much needed housing in areas that are close to transport hubs, schools and jobs, thereby supporting mode shift to more active and public transport and addressing climate change objectives.
 - **Providing an opportunity to partner with iwi** to realise Māori aspirations.
 - **Investing in areas with poor socio-economic outcomes** to respond to complex and intergenerational social and economic challenges through the regeneration of neighbourhoods, including non-housing outcomes.
 - **Providing critical transport, three waters and community infrastructure** that improves wellbeing for the wider community and provides infrastructure capacity for wider growth.
 - **Responding to the risks of climate change** – particularly related to flood risks.
46. Realising some of these objectives was highly uncertain or unfunded. For example:
- Infrastructure utilisation depends on developers' willingness to build at the densities enabled (noting lower densities may be more profitable, and 12,900 of the homes "enabled" by the infrastructure investment are on adjacent private land)
 - Any social housing provision beyond replacement of the existing stock requires separate IRRS and OS funding
 - Requiring development partners to incorporate affordability requirements in development has previously led to a ~ 30 percent reduction in superlot sale revenues (which is why you have previously agreed to remove the LSP's affordability targets)
 - Some of the densification benefits will be diminished now that the Auckland Light Rail Project has been cancelled
 - Funding for regeneration and community building activities is limited

Annex B: Large Scale Project Overview

Kāinga Ora has provided the following information on 11 March 2025.

s 9(2)(i)



Note

- Public housing yield as assumed per the July 2024 LSP costs savings advice. The yield may change depending on decisions related to Kāinga Ora reset renewal plan.
- The HAF provides upfront funding to the LSPs to deliver land and infrastructure, with land sales serving as revenue.
- Infrastructure upgrades also support development for approximately 13,509 private houses across the Auckland LSPs.
- The HAF net costs of \$1.878bn includes \$5m transfer from KOLP for Porirua LSP, which was approved by the Minister of Finance and Minister of Housing in 2023.

Definitions/interpretations

- Revenue + CCO contribution – less costs = net position
- Build finish = homes that are complete
- In progress = homes that are under construction
- TS = term sheet
- DA = development agreement



Annex C: Overview of neighbourhood specific cost savings options and recommendations

s 9(2)(i)





Briefing

BUDGET 2025 SOCIAL HOUSING DELIVERY			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	27 March 2025	Priority	High
Tracking number	HUD2025-006722		

ACTION SOUGHT	
Action sought	Agree to commence engagement with select stakeholders/partners to support social housing delivery in Auckland prior to Budget 2025 announcements.
Deadline	7 April 2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jo Hogg	Deputy Chief Executive, Delivery	s 9(2)(a)	✓
Natasha Tod	Place Director – Auckland	s 9(2)(a)	

OTHER AGENCIES CONSULTED



RECOMMENDED ACTIONS

It is recommended that you:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| <p>1. Note that social housing delivery in Auckland across the three years from November 2023 to June 2026 is projected to be around 2,450 homes. This is less than the 3,000 homes the Government has committed to deliver in Auckland during the same timeframe.</p> | <p><i>Noted</i></p> |
| <p>2. Note that to meet the Government's commitment Budget 2025 allocates social housing funding to deliver additional homes in Auckland.</p> | <p><i>Noted</i></p> |
| <p>3. Note that officials have identified opportunities to deliver additional social housing places in Auckland. To ensure these opportunities can be delivered in 2025/26 conversations are needed with:</p> <ul style="list-style-type: none"> a) strategic partners b) select Community Housing Providers c) select developers | <p><i>Noted</i></p> |
| <p>4. Agree that officials commence engagement with select stakeholders/partners and start building a pipeline of additional social housing places prior to Budget 2025 announcements.</p> | <p><i>Agree/Disagree</i></p> |



Jo Hogg
Deputy Chief Executive
27 / 03 / 2025

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

1. To update you on social housing delivery in Auckland and the proposed approach to meeting the Government’s delivery commitment.
2. To seek agreement to start engaging with select stakeholders/partners to build a pipeline of places in Auckland prior to Budget 2025 announcements.

Background

3. Auckland is a priority location for social housing. In recent years there has been a major decline in housing affordability and a significant increase in people seeking government assisted housing. As of January 2025, there were 6,709 applicants on the housing register, which represents over 30% of all applicants in NZ.
4. Ahead of the 2023 election, commitments were made to increase social housing stock in Auckland by building at least 1000 homes a year. This commitment was recently confirmed in Parliament as being equivalent to 3000 homes over three years (between November 2023 to 2026).
5. Budget 2024 allocates \$140 million of funding from the 2025/26 financial year for a total of 1,500 new social housing places (i.e. 1,500 new homes) to be delivered in priority locations by June 2027. The allocation of this funding has had to balance the need for investment in Auckland against the need for investment in other priority locations (e.g. regional centres).
6. To support the Auckland commitment, further funding for new social housing places in Auckland is being supported through Budget 2025.

Despite a strong pipeline an additional 550 social homes are needed in Auckland to meet the Government’s delivery commitment

7. There is a sound pipeline of new social homes being delivered by Kāinga Ora and Community Housing Providers (CHPs) through previous Public Housing Plans (PHP) and Budget 2024 funding. Across the three years from November 2023 to June 2026 the total is projected to be around 2,450 homes (Table 1). This is 550 homes less than the 3,000 homes the Government has committed to deliver in Auckland during the same timeframe.

Table 1: Delivery in Auckland – projected social housing places

Funding Pathway	1 Dec 2023 – 30 June 2026
Kāinga Ora (net new)	+1851
PHP: already delivered by CHPs	+385
PHP: CHP approved	+110
PHP: CHP high probability ¹	+8
Budget 2024: maintaining momentum approved	+43



Budget 2024: maintaining momentum high probability ¹	+6
Budget 2024: strategic partners ²	+50
Total	2,453
Delivery commitment	3,000
Difference	547

¹ Subject to being approved/confirmed delivery dates

² The strategic partners delivery target for Auckland of 125 places has been approximately spilt between FY25/26 and FY26/27

8. The exact number of homes delivered by CHPs before 30 June 2026 may be subject to change. An additional 220 places are also projected to be delivered between June 2026 to June 2027. As more contracts are signed the exact delivery dates will become clearer.
9. To support your commitment, additional social housing funding has been allocated in Budget 2025. The funding enables up to 550 social homes to be delivered in 2025/26 an average rate of \$60,000 per place per year (regardless of location, ownership type, or bedroom typology) with \$40 million available as up front capital. We propose to allocate the funding spatially across Auckland to projects that are aligned with need (i.e. targeting specific Local Board areas and the typologies needed in those areas).

We have identified opportunities to deliver additional social housing places in Auckland

10. Housing need across Auckland is diverse and widespread. Based on our analysis the central, western, and southern areas of Auckland have the most serve social housing need and should be prioritised for investment. The majority of people in these areas need small (1-2 bed) homes, but a small proportion also need large (4+ bed) family homes.
11. Our desk top analysis has identified a range of opportunities that align with this need that could be pursued to deliver additional social housing places in Auckland in 2025/26 (Table 2). Due to the short delivery timeframe (12 – 18 months) the focus is on developments with turn-key properties that could be purchased or leased by CHPs. Conversations with select stakeholders/partners are needed to verify the opportunities which is challenging before budget decisions are publicly known.

Table 2: Summary of opportunities and the relevant stakeholders/partners

OPPORTUNITY	WHO WE NEED TO TALK TO
Projects that CHPs have signalled to us, but due to the Budget 2024 allocation model have been unable to secure funding. For example, there are potentially 25 places that align with need and can be delivered in	LinkPeople, Airedale Property Trust, Kāhui Tū Kaha, Haumarū Housing, Taapapa Limited, and Penina Trust.



<p>2025/26, and 170 places that align with need but have uncertain delivery timeframes.</p>	<p>The conversations will be focused on the specific opportunities they have signalled to verify yield and delivery timeframes.</p>
<p>Working with our strategic partners and other select CHPs that have portfolios in Auckland to identify additional opportunities that could be pursued.</p> <p>The higher rate of funding may enable strategic partners to reconsider their portfolios and progress projects that had previously been discounted.</p> <p>The non-strategic partner CHPs may also have opportunities that have not been brought forward as they do not align with the Budget 2024 allocation model.</p>	<p>Strategic partners in Auckland: CORT, Accessible Properties, Emerge, and the Salvation Army.</p> <p>Other CHPs: initial conversations with Homes of Choice, Housing for Social Benefits, Kāhui Tū Kaha Limited, and Penina Health Trust as they are most likely to have the capability and capacity to deliver within the timeframe.</p> <p>Conversations will focus on testing their ability to deliver additional places that meet the existing parameters (i.e. target locations and typologies, cost, and timeframe).</p>
<p>Working with selected developers on suitable market-led opportunities. Our desk top analysis has identified some developments that could potentially be utilised for social housing, but further work is required to firm up specific projects and match them with a CHP.</p>	<p>Specific developers are still to be confirmed. We will inform your office before approaching them.</p>
<p>Delivery through our Land for Housing development sites. There may be an opportunity to increase the proportion of social housing in some projects.</p> <p>For example, the Wirihana development aligns well with need. It currently has 13 unsold market homes with another 79 projected to be delivered in the next 18 months.</p>	<p>In the first instance Whenua Whanake Limited Partnership (Te Ākitai Waiohūa) our development partner for the Wirihana project.</p> <p>Conversations will focus on understanding market sales and whether they are open to increasing the proportion of social housing.</p>
<p>There may also be opportunities within the Kāinga Ora portfolio e.g. some CHPs have expressed interest in KiwiBuild properties that Kāinga Ora has recently taken to market.</p> <p>Further Kiwibuild properties have also been received by the Crown in March which may be suitable as social housing opportunities.</p>	<p>Initial conversation with Kāinga Ora to understand market sales and other opportunities.</p>



We seek approval to engage with select stakeholders/partners prior to Budget 2025 announcements

12. To ensure that additional social homes can be delivered in Auckland in time to meet the Government’s commitment, engagement with the select stakeholders/partners (identified in Table 2) needs to commence as soon as possible.
13. This is particularly important for the opportunities that have already been signalled to us for delivery by CHPs. As the average build time (between contracting and delivery) is 12-18 months, contracts for these opportunities need to be in place by mid-2025 at the latest.
14. Although the delivery timescales for turn-key properties are shorter, it will take time for CHPs to identify potential projects that align with need, undertake due diligence, negotiate the purchase or lease, and enter into the contract with us.
15. Engaging early will increase the likelihood that properties that align with need can be sourced and delivered in 2025/26. Delaying engagement until after the Budget announcement will reduce the delivery timeframe, which may make it challenging to deliver the committed number of places, and/or source places that align with need.
16. The opportunities can be firmed up and added to the delivery pipeline once Budget announcements are made.

Risks

17. It may be challenging to find projects that align with need and can be delivered in 2025/26. We may need to allocate the funding more broadly across Auckland by reducing the focus on specific areas of need. After initial conversations we will be in a better position to assess levels of confidence for delivering the additional 550 social homes and provide you with an update and risks to delivery in June 2025.
18. The funding for the Budget 2025 places (average of \$60k per year, per place for 550 homes) is higher than the funding for projects that are being delivered through Budget 2024 maintaining momentum and strategic partnerships pathways (average of \$46.6k per year, per place). We will be clear in communication to CHPs that the higher Budget 2025 funding reflects the shorter delivery timeframe and feedback we have received about delivery costs in Auckland.

Next steps

19. Subject to your agreement, the next steps for HUD officials are set out in the table below.

WHEN	WHAT
April	Engage with select stakeholders/partners (identified in Table 2) to test their ability to deliver additional social homes and start building a potential pipeline.



May	<p>Assess whether the additional 550 homes can be delivered within the existing parameters i.e. target locations and typologies, cost, and timeframe.</p> <p>If needed broaden the search i.e. focus less on need and consider other areas in Auckland and/or typologies, and initiate engagement with additional CHPs or developers.</p>
June	<p>Firm up the delivery pipeline and assess levels of confidence for delivering the committed 3,000 social homes.</p> <p>Start negotiating contracts (with contracts for new build projects in place by the end of the month).</p>

20. We will provide you process updates as part of the regular delivery reporting and a formal update on risks to delivery in June 2025.



Aide mémoire

BUDGET 2025: HOUSING AND URBAN DEVELOPMENT PACKAGE			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	3/04/2025	Priority	Medium
Tracking number	HUD2025-006811		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Nick McNabb	Chief Advisor, Strategy, Insight and Governance	s 9(2)(a)	✓
Colin Lynch	Deputy Chief Executive, Policy	s 9(2)(a)	

OTHER AGENCIES CONSULTED
N/A



Purpose

1. To provide a summary of the Budget 2025 package for Housing and Urban Development.

Background

2. The Budget 2025 package for Housing and Urban Development reprioritises savings and uncommitted spending to cover cost pressures and enable new investment. This package reflects decisions at the Housing Multilateral on 5 March 2025 and subsequent decisions.
3. The package is consistent with your December 2024 Budget letter to the Minister of Finance. The main variation is bringing forward delivery of new social housing places to meet the Auckland commitment.
4. A summary table is included in Annex One.

Savings and uncommitted funding

5. Savings and uncommitted spending of \$100.113 million per annum operating across the forecast period and \$507.818 million capital (over the next ten years) were identified through the reset of investment. Savings are made up from:
 - a. **Moving the First Home Loan to cost recovery** by ending the Crown contribution toward the mortgage insurance levy paid by First Home Loan borrowers. This would add around \$3,850 to the average First Home Loan of \$550,000 and should have a negligible impact on uptake.
 - b. **Exiting Contracted Emergency Housing in Rotorua** by December 2025 in line with the Government's commitment. HUD has a plan to manage these exits by the end of 2025.
 - c. **Savings in anticipation of the Housing and Support Services review.** You have received separate advice on the scope and options to realise savings through the review [HUD2025-006585 refers]. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
 - d. **Withdrawing HIF lending facilities** where milestone draw stop events have been triggered. Although not contributing capital savings through Budget 2025, there are some operating savings relating to the possible extension of the cancelled contracts that would have increased the interest free concession. You have received separate advice about enabling one further drawdown by Waikato District Council – this will not impact the overall package [HUD2025-006819 refers].



- e. **Uncommitted Māori Housing Funding** as at December 2024 has been considered for reprioritisation through Budget 2025. Further investment in Māori Housing of \$200 million has since been re-confirmed (see new spending below).
 - f. **Large Scale Projects** – investment in future stages for Wesley West (Mt Roskill) and Otaki o Te Wai (Māngere) are not consistent with refocusing the programme on Kāinga Ora’s renewals so funding is being withdrawn.
6. We also understand the Minister of Finance has agreed to reduce funding for Te Puni Kōkiri’s (TPK) Māori Housing programmes by \$21.628 million per annum through the grants and funds and baseline savings programmes. This amounts to a reduction of 37.5%. TPK’s focus is small scale papakāinga development. New investment through the Flexible Fund is unlikely to offset this reduction.

Cost pressures

7. Savings will be reprioritised to meet performance plan cost pressures of \$45.623 million per annum over the forecast period. These cost pressures arise from:
- a. CHP Social Housing: to meet future contracted payments to CHPs that are linked to growth in market rents.
 - b. Transitional Housing: to meet expected growth in payments for Transitional Housing that are also linked to market rents.
 - c. Housing First and Rapid Rehousing: to fund additional IRRS places to maintain current volumes of people in the services. When people graduate from the programmes they may remain in a social home requiring new places to be brought on for people entering the service.
8. Cost pressures are funded across the forecast period only, but will continue into outyears. s 9(2)(f)(iv)

New Investment

9. Ministers agreed at the Housing Multilateral that savings and uncommitted funding not required to meet cost pressures will be retained and reinvested in Housing and Urban Development. Subsequent decisions have also retained savings within Housing and Urban Development and your Infrastructure Portfolio.
10. New investment in Housing and Urban Development through Budget 2025:
- a. **Investment in Māori Housing of \$200 million for at least 400 affordable rentals** announced by the Associate Minister of Housing on 4 February 2025. This will be the final tranche of separate investment for Māori Housing. In



- future, new investment in Māori Housing would need to come through the Flexible Fund.
- b. **550-600 additional social housing places in Auckland** in 2025/26 to meet the commitment of 1000 places a year (on average).
 - c. Capital funding required to pay **Operating Supplement (OS) upfront to CHPs** to deliver Budget 2024 places. \$42 million capital savings will be reprioritised from the Large Scale Projects to contribute towards the \$70 million commitment you made in November 2024. Remaining commitment will be confirmed through the contingency below.
 - d. Remaining savings and uncommitted funding will go the **Flexible Fund contingency** covering:
 - i. **650 to 900 social homes and affordable rentals for delivery post June 2027** (to follow the 1500 social homes funded through Budget 2024). Also includes capital funding for upfront OS.
 - ii. **Remaining capital funding for upfront OS to deliver the Budget 2024 places and Auckland commitment.** We will confirm the final quantum and timing of upfront OS required once the delivery pipeline is clear.
 - iii. Outyear LSP capital savings of \$58 million will also be held in the contingency with the expectation the funding would be used for **upfront payments for delivery of social housing and affordable rentals** funded in future budgets.
 - iv. A small residual of operating funding not allocated to the initiatives above is also held in the contingency.
11. Remaining Large Scale Project savings of \$25 million will be reprioritised to your Infrastructure Portfolio to provide an equity injection to NIFFCo to expand the Greenfield Infrastructure model.

Next steps

12. The HUD package outlined above will be included in the overall Budget package to be agreed by Cabinet on 14 April.
13. You will receive further advice on the implementation of the following initiatives:
 - a. First Home Loan on 10 April – seeking decisions on timing and sequencing to move to cost recovery. We are working with Kāinga Ora to understand implications for people who are part way through the process of purchasing a home and how they should be treated.
 - b. Investment approach (Housing Funding Authority) by end April – outline the proposed elements and timeframe to develop HUD's investment approach including: the investment strategy, the investment process and governance and



management. The investment approach will inform Budget communications and draw down from the flexible fund contingency.

14. Following confirmation of the package by Cabinet we will work with your office on approach to Budget 2025 communications.

Annexes

Annex A: Summary of Budget 2025 Package for Housing and Urban Development

Annex A: Budget 2025 Package for Housing and Urban Development

Initiative	Comment	Operating (\$m)			Capital (\$m)
		Forecast period total (2024/25-28/29)	Forecast period average p.a.	Outyears	Ten-year spend (2024/25-33/34)
Savings					
First Home Loan	Move to cost recovery for the First Home Loan	71.600	17.900	17.900	-
Contracted Emergency Housing (Rotorua)	Exit CEH motels in Rotorua by December 2025 in line with the Government's commitment	86.793	21.698	25.029	-
Review of Housing and Support Services	Savings in anticipation of review of Transitional Housing and Public Housing Services in 2025.	45.000	11.250	30.000	-
Housing Infrastructure Fund (HIF)	Removing remaining loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise	9.063	2.266	0.000	-
Large Scale Projects	Withdrawing funding for Wesley West (Mt Roskill) and Otaki o Te Wai (Māngere)	-	-	-	125.000
Uncommitted Māori Housing funding	Reprioritise uncommitted Māori Housing	187.994	46.999	81.480	382.818
Total Savings		400.450	100.113	154.409	507.818
New Spending – cost pressures and flexible fund					
Performance Plan Cost pressures	Price pressure: market rent growth for social housing provided by Community Housing Providers	55.614	13.904	32.546	-
	Price pressure: market rent growth for transitional housing	26.816	6.704	17.482	-
	Cost pressure: unfunded IRRS places for Housing First and Rapid Rehousing	100.063	25.016	36.740	-
	Total Cost Pressures	182.493	45.623	86.768	0.000
New Spending	Māori Housing: \$200m investment for at least 400 affordable rentals	48.750	12.188	0.000	151.250
	Auckland: Additional 550-600 places in 2025/26	128.000	32.000	33.000	40.000
	Upfront Operating Supplement for Budget 2024 places				42.000
	Flexible Fund: 650-900 social and affordable housing places from July 2027 (in contingency)	33.820	8.455	33.821	153.758
	Flexible Fund: remaining upfront OS for Budget 2024 and Auckland places and unallocated (in contingency)	7.387	1.847	0.820	95.810
	Total New Spending	217.957	54.489	67.641	482.818
Savings not allocated to Housing and Urban Development		0.000	0.000	0.000	25.000
<i>Greenfield Model (within Infrastructure portfolio)</i>		<i>10.000</i>	<i>2.500</i>	<i>0.000</i>	<i>25.000</i>



Briefing

HOUSING INFRASTRUCTURE FUND: WAIKATO DISTRICT COUNCIL'S TE KAUWHATA PROJECT			
To Ministers	Hon Chris Bishop	Portfolio	Housing
	Hon Nicola Willis	Portfolio	Finance
Date	03/04/2025	Priority	High
Tracking number	HUD2025-006819		

ACTION SOUGHT	
Action sought	Decide on next steps for Waikato District Council's Housing Infrastructure Fund loan for Te Kauwhata.
Deadline	14 April 2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Fiona McCarthy	Manager, Land Use and Land Markets	s 9(2)(a)	✓
Olivia Burnett	Senior Policy Advisor, Land Use and Land Markets	s 9(2)(a)	

OTHER AGENCIES CONSULTED
The Treasury (TSY)



RECOMMENDED ACTIONS		
It is recommended that you:		
1.	Note that you previously agreed to enforce the consequences of Waikato District Council's (WDC) milestone drawstop event.	<i>Noted</i>
2.	Note that WDC provided some new information to HUD on 27 March, and council would like you to consider amending the loan agreement to enable either the remaining \$25.1 million to be borrowed, or one more drawdown (up to \$14,043,736).	<i>Noted</i>
3.	Note that, after receiving a brief update from HUD on this new information, Minister Bishop indicated he wanted advice on allowing WDC to be able to make one more drawdown.	<i>Noted</i>
4.	Note that, having considered the additional information, the Ministers may determine that no further action is taken, in which case the effect of the milestone drawstop event remains and WDC will not be able to draw any further amount.	<i>Noted</i>
5.	Agree , if the Ministers are of the view that they wish to take further action based on the new information, to <u>one</u> of the following options: a. Amend the loan agreement to enable the Crown to make the remaining \$25.1 million loan available to be borrowed, or b. Amend the loan agreement to enable the Crown to pay one more drawdown (up to \$8.6 million), or c. Amend the loan agreement to enable the Crown to pay one more drawdown (up to \$14,043,736) (HUD recommended option).	<i>Agree/disagree</i> <i>Agree/disagree</i> <i>Agree/disagree</i>
6.	Note that if the Ministers agree to option b or c, HUD officials will request from WDC further evidence of the costs claimed, in accordance with HUD's usual procedures in assessing Drawdown requests.	<i>Noted</i>



7.	Note that HUD considers that options a, b or c can meet the Public Finance Act test, i.e. can be considered as “necessary or expedient in the public interest”.	<i>Noted</i>
8.	Note that the Minister of Finance has delegated to HUD (via the Secretary of Treasury) the authority to amend HIF loans, and if the Ministers determine to agree to options a, b or c HUD will enter into the amended loan under this delegation.	<i>Noted</i>
9.	Note that all three options can be accommodated within the existing non-departmental capital appropriation and there will not be flow on impacts for Budget 2025.	<i>Noted</i>
10.	Note that your prior decision will be made public on 10 April, as part of the release of WDC’s Long Term Plan (consultation version) audit.	<i>Noted</i>
11.	Note HUD has worked with the Treasury on developing this briefing and will further consult the Treasury to finalise any documents required to make the amendment.	<i>Noted</i>

Fiona McCarthy
**Manger, Land Use and
Land Markets**
03 / 04 / 2025.

Hon Chris Bishop
Minister of Housing
..... / /

Hon Nicola Willis
Minister of Finance
..... / /



Purpose

1. To seek a decision on next steps for Waikato District Council's Housing Infrastructure Fund loan for Te Kauwhata.

Executive summary

2. Ministers recently decided to enforce the consequences of four Housing Infrastructure Fund (HIF) projects missing milestones by over two years, meaning councils (Auckland, Waikato District, and Queenstown Lakes District Council) would no longer have access to their undrawn loans (totalling \$183.322 million).
3. Waikato District Council (WDC), due to an internal communication breakdown (including a staff member leaving) did not appreciate that a milestone drawstop event meant no further drawdowns could be made and was planning to make a HIF drawdown request in the near future. This planning is reflected in their budgeting and 2025-34 Long Term Plan (LTP), which is currently out for consultation and simultaneously being audited. WDC has advised that it is difficult to reverse at this late stage, without incurring further cost and delay to the LTP process.
4. WDC provided HUD new information about the loan on 27th and 28 March, requested that Ministers reconsider their decision and asked HUD officials to work with WDC on a contract variation to reinstate the loan in full. As a fallback position, WDC is seeking one more drawdown to be paid, reflecting the progress and positive collaboration to date, and detriment that would result based on them having planned on an incorrect assumption. On 28th March WDC indicated this drawdown would be up to \$8.6 million, but confirmed on 3rd April it would be \$14.1 million.
5. The additional information WDC provided is sufficiently material that it is appropriate for Ministers to consider if this alters your previous consideration of the relevant factors.
6. If the Ministers are of the view that they wish to take further action based on the new information, to one of the following options
 - a. Amend the loan agreement to enable the Crown to make the remaining \$25.1 million loan available to be borrowed, or
 - b. Amend the loan agreement to enable the Crown to pay one more drawdown (up to \$8.6 million), or
 - c. Amend the loan agreement to enable the Crown to pay one more drawdown (up to \$14,043,736).
7. HUD officials recommend option c, allowing WDC to complete one more drawdown for up to \$14.1 million of costs incurred while WDC was reliant on the HIF funding.



Background

8. In 2018, Waikato District Council (WDC) secured a Housing Infrastructure Fund (HIF) loan to finance a bundle of infrastructure projects that would enable greenfield development at Te Kauwhata, including upgrades to the water supply system and a new wastewater treatment plant and reticulation network. Te Kauwhata is a small township along the Auckland to Hamilton corridor. An overview of the project is set out in Annex A.
9. A Facility Agreement was agreed to and signed in 2020, giving WDC a HIF loan facility of \$38 million. WDC had drawn \$12.9 million by the time its milestone drawstop event had occurred (leaving a remaining facility of \$25.1 million). The total infrastructure package is estimated to cost approximately \$72.2 million.
10. On 14th December 2025, you jointly considered advice on whether to enforce the milestone drawstop events for four HIF projects/loans (including WDC's Te Kauwhata loan) and decided to enforce the consequences for all four (HUD2024-005284 refers). Minister Bishop subsequently wrote to the Mayor of WDC, Her Worship Jacqui Church, to inform her of the decision and its rationale on 12th March.
11. On 14th March 2025, a WDC official contacted HUD to inform us WDC was not aware of your decision before a letter was received by the Mayor, and the council was quite surprised. The issue leading to the Council's surprise is that the WDC Finance Manager that HUD had been working with for two years on seeking an amendment to the loan agreement, did not escalate the risk of a milestone drawstop event within Council at any time before leaving the organisation in November 2024. When they left the council, they did not inform HUD, nor set an out of office, and as such the emails sent by HUD informing the council of your decision were not received by the Council.¹
12. The WDC official had made clear statements to HUD officials that enforcement of the milestone drawstop event would not create any material concerns, which, in light of the new information provided by the council, was not an accurate statement.
13. In future, HUD will follow up with stakeholders who do not acknowledge receipt of emails of such significance.
14. A timeline of key events is set out in Annex C.

We received further information relevant to the decision

15. HUD officials met with WDC officials² on 27th March 2025 (the soonest possible date WDC was available) to discuss the HIF loan decision and the Council's surprise and disappointment in the decision.

¹ HUD emailed our WDC contact to inform them of the decision on 28th February, 11th March, and 13th March 2025.

² The CEO, CFO, COO, GM of Service Delivery and the Manager of the Waters Team from Waikato District Council were in attendance.



16. WDC shared some new information in the meeting including that:
 - a. the milestone that was missed relates to an aspect of the project that is no longer being pursued because the costs were not feasible. While an alternative, more cost-effective approach is now being pursued (saving approximately \$24m), the HIF contract was not updated to reflect this change prior to the original deadline being missed, nor a milestone drawstop event occurring two years later. As such, WDC feel that it is being penalised for an administrative failure to update the contract, rather than a delivery failure.
 - b. WDC has incurred recent costs related to the project and as a result had been planning to make a drawdown request soon.
 - c. WDC has relied on receipt of the drawdown in completing its budgets and Long Term Plan which is currently out for public consultation, and is being audited, and it would be very difficult to revise the LTP if the funding is not available.
17. WDC request that Ministers reconsider their decision and have HUD officials work with WDC on a contract variation to fully reinstate the loan. As a fallback position, even if the decision stands, WDC is seeking that one more drawdown be paid, reflecting the progress and positive collaboration to date.
18. On 28th March WDC indicated this drawdown would be up to \$8.6 million, and HUD informed Minister Bishop of this. WDC confirmed on 3 April it would be \$14.1 million. This updated figure reflects a reconciliation to the end of March, and an additional item related to an invoice from Watercare.
19. HUD cannot process drawdowns if a milestone drawstop event has occurred (and had first informed WDC of this in 2023), without amending the relevant HIF Facility Agreement. The new information provided is sufficiently material that it is proper for Ministers to review and determine if they should take further action. Our analysis of this additional material is set out in Annex B.
20. The additional information WDC provided raises a potential new option for Ministers to consider and you may wish to consider if this alters your previous consideration of the relevant factors.

There is a new option to consider

21. The previous options that you considered were:
 - Enforce the consequences of the milestone drawstop events and remove WDC's access to the remaining loan facility for Waikato Te Kauwhata. As previously advised, to take this action, Ministers would need conclude that the Crown is not acting "oppressively" under the Credit Contracts and Consumer Finance Act 2003.
 - Waive the consequences of the milestone drawstop event and agree for HUD to work with the council to vary the Facility Agreement which would enable the council



to draw the loan again. This would reverse your previous decision and make the remaining \$25.1 million loan available to WDC to be borrowed.

22. HUD considers that there is now a third option to consider, which is:
- Agree to enforce the consequences of the milestone drawstop event for WDC’s remaining loan *but amend the Facility Agreement to enable the Crown to pay one more drawdown*, before WDC’s access to the remaining loan facility is removed.
23. HUD considers that options a, b or c can meet the Public Finance Act test, i.e. can be considered as “necessary or expedient in the public interest”. The Minister of Finance has delegated to HUD via the Secretary of Treasury authority to amend HIF loans, and if the Ministers determine to agree to any of the options HUD will enter into the amended loan under this delegation.
24. If Ministers agree to option b or c, HUD officials will consider the singular drawdown request through its usual processes and determine the total amount to be funded (up to the maximum approved by Ministers).

Relevant decision-making factors

25. s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

26. s 9(2)(h) [Redacted]

27. s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]



28. s 9(2)(h) [REDACTED]

Analysis of new option

29. We consider that the internal communications breakdown within WDC, and the fact that WDC had made payments with the expectation of being able to recover them through the HIF, are relevant factors that had they been known at the time of the Minister’s initial review, were appropriate to consider. Also relevant is the fact that WDC continued to plan its budgets and Long-Term Plan on the basis that the funds would be available, and that it would now cause material detriment and cost to its planning process if the amount currently intended to be drawn was unavailable.
30. We consider that the point made by WDC that this was an administrative failure not a delivery failure is also a relevant consideration, but of less weight, because it would be reasonable to expect WDC to seek an amendment to the Facility Agreement before the milestone was missed, or in the two-year period since the milestone was missed. The HIF contracts are very simple – essentially all a council needs to do to keep drawing down is deliver its pre-agreed milestones within two years of the date set in the contract.

31. s 9(2)(h) [REDACTED]

32. s 9(2)(h) [REDACTED]

There is a risk associated with this new option

33. If you agree to allow WDC to draw an additional amount, there is a risk that other councils that have had HIF loan milestone drawstop events enforced (Auckland Council and Queenstown-Lakes District Council) will request similar treatment for any costs incurred. The other councils have not raised this with us, and we do not have information on the amount of costs those councils may have incurred on their projects that were financed under the HIF since their last drawdowns. HUD officials have had correspondence with officials at the other Councils after having notified the decision. Each Council expressed disappointment but accepted the decision, and did not raise any new information.



34. s 9(2)(h)

Fiscal and Budget 2025 impacts

Any of the options can be accommodated within existing appropriations, and there will not be flow on impacts for Budget 2025.

35. Allowing a further draw down will not affect the Budget 25 package for Housing and Urban Development. The operating savings included in Budget 2025 associated with cancelling the HIF loans related to likelihood that the cancelled loans may be extended increasing the overall interest concession. These savings stand should Waikato District Council (WDC) be allowed to make one further drawdown consistent with previously agreed timeframes.
36. Prior to its milestone drawstop event, WDC had drawn \$12.9 million of its \$38 million loan.
37. The non-departmental capital appropriation is still available to fund either the one more drawdown (either up to \$8.6 million or \$14.1 million) or to enable the remaining \$25.1 million loan to be borrowed. There is sufficient appropriation remaining to absorb any of the proposed options.
38. In addition to the loan amount, the Crown also recognised an interest concession impact (the implied interest forgone on each loan) at the time the loan was executed. This is a technical non-cash operating expense but is required to be appropriated with associated OBEGAL impact. There are no further OBEGAL impacts from enabling one further drawdown *unless* an amendment to the timing of a council's repayments is approved by Ministers.
39. As required by accounting standards, HUD Finance will perform fair value assessments of interest free loans and any fiscal impact will be addressed prior to financial year-end.

Other risks

Relationship with Waikato District Council

40. HUD has had a high level of engagement with representatives from WDC as part of the Future Proof partnership. Te Kauwhata is identified as a Future Urban Area in Future Proof's Future Development Strategy and forms part of a Rāhui Pōkeka Priority Development Area. There is a low risk that removing the loan facility is perceived as not supportive of collective Future Proof outcomes.



s 9(2)(h)

41. s 9(2)(h)
42. s 9(2)(h)

Publicity of decision

43. WDC's 2025-34 Long-Term Plan is currently out for consultation and is being audited concurrently. The financial forecasts in the LTP rely on the interest free HIF funding. Given where WDC is in the LTP process, it cannot update the LTP to reflect the decision, and expect an adverse or at least qualified audit opinion, leading to public disclosure of the HIF loan being removed by 10th April. WDC would then disclose the impact i.e. rates increasing by approximately 1 percent over and above what is contained in the LTP Consultation Document.

Consultation

44. The Treasury was consulted on this paper.

Next steps

For making a decision

45. Your prior decision will be made public on April 10, when the audit of WDC's 2025-2034 Long Term Plan is published. HUD recommends deciding prior to this to enable a response should any media queries arise.
46. There will be an opportunity to discuss this advice at either or both of the following meetings:
- a. Housing officials on Monday 7th April.
 - b. Budget Ministers on Wednesday 9th April.
47. While we don't recommend waiting to decide, as the non-departmental capital appropriation is still available to fund all options, a decision could be made during the Budget moratorium (which starts on 14th April) on this matter.

Relationship with Waikato District Council

48. We recommend that Minister Bishop respond to the letter from Mayor Jacqui Church outlining the decision taken. We can provide a draft letter.
49. WDC Mayor Jacqui Church and Chief Executive Craig Hobbs are also seeking a meeting with the Minister of Housing and the Minister of Local Government (Minister



Watts) to further discuss solutions. WDC would welcome the opportunity to meet with the Minister in the Waikato to show what has been delivered in Te Kauwhata and other parts of the district.

50. Mayor Church has separately written to you, and other Ministers about other infrastructure capacity constraints. The Minister for Local Government's officials are leading a response to this letter. HUD will be involved if requested by DIA.

Annexes

Annex A: Overview of Te Kauwhata HIF

Annex B: s 9(2)(h)

Annex C: Timeline of key dates

Annex A: Overview of Te Kauwhata HIF (copied over from last briefing)

Waikato – Te Kauwhata

Project overview

Date signed	HUD portion (note, no NZTA portion)	Houses
July 2020	\$38m for: <ul style="list-style-type: none"> Upgrades to the water supply system A new wastewater treatment plant and reticulation network 	Enabled once infrastructure is delivered: 2790 Houses delivered to date: ~200 (+ 600 sites are infrastructure ready).

Loan history

Loan to:	Council	NZTA	Total
Drawn	\$12.9m	-	\$12.9m
Remaining	\$25.1m	-	\$25.1m
Total	\$38m	-	\$38m

Project area map



Delays

Delays with obtaining the discharge consent for the wastewater upgrades. Waikato District Council is currently going through consultation on an alternative proposal.

Overall completion of the project is approximately **4 years** behind schedule compared to what was originally agreed (originally due to be complete June 2026).


Wider context

- Future Proof has adopted its Future Development Strategy, with Te Kauwhata included as part of collection of North Waikato Priority Development Areas, linking into existing Hamilton to Auckland Corridor Plan.
- Kāinga Ora and Winton have an active Land Supply Agreement for the Lakeside Residential Development in Te Kauwhata, whereby Winton masterplans and gets the land infrastructure ready, and Kāinga Ora purchase it off Winton at a previously agreed set price. The Lakeside Development will deliver approximately half the development capacity enabled by the HIF financed infrastructure.

s 9(2)(h)



s 9(2)(h)



Annex C: Timeline of key dates

DATE	ACTIVITY
Jan 2023 – November 2024	Ongoing communications between HUD and WDC Finance Manager regarding the loan, including the possibility of a milestone drawstop event being enforced.
3 December 2024	Briefing (HUD2024-005284) sent to Ministers.
14 December 2024	Ministers make decision
28 February 2025	HUD emails (former) WDC Finance Manager informing them of Ministers decision (HUD was instructed to wait until Going for Housing Growth Pillar 2 was announced)
11 March 2025	HUD emails again to check if email was received, and advises a Ministerial letter was coming in the coming week or so.
12 March 2025	Minister Bishop sends letter to Mayor Church.
13 March 2025	HUD emails (former) WDC Finance Manager a copy of Minister's letter.
14 March 2025	New WDC officer calls HUD to inform HUD that the council was surprised when the letter was received.
14 March 2025	HUD shares all previous email correspondence with new WDC official.
17 March 2025	HUD seeks meeting with WDC's CEO.
17 March 2025	Mayor Church sends letter to Minister Bishop, noting "surprise and disappointment" about the decision.
27 March 2025	HUD meet with WDC officers (this was the soonest date WDC said they could meet), who provide new information to HUD, and ask HUD to communicate to Ministers that WDC is seeking to either reinstate the entire loan, or request one more drawdown.
28 March 2025	WDC provided HUD new information via email (including that the drawdown would be up to \$8.6 million)
28 March 2025	HUD sends note to Minister Bishop's office, providing an update on the meeting and seeking to know whether Ministers would like further, formal advice on their options.
31 March 2025	Minister Bishop's office commissions briefing.
2 April 2025	HUD asks WDC to confirm the exact amount of the drawdown (i.e. is \$8.6 rounded at all).
3 April 2025	WDC informs HUD that it wants the "one more drawdown" to be \$14.1 million, due to an end of month reconciliation, and additional information provided by Watercare.
3 April 2025	This briefing provided to Ministers office.



Briefing

s 9(2)(f)(iv) AND UPDATE ON HOUSING FIRST AND RAPID REHOUSING COST PRESSURE			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
CC Minister	Hon Tama Potaka	Portfolio	Associate Minister of Housing
Date	03/04/2025	Priority	Medium
Tracking number	HUD2025-006595		

ACTION SOUGHT	
Action sought	s 9(2)(f)(iv) and note the update on the cost pressure for Housing First and Rapid Rehousing programmes.
Deadline	22/04/2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jeremy Steele	General Manager, Housing Supports & Supply	s 9(2)(a)	
Laura Miller	Policy Manager, Responding to Severe Housing Needs	s 9(2)(a)	✓
Megan Anderson	Principal Advisor, Responding to Severe Housing Needs	s 9(2)(a)	

OTHER AGENCIES CONSULTED
The Ministry of Social Development (MSD) was consulted s 9(2)(f)(iv), and the Social Investment Agency (SIA) was engaged in discussions about alignment with the approach to social investment.



RECOMMENDED ACTIONS		
It is recommended that you:		
s 9(2)(f)(iv) [Redacted]		
1.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	<i>Noted</i>
2.	s 9(2)(f)(iv) [Redacted] <input type="checkbox"/> [Redacted] [Redacted] <input type="checkbox"/> [Redacted] <input type="checkbox"/> [Redacted]	<i>Agree/Disagree</i>
3.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	<i>Noted</i>
4.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	<i>Agree/Disagree</i>
5.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]	<i>Noted</i>
6.	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	<i>Noted</i>



Housing First and Rapid Rehousing cost pressures

7.	<p>Note we will continue to manage cost pressures in relation to Housing First and Rapid Rehousing income related rent subsidy (IRRS) expenditure s 9(2)(f)(iv)</p>	<i>Noted</i>
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Laura Miller
**Policy Manager,
Responding to Severe
Housing Needs**

Hon Chris Bishop
Minister of Housing

..... / /

03 / 04 / 2025



Purpose

1. This briefing sets out:
 - a. known challenges for investment in housing responses to meet acute housing need and avoid the loss of existing tenancies;
 - b. s 9(2)(f)(iv) [redacted]
 - c. how we are managing the income related rent subsidy (IRRS) cost pressure for the Housing First and Rapid Rehousing programmes.

Background

2. You have set the direction for investment in the housing system, including that there should be increased flexibility to meet need in place and better targeting access to housing and support where it is needed most. s 9(2)(f)(iv) [redacted] [HUD 2024-005383].
3. In March 2024, you received advice on a framework for focusing on population need which would align housing and people in need of support in a more effective way. We are continuing to develop the framework and how we measure housing and service needs s 9(2)(f)(iv) [redacted] [HUD2024-003889].
4. In November 2024, you received advice identifying a cost pressure for the Housing First and Rapid Rehousing programmes relating to ongoing IRRS cost incurred for graduates from the programme following graduation [HUD2024-005682]. That advice noted we would report back to you on interim options for managing the cost pressure.
5. s 9(2)(f)(iv) [redacted]
6. In March, you received advice providing operational information on transitional housing, including data and insights on how it is functioning, and information on how HUD ensures transitional housing is working to reduce the need for emergency housing [HUD2025-006466]. s 9(2)(f)(iv) [redacted]
7. Also, in March you were consulted on social investment Cabinet papers and the direction for social sector commissioning through the Social Investment Fund.

Known challenges for effectiveness of current investment

8. s 9(2)(f)(iv) [redacted]



s 9(2)(f)(iv)

[Redacted content]

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

[Redacted content]

¹ s 9(2)(f)(iv)

[Redacted content]



s 9(2)(f)(iv)

10.

s 9(2)(f)(iv)

11.

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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s 9(2)(f)(iv)



s 9(2)(f)(iv)

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

21.

s 9(2)(f)(iv)

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

23.

s 9(2)(f)(iv)

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



s 9(2)(f)(iv)

25.

26.

Housing First and Rapid Rehousing cost pressures update

27. Housing First is our primary response to chronic homelessness (people who have been rough sleeping or sleeping in places not designed for habitation for at least 12 months over the past three years) who have high/complex support needs.
28. Rapid Rehousing closely follows the Housing First model but is targeted for people who do not meet the Housing First criteria because the duration they have experienced homelessness is less or because their support needs are not as high or complex.
29. There is a strong international and domestic evidence base that demonstrates improved housing and wider social, justice, and health outcomes resulting from the Housing First approach.
30. Funding for Housing First and Rapid Rehousing is made up of two components:
 - a. a service component: social services to support people into stable housing and to receive the income, health, wellbeing, employment, and other services they need to maintain that housing; and
 - b. a housing component, predominantly the IRRS, although in some cases AS.
31. We currently contract social service providers to support 2,375 Housing First households and 671 Rapid Rehousing households per annum. Housing First households are predominantly single person households. Rapid Rehousing households can include couples and children.
32. The Housing First model flips the alternate model of 'readiness for housing' by prioritising housing without having to first 'sufficiently' address underlying trauma, mental health, addiction, and other issues experienced through homelessness or contributing to the experience of homelessness.

⁴ You will be receiving advice on the review of the community group housing in the middle of this year.



33. The majority of placements are into social housing (approximately 85%), provided by community housing providers (CHPs) and Kāinga Ora (80% with CHPs and 20% with Kāinga Ora). Like all social housing tenants, placements are via the social housing register.
34. As outlined in the Housing Portfolio Performance Plan, at the end of 2024, we identified an approximate \$100m cost pressure across the forecasted period FY24/25 to FY28/29 in IRRS expenditure relating predominately to Housing First, with the Rapid Rehousing also a contributing factor [HUD2024-005593].
35. We are currently able to meet the cost pressure within existing baselines through applying savings identified in the Reset of Investment over the forecast period (subject to approval through Budget 25).
36. Since identifying the cost pressure at the end of 2024, we have considered whether there are feasible interim options to reduce the future need to offset the cost pressure with savings, or to seek new investment. Longer term options will be considered throughout the reset.

Option one: reduce contracted volumes

37. In 2024, we shifted Housing First contracts from three-yearly renewals to one-yearly. Contracts are due for renewal in June, and we will shortly begin negotiations with providers regarding renewals. We have considered whether through the negotiation process, we could reduce the contracted volumes (currently at 2,735 for Housing First and 671 for Rapid Rehousing) ahead of the reset.
38. There is high demand for the programmes. Reducing contracted volumes would shift costs to emergency housing and transitional housing and impact on the maintenance of the emergency housing target. It would also increase costs in other sectors, including for acute hospital admissions and for justice sector responses. In some cases, it may also lead to providers exiting people on the programme they find difficult to house, or who require intensive support to maintain housing once housed, in order to bring new people into the programme who may be less challenging.
39. Rather than reducing contracted volumes, we will continue to take a contract-by-contract approach with providers who do not wish to renew their contracts. When that occurs, we will reallocate those places to another provider or reduce overall volumes after considering the likely impact on emergency and transitional housing, and demand in place.

Option two: Increase the use of Kāinga Ora social housing

40. The cost pressure relates specifically to the number of people housed through the programme in social housing provided by CHPs. Social housing provided by CHPs have advantages for Housing First and Rapid Rehousing tenants because:
 - a. CHPs can be more targeted about who is referred to them from the social housing register;



- b. CHPs provide tenancy management services which are well suited to their tenant populations, for example some CHPs focus on housing people with mental health and addiction support needs;⁵
- c. CHPs can lease properties for Housing First directly from the private rental market for social housing so can more easily source one- to two- bedroom homes.⁶

41. It is unlikely Kāinga Ora could meet demand for properties in the near term, particularly as the current stock of one-bedroom houses is limited. We are not progressing this option s 9(2)(f)(iv) as it would likely increase the time to house (and to graduate the programme), and therefore the costs associated with the most visible form of chronic homelessness and increased demand for emergency or transitional housing.
42. Longer-term investment decisions in relation to social housing typologies and the purchasing of these from Kāinga Ora or CHPs will flow from s 9(2)(f)(iv) and HUD’s investment and purchasing approach.

Option three: reduce the tenancy property management overhead

43. The tenancy property management overhead (TPMO) is additional to IRRS and recognises that Housing First tenants require more intensive tenancy management and may cause more damage to properties or be more likely to have properties damaged by other people. It helps to de-risk the tenancy for the housing provider, as does the knowledge that the tenant is receiving support through the Housing First programme.
44. We will look at options s 9(2)(f)(iv) at whether changes should be made to way the TPMO is administered. We will test this with providers through FY25/26.

Risks

- s 9(2)(f)(iv)
-
-
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⁵ As social landlords, while CHPs don’t provide social or health services, they sometimes operate as part of a wider business organisation that does do so

⁶ As leasing from the market reduces the pool of properties available to other renters, there is cap on the number of redirects CHPs can bring on as social housing places.



Consultation

■ s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

■ [Redacted]


Annexes

Annex A: HUD investment in housing provision and supports



Annex A: HUD investment in housing provision and support

s 9(2)(f)(iv)





Transitional Housing

HUD contracted social service providers who deliver interim housing for people with an acute housing need who have no appropriate alternative and social services to support a move to stable housing and once in stable housing, to maintain that. Stays are intended to be short to medium term. Some programmes are designed for longer stays (e.g., youth focused transitional housing which may be for up to a year) and some for narrow target populations (e.g., those needing refuge from family violence). Properties are sourced by providers from Kāinga Ora, community housing providers, and the private market. Support service provision may continue for up to 12 weeks after a move into stable housing.

Rangatahi Supported Accommodation

HUD contracted social service providers who deliver interim housing for young people aged 16-25 who are experiencing, or at risk of, homelessness but not eligible for housing support through Oranga Tamariki Transition Support Services and have high/complex support needs which are unable to be supported through other less intensive programmes. Interim housing and youth-focused specialist social services (including onsite 24/7 support). Properties sourced by the provider. Service available for as long as needed while the rangatahi are in the eligible age group and includes for 6 months when rangatahi have transitioned from the supported accommodation.

Housing First

Support services for people experiencing chronic homelessness (people who have been rough sleeping or sleeping in other places not designed for habitation) for at least 12 months over the past three years who require high levels of support, to access and remain in stable housing. Primarily housed in social housing, some private rentals. Support service provision for as long as needed.

Rapid Rehousing

Support services for people experiencing homelessness who don't meet the Housing First criteria because of duration experiencing homelessness or because their support needs are not as high or complex, to access and maintain stable housing. Primarily housed in social housing, some private rentals. Support service provision for up to 12 months.

Creating Positive Pathways (pilot only) – time limited funding, no new entries into programme

Support services and social housing for people to access and maintain stable housing who have recently been released or are about to be released from prison (sentence of more than two years or had frequent interactions with Corrections) who don't have access to stable housing, are at high risk of reoffending, and are experiencing or are likely to experience homelessness. Must have completed or are completing a Corrections reintegration activity. Support service provision for as long as needed.



Single Site Supported Housing

Onsite support services (including 24/7 support); 24/7 onsite security/concierge services for people (predominantly singles and couples without children in their care) with a range of support needs (including people who have been chronically or recently homeless) delivered through single inner city social housing sites. Properties are Kāinga Ora social housing (one site in Auckland and one site in Wellington).

Sustaining Tenancies (ST)

Social services to help support tenants in rental properties (private or social) who are at risk of losing their tenancies, to prevent a loss of tenancy, or if tenancy is lost, to help achieve a new tenancy.

Outreach

Social services to support people experiencing homelessness (particularly people who are rough sleeping or sleeping in other uninhabitable places) to help alleviate barriers with accessing supports needed to exit homelessness.

Social Outcomes Contracting Trial

Social services to support households without children in emergency housing in Wellington and Hamilton for extended periods to access and maintain stable housing. Support services for the length of the trial period (end of 2020 to end of 2022).

He Ara Hiki Mauri

Tangata whenua led responses to Māori homelessness, designed and delivered by a collective of Māori organisations each focused on delivering place-based responses.



Briefing

NEAR FINAL SUPPLEMENTARY ESTIMATES OF APPROPRIATIONS 2024/25 AND ESTIMATES OF APPROPRIATIONS 2025/26 FOR VOTE HOUSING AND URBAN DEVELOPMENT			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	15 April 2025	Priority	High
Tracking number	HUD2025-006700		
ACTION SOUGHT			
Action sought	Review the attached near final Estimates documents and advise any changes that you require (if any).		
Deadline	1pm Wednesday 16 April 2025		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Tony De Gregorio	Chief Financial Officer	s 9(2)(a)	✓
Reuben Scott	Manager, Financial Reporting and Control	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
The Treasury, Kāinga Ora – Homes and Communities and Tāmaki Redevelopment Limited			



RECOMMENDED ACTIONS	
It is recommended that you:	
Review the attached near final Estimates documents and advise any changes that you require (if any) by 1pm, Wednesday 16 April 2025;	<i>Agree/Disagree</i>
1. Note the attached near final Estimates (Annex One and Two) include Budget 2025 decisions that received Cabinet approval on 14 April 2025;	<i>Noted</i>
Note you will be provided with final Estimates documents with your changes (if any), as well as Ministerial Sign Off letters on Wednesday 16 April 2025, which you will need to sign and forward to the Minister of Finance by 1pm, Thursday 17 April 2025.	<i>Noted</i>

Colin Lynch
**Deputy Chief Executive,
Policy, Te Tūāpapa Kura
Kāinga - Ministry of
Housing and Urban
Development**
15/04/2025

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

1. This briefing provides an opportunity to review and provide changes where necessary to the Estimates of Appropriations 2025/26 and Supplementary Estimates of Appropriations 2024/25 (the Estimates) for Vote Housing and Urban Development, prior to the final submission to Minister of Finance which is due Thursday 17th April 2025.
2. The format and contents of the Estimates documents are largely system generated and reflect the latest budget information and decisions made on 14th April 2025. Key opportunities for change are in the Performance Measures and in the Explanations for Changes to Appropriations.

Background

This briefing presents near final Main Estimates and Supplementary Estimates (the Estimates), for appropriations for which you are responsible for in Vote Housing and Urban Development, for your consideration and feedback. These are attached as Annexes One and Two.

Performance Measures are presented separately in Annex Three, highlighting where measures have been changed from prior year.

The Main Estimates details spending intentions for the year ahead for Vote Housing and Urban Development. The Main Estimates also includes performance information for each appropriation, and each category within multi-category appropriations.

3. The Supplementary Estimates sets out the full year's funding for 2024/25, including changes to appropriations and performance measures during the year (where applicable).
4. We have worked closely with the Treasury in preparing these Estimates, they have been consulted for feedback which has been incorporated into the final Estimates documents. Treasury will receive final copies for review after any changes from your office are incorporated.
5. You are required to submit to the Minister of Finance the final Estimates of Appropriations 2025/26 and the Supplementary Estimates of Appropriations 2024/25 for Vote Housing and Urban Development by 1pm Thursday 17 April 2025.

Information in the Estimates

Near Final Supplementary Estimates of Appropriations 2024/25

The Supplementary Estimates (Annex One) includes the following information:

- a. changes to baselines that have been previously approved through the 2024 October, and 2025 March Baseline Updates ("OBU" and "MBU") including explanations for those changes;



- b. changes to non-financial performance information (performance measures and standards and the location of end-of-year performance information); and
- c. other baseline changes subject to joint Ministers and funding decisions made by Cabinet on 14 April 2025.

Near Final Main Estimates 2025/26

The attached Near Final Main Estimates (Annex Two) sets out the spending intentions for the 2025/26 financial year and includes:

- d. a summary of the proposed revenue and expenditure for the year for each appropriation, including explanations for changes of 10 per cent (or \$10 million) or higher;
- e. performance information for each appropriation and each category of a multi-category appropriation, and where this will be reported at year end;
- f. components and service providers for appropriations; and
- g. other baseline changes subject to joint Ministers and funding decisions made by Cabinet by 14 April 2025.



Budget 2025 Decisions to Update

The following Budget 2025 Decisions **with appropriation impacts** received Cabinet approval on 14 April 2025, which have been included in the attached document are:

Savings

Initiative Name	\$m – increase/(decrease)					Total
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears	
Operating Expenditure						
Savings to Offset Housing Cost Pressures	(3.906)	(15.885)	(23.419)	(64.079)	(90.219)	(197.508)
Savings to Enable Flexible Fund for New Housing Investment	(14.902)	(67.991)	(27.961)	(47.162)	(59.942)	(217.958)
Capital Expenditure						
Savings to Enable Flexible Fund for New Housing Investment	(103.860)	(58.536)	(50.851)	(44.350)	(20.870)	(278.466)
Large-Scale Projects Savings	-	(125.000)	-	-	-	(125.000)
Total Operating	(18.808)	(83.876)	(51.380)	(111.241)	(150.161)	(415.466)
Total Capital	(103.860)	(183.536)	(50.851)	(44.350)	(20.870)	(403.466)

Note – Appropriation impacts may differ from changes to forecast spending. The tables above show the changes in appropriation

New Funding

Initiative Name	\$m – increase/(decrease)					Total
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears	
Operating Expenditure						
Housing Support Services, Transitional Housing, and Social Housing - Cost Pressures	3.906	11.629	19.562	60.628	86.768	182.493
New Social Housing and Affordable Rental Investments	-	48.500	57.376	37.875	33.000	176.751
Flexible Fund for New Social and Affordable Housing Investments - Tagged Operating and Capital Contingencies	-	-	-	15.842	25.365	41.207
Capital Expenditure						
New Social Housing and Affordable Rental Investments	-	60.500	75.625	15.125	40.000	191.250
Early-Stage Operating Supplement – Additional Funding	-	10.500	31.500	-	-	42.000
Flexible Fund for New Social and Affordable Housing Investments - Tagged Operating and Capital Contingencies	-	18.905	18.905	28.538	20.862	87.210



Total Operating	3.906	60.129	76.938	114.345	145.133	400.451
Total Capital	-	89.905	126.030	43.663	60.862	320.460

Note – Appropriation impacts may differ from changes to forecast spending. The tables above show the changes in appropriation

Technical Funding Impacts

Initiative Name	\$m – increase/(decrease)					Total
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears	
Operating Expenditure						
Te Puni Kōkiri transfer of Whai Kāinga Whai Oranga to Ministry of Housing and Urban Development	-	15.832	-	-	-	15.832
Capital Expenditure						
Kāinga Ora - Homes and Communities Private Debt Refinancing Facility	-	-	-	-	1,425.000	1,425.000
Refinancing of Kāinga Ora - Homes and Communities	-	283.442	331.148	290.989	99.832	1,005.411
Total Operating	-	15.832	-	-	-	15.832
Total Capital	-	283.442	331.148	290.989	1,524.832	2,430.411

Financial Implications

18. These are noted above and included in the Annexes attached.

Consultation

The Treasury are being consulted on the draft documents, and their initial feedback has been incorporated into these near final documents. Feedback from their detailed review (if any) will be incorporated into the final Estimates.

Kāinga Ora – Homes and Communities and Tāmaki Redevelopment Limited have provided input into the near final Estimates documents.

Next steps

You will need to review the attached near final Estimates documents and advise any changes that you require (if any) by **1pm Wednesday 16 April**.

Annexes

The following are attached:



- h. Annex One - Near Final Supplementary Estimates of Appropriations 2024/25
- i. Annex Two - Near Final Main Estimates 2025/26.
- j. Annex Three – Near Final Performance Measurements

Estimates Sign Out: Quality Assurance

Background and Purpose

1. Each year, the Ministry is required to submit our Budget and Economic Fiscal Update (BEFU – from here on referred to as Estimates) to Treasury.
2. The Estimates process involves preparing and submitting detailed fiscal forecasts and budget allocations to ensure transparency and accountability in government spending. We use this time to reflect expected changes to appropriations that will arise from both Technical and Significant initiatives.
3. Planning of the Estimates confirmed the requirement that DCEs responsible for affected appropriations are aware of any changes being made, and sign these off as correct.
4. This Quality Assurance sheet is to track review progress, and provide assurance to our Chief Executive that the document has been appropriately reviewed before submission to the Minister of Finance.

Summary of Assurance Activities

5. Treasury have provided feedback on the Estimates document (and will review again early next week for any final changes), all points have been incorporated into this version.
6. HUDs CFO is leading the Finance team in a review over all appropriation tables, and all financial information included in the document.
7. HUDs CFO is leading the Finance team in a review of individual appropriation (supporting information) sections. We have a copy of the review checklist that the Treasury vote teams use to review and are using this as the basis of our detailed review (artefact is included as an appendix, for information).
8. The Head of Crown Monitoring and Chief Advisor (SIG) are reviewing the overall document.
9. DCE's are reviewing the supporting information sections that relate to their areas of responsibility.

Review Process

10. You will be in a live document whilst reviewing, please add in comments where you spot any issues or have any questions. This is to ensure that we are able to address these in subsequent versions.
11. The live version is here: [Mains Clean Copy V26.docx](#) (please note this link will only work for our DCE's as this contains budget sensitive information)

Quality Assurance Sign-off

Quality Assurance Activity		Reviewed by	Signed Off by	Date
1	Treasury Initial Review	Treasury Vote Team	N / A – external	Feedback Received 7 th April 2025 Incorporated into current version.
2	CFO led finance review of all annual and multi-year appropriations	Finance Business Partnering Team	Tony de Gregorio (CFO)	Appropriation review completed 11 th April 2025
3	CFO led review of supporting information. We have a copy of the review checklist that the Treasury vote teams use to review, to use as the basis of our detailed review	Finance Business Partnering Team	Tony de Gregorio (CFO)	Review completed 14 th April 2025
4	Chief Advisor Review	Chief Advisor	Nick McNabb	Feedback received 11 th April 2025
5	Head of Crown Monitoring Review	Head of Crown Monitoring	Glenn Philips	Feedback received on 11 th April 2025.
6	DCE Review of supporting information related to Delivery Group (Parts 2 – 4)	DCE – Delivery	Jo Hogg	Feedback received on 13 th April 2025.
7	DCE Review of supporting information related to Organisational Performance and Strategy, Governance and Insights Groups (Parts 2 – 4)	DCE – OP SIG	Jo Hughes	Feedback received on 11 th April 2025.
9	DCE Policy review of full document	DCE - Policy	Colin Lynch	Sign off received 15 th April 2025 (TBC)
10	Treasury Final Review (final)	Treasury Vote Team	N / A – external	Expected 15 th April 2025 (TBC)
11	Chief Executive Review (final)	Chief Executive	Brad Ward	Received 14 th April 2025



Briefing

KEY DECISIONS TO IMPLEMENT FIRST HOME LOAN CHANGES			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
Date	14/04/2025	Priority	High
Tracking number	HUD2025-006783		
ACTION SOUGHT			
Action sought	Confirm your preferred approach for First Home Loan applications that are part way through the process		
Deadline	17 April 2025		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jemima de Lacey	Acting Policy Manager, Social Housing and Other Supports	s 9(2)(a)	✓
Amalia Wan Ismail	Policy Advisor, Social Housing and Other Supports	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
Kāinga Ora – Homes and Communities (Kāinga Ora)			



RECOMMENDED ACTIONS

It is recommended that you:

1. **Indicate** your preference on the cut-off point to apply the new premium when First Home Loan (FHL) changes take effect:
 - a. **Option 1:** Set the cut-off point at when FHL applications have been received by the bank from the applicant before/on the effective date *Agree/Disagree*

OR

 - b. **Option 2:** Set the cut-off point at when FHL applications have been received by the bank from the applicant before/on the effective date, but no further applications received by Kāinga Ora after six weeks *Agree/Disagree*

OR

 - c. **Option 3 (recommended):** Set the cut-off point at when Kāinga Ora receives FHL applications that have been forwarded by the banks before/on the effective date *Agree/Disagree*

2. **Confirm** the following FHL applications that are part way through the process will remain on the current rate of 0.5 percent:
 - a. applications received by Kāinga Ora but have yet to be approved by the effective date *Yes/No*
 - b. applications approved by Kāinga Ora by the effective date, but a property has not yet been found *Yes/No*
 - c. applications approved by Kāinga Ora by the effective date, where an offer on a property has *Yes/No*



been made, and settlement occurs before or after
the expiry of the approval

Jemima de Lacey
**Acting Policy Manager, Social
Housing and Other Supports**
14 / 04 / 2025

Hon Chris Bishop
Minister of Housing
..... / /



Purpose

3. To seek your agreement to the treatment of first home buyers who are part way through the First Home Loan (FHL) application process on the date the new premium takes effect (the 'effective date'). These decisions will support Kāinga Ora and partnering banks to prepare the changes to their operating systems ahead of these taking effect.

Background

4. As part of your Budget 2025 proposals, you have proposed to cease the Crown contribution to the FHL insurance premium by moving the FHL to full cost recovery.¹ This will generate operating savings of up to \$17.9 million per annum.
5. Moving to full cost recovery will increase the FHL insurance premium for new FHL borrowers from the current rate of 0.5 percent to 1.2 percent of their loan value. The premium will be able to be paid upfront or added to the loan. HUD has previously advised you that this change is unlikely to impact first home buyers' ability to service their mortgage, the amount needed for a deposit, or how much they can borrow [HUD2024-005707 refers].
6. You sought decisions from Cabinet on the Budget 2025 package for the Housing portfolio on 14 April 2025. This included seeking agreement to cease the Crown contribution to the FHL insurance premium and delegating you the authority to give effect to that decision.

We are progressing engagement with banks

7. Te Tūāpapa Kura Kāinga – Ministry of Housing (HUD) is working with Kāinga Ora to understand the process to implement the FHL changes for Budget 2025. You agreed at your Officials meeting with HUD on 9 April 2025 that Kāinga Ora can engage with banks who offer the FHL to determine the earliest feasible date to make the changes. Your Office is working with the Minister of Finance's Office to approve Kāinga Ora to engage with banks as part of the protocol for engaging outside of government pre-budget.
8. HUD assumes that the FHL changes will be announced publicly on Budget Day, 22 May 2025. We are exploring options where the FHL changes take effect the same day they are announced, or where the changes take effect on 1 July 2025 to coincide with the new financial year. Subject to banks being able to implement the changes, HUD's preference is for the effective date to be the day of announcement. If this is not

¹ Kāinga Ora administers the FHL insurance scheme and receives a premium of 1.2 percent of the loan value for every FHL underwritten (which insures each FHL to cover any potential losses to banks from mortgage defaults). Currently, the cost for the premium is shared between the Crown and the FHL borrower at 0.7 percent and 0.5 percent respectively.



possible, a later effective date after the announcement is still viable. Discussions with banks will inform further advice on this in late April/early May 2025.

9. The risk of a demand spike of applications on the current premium is low but would cost the Crown an additional \$1.22 million in payments in FY 2025/26 and potentially beyond (if changes take effect on 1 July 2025).² However, this risk would be mitigated by banks needing to pre-approve the lending and requiring that buyers purchase a home before their approval expires.³

Key decisions required from you

You need to confirm the approach to take for FHL applications that are part way through the process on the effective date

10. To determine the complexities of implementing the FHL changes in Kāinga Ora and the banks' operating systems, we recommend you confirm whether the current or the new premium applies for applications that are part way through the process.
11. Unlike the First Home Grant, first home buyers apply directly with a partnering bank for a FHL, and not with Kāinga Ora. Applications are forwarded by the bank (upon the buyer also meeting the bank's lending requirements) to Kāinga Ora, whether or not a property has been found for an approval. Due to this process, HUD has provided three options to set the cut-off points for applications that are part way through on the effective date:

Table 1: Options to set the cut-off points when FHL changes take effect

	BENEFIT	TRADE-OFFS
Option 1: Set the cut-off point at when <u>FHL applications have been received by the bank</u> from the applicant before or on ⁴ the effective date	<ul style="list-style-type: none"> • Least risk of complaints from new applicants on the unfairness of this change as the onus is on the applicant to submit application through to the banks • Least risk of creating an exemption for an applicant in an unanticipated situation 	<ul style="list-style-type: none"> • Longest tail of Crown funding which could extend beyond FY2025/26 • Kāinga Ora would have to rely on a good faith basis from the banks that these applications were submitted by the effective date

² Based on current levels of FHL applications, we estimate that there would be an additional 320 applications on the current premium that proceed with an approval and settle with a home purchase between Budget Day and 30 June. This is if 1 July 2025 is the effective date.

³ The approval is valid for three months before it expires.

⁴ Whether the changes take effect before or on the effective date will depend on if this is on Budget Day or 1 July. This will be confirmed once we have an effective date in place.



<p>Option 2: Set the cut-off point at <u>when FHL applications have been received by the bank from the applicant before or on the effective date, but no further applications received by Kāinga Ora after six weeks</u></p>	<ul style="list-style-type: none"> • Banks have time to ensure applications they receive by the effective date are forwarded to Kāinga Ora during this grace period • Low risk of complaints from applicants on the unfairness of this change • Low risk of creating an exemption for an applicant in an unanticipated situation 	<ul style="list-style-type: none"> • Moderate fiscal risk cost to the Crown in FY2025/26 and beyond • Kāinga Ora would have to rely on a good faith basis from the banks that these applications were submitted by the effective date
<p>Option 3 (recommended): Set the cut-off point at <u>when Kāinga Ora receives FHL applications that have been forwarded by the banks before or on the effective date</u></p>	<ul style="list-style-type: none"> • Clear view of applications that are already in Kāinga Ora’s system and reduces the volume of FHLs that the Crown may have to pay for in FY 2025/26 or beyond 	<ul style="list-style-type: none"> • First home buyers could perceive this as unfair if they have made a FHL application before the effective date but the bank has not forwarded their application to Kāinga Ora before changes take effect. Kāinga Ora estimates there could be an average of 130 applications in a given week that have not yet been forwarded to Kāinga Ora • Higher risk of complaints from first home buyers and potential that an unanticipated exemption situation could arise

12. If you wish to reduce the fiscal risk and cost of Crown payments in FY 2025/26 and beyond, we recommend you agree to Option 3. On balance, this is HUD’s preferred option to minimise the fiscal risk and aligns with Kāinga Ora’s operational view that it is clearer which applications meet the cut-off point. However, if you wish to reduce the risk of the change being perceived as unfair by first home buyers, we recommend Option 1. Option 2 can lower some of the fiscal risks and manage risk of complaints, but it is harder to operationalise and will not provide as much savings as Option 3.

⁵ See footnote 4.

⁶ See footnote 4.



13. HUD has worked with Kāinga Ora to identify FHL applications that may be part way through the process on the effective date where it is uncertain whether the current (0.5 percent) or the new (1.2 percent) premium applies. For each group, HUD recommends that they remain on the current rate of 0.5 percent:

Table 2: FHL applications that may be part way through the process on the effective date

GROUP	CURRENT ESTIMATED VOLUME⁷	HUD RECOMMENDED PREMIUM
Applications received by Kāinga Ora but have yet to be approved by the effective date	70 applications	0.5 percent (current rate)
Applications approved by Kāinga Ora by the effective date, but a property has not yet been found. Approval expires after three months	600 applications	0.5 percent (current rate) Once the approval expires, a new application will have the premium at 1.2 percent (new rate). The current rate will not be extended to new applications
Applications approved by Kāinga Ora by the effective date, where an offer on a property has been made, and settlement occurs before or after ⁸ the expiry of the approval	400 applications	0.5 percent (current rate) If settlement occurs after the expiry, the approval will be extended and the premium rate remains at 0.5 percent ⁹

14. The recommendations in Table 2 mean that the Crown would have to continue payments for some FHLs in FY 2025/26 (and potentially beyond for a FHL with a long settlement, e.g., new build purchases). As the volume of FHL applications can vary from week to week, HUD has assessed this risk to be small as not all approved FHL applications result in a home purchase/settlement. Even if the effective date is later and not on the same date it is announced (e.g., effective on 1 July 2025), the risk of a demand spike is low¹⁰ and would cost an additional \$1.22 million in premium payments from the Crown. This would not change HUD's recommendations in Table 2.

⁷ Based on a weekly average.

⁸ This includes buyers who have committed to a long settlement past the approval expiry (typically, but not always, this would be new builds).

⁹ If settlement occurs after the expiry date, their approval will be extended as it eliminates the risk of committed property purchases falling over due to the change.

¹⁰ As the first home buyer also needs to meet the bank lending requirements for a pre-approval of the loan and they would need to purchase a home within the validity period of their FHL approval (three months).



15. If Crown payments have to be made for groups of FHL applications outlined in Table 2 in FY 2025/26, HUD has funding of up to \$5.5 million transacted through Budget Technical to cover these payments.

Risks

16. Discussions between Kāinga Ora and partnering banks on changing the FHL settings are bounded by a confidentiality clause under the partnership agreements. Unless this clause is breached, this minimises any risk of information on the FHL changes being leaked before Budget Day.
17. There is a risk that a partnering bank may consider pulling out of offering the FHL as a result of the change (which requires 15 working days of notice in writing to Kāinga Ora). HUD views this risk as low as increasing the FHL premium for the borrower would have negligible impact to overall lending and serviceability.
18. If partnering banks are not able to implement the FHL changes on the same day it is announced, HUD estimates that this would cost an additional \$1.22 million in payments for the premium if a later effective date as far as 1 July 2025 is chosen. However, the risk of a demand spike for a later effective date is low and would be mitigated by banks needing to pre-approve the lending and requiring that buyers purchase a home within three months of their approval.

Consultation

19. HUD has consulted with Kāinga Ora in providing this advice.

Next steps

20. Kāinga Ora will work with banks to discuss the implementation process and advise HUD of a possible timeframe that the change can be made or if any issues arise with implementing these changes.
21. HUD will provide you with advice at the end of April/early May 2025 on the date the FHL changes can take effect to support any communications needed for Budget 2025 announcements.



Budget Sensitive

16 April 2025

Hon Chris Bishop
Minister of Housing
Parliament Buildings
WELLINGTON

Dear Minister

2024/25 Supplementary Estimates Documents for Vote: Housing and Urban Development

Action Required

Attached, for your approval are:

- the documentation for the 2024/25 Supplementary Estimates and Supporting Information for Vote Housing and Urban Development, and
- a draft letter to the Minister of Finance.

Background

The Budget 2025 process requires that:

- the Supplementary Estimates documentation for Vote Housing and Urban Development is completed by xx April 2025, and
- as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.

The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the Government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2024/25 Supplementary Estimates) Bill, as entered by the Ministry of Housing and Urban Development into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to 14 April 2025



- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by the Ministry of Housing and Urban Development's senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

The Budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.

Recommendation

I recommend that you **sign** the attached letter to the Minister of Finance.

Yours sincerely

Brad Ward
Acting Chief Executive



Aide mémoire

BREAKDOWN OF SOCIAL HOUSING DELIVERY TO 2026/27			
To Minister	Hon Chris Bishop	Portfolio	Housing
Date	15/05/2025	Priority	Routine
Tracking number	HUD2025-006986		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Erana Sitterlé	Manager, Portfolio Investment	s 9(2)(a)	✓
Adam Brown	General Manager, National Settings	s 9(2)(a)	

OTHER AGENCIES CONSULTED
Kāinga Ora - Homes and Communities



Purpose

1. To provide the information you requested about social housing delivery to the end of financial year 2026/27 and an update on additional Auckland delivery funded through Budget 2025.
2. The information expands on the level of detail provided to you about social housing delivery in our regular Weekly Reports.

Background

3. Under the previous government, public housing plans (PHPs) set out the social housing intentions which were funded through successive Budgets. The overall goal was for Kāinga Ora and Community Housing Providers (CHPs) to deliver an additional 17,050 social housing places between 1 July 2018 and 30 June 2025 (funded through Budgets 2018, 2020 and 2023).
4. This includes 3,000 places funded at Budget 2023 (Table 1 below refers). In line with Budget 2023 funding expectations, most of these PHP places are intended to be delivered by 30 June 2025. Kāinga Ora and CHPs will deliver the majority of places (2,612) by June 2025. The remaining 642 places are expected to be delivered by September 2026:
 - a. You agreed, through its Letter of Expectations in August 2024, for Kāinga Ora to deliver 420 places by 30 June 2026.
 - b. The balance of 222 places will be delivered by CHPs by September 2026.
5. As part of Budget 2024, the Government allocated \$140 million for 1,500 new social housing places to be delivered by CHPs by 30 June 2027 (in financial years 2025/26 and 2026/27). Delivery planning for the 1,500 places is well underway. These are being contracted through the 'maintaining momentum' and strategic partnership pathways, and includes places identified in collaboration with specific community-led approaches.

Projected delivery pipeline

6. The projected delivery of social housing to the end of financial year 2026/27 under the different delivery pathways is provided in Table 1. This shows what is being delivered by Kāinga Ora and CHPs, by the delivery pathway, delivery year and contractual status. The pipelines across the pathways will continue to shift as we continue to explore additional opportunities to meet commitments.
7. For delivery under previous PHPs, the numbers in the table refer to net additional social housing places. For delivery under Budget 24 the numbers refer to gross new social housing places.
8. The numbers are subject to change as we finalise contracts with CHPs and delivery dates become clearer. We will continue to bring new and replacement projects into the



pipeline until all places are contracted up to the funded number to meet the total 1500 places funded through Budget 2024.

Table 1: Projected social housing delivery to 2027

DELIVERY PATHWAY	FUNDED PLACES	STATUS	FY24-25	FY25-26	FY26-27	TOTAL
Budget 23 – Updated Public Housing Plan 24-25 (as at 31 March 2025)						
Kāinga Ora	3,000 places	Delivered	1,639	-	-	1,639
		Remaining to be delivered	591	420	-	1,011
		Total expected delivery	2,230	420		2,650
Community Housing Providers		Delivered	235	-	-	235
		Remaining to be delivered	147	135	87	369
		Total expected delivery	382	135	87	604

Budgets 24 and 25 – to be delivered by Community Housing Providers (as at 30 April 2025)						
Budget 24 - Maintaining Momentum	500 places	Delivered	8	-	-	8
		Approved	23	201	23	247
		Pipeline	0	69	151	220
		Total expected delivery	31	270	174	475 ¹
Budget 24 - Strategic Partners	1,000 places, with up to 300 places allocated to the Community-led approach	Delivered	-	-	-	-
		Committed	10	83	300	393
		Allocated ² (unconfirmed)	0	0	268	268
		Pipeline ³	0	0	121	121
		Total expected delivery	10	83	689	782
Budget 24 – Community-led approach (Hawkes Bay and Rotorua) ⁴		Approved	0	6	-	6
		Allocated (unconfirmed)	0	0	213	213
		Total expected delivery	0	6	213	219
TOTAL towards 1500 delivery			41	359	1,076	1,476

Table footnote 1: Number of places to meet 1500 delivery is expected to increase as further opportunities are identified and contracted.



DELIVERY PATHWAY	FUNDED PLACES	STATUS	FY24-25	FY25-26	FY26-27	TOTAL
Auckland delivery funded through Budget 2025 ⁵ (as at 12 May 2025)	550-600 places	Approved	-	-	-	-
		Opportunities	256	229	113	598
		Total expected delivery	To be confirmed			

Additional Table footnotes:

2. Places that strategic partners have committed to deliver through their Letters of Intent but further work is needed to identify suitable projects.
3. Places identified for delivery by Accessible Properties Ltd which are still to be committed through the Letter of Intent.
4. Places allocated for delivery by non-strategic partners through a community partnership approach in Rotorua and Hawkes Bay, this is a subset of the 1,000 places.
5. Further funding which is being supported through Budget 2025 that will be allocated to Auckland, to be delivered by November 2026.

Budget 2024 1500 places – progress towards delivery

14. We are delivering the 1,500 places funded through Budget 2024 in three ways:
 - a. Maintaining momentum: 500 places contracted on a project-by-project basis, which has been the standard approach to contracting to date
 - b. Strategic partnerships: Up to 1,000 places contracted on a portfolio basis, where each respective strategic partner enters into a contract which covers all of the places allocated and funded to that CHP
15. We will contract social housing places under the Community-led approach with either strategic partners or other CHPs, depending on which CHP is best placed to deliver.
16. We are progressing opportunities with CHPs through the maintaining momentum allocation. To date, 255 places have been approved (including 8 delivered) with delivery occurring by June 2027. There are a further 220 places in the pipeline, with work continuing to explore other opportunities with CHPs to meet commitments.
17. We have signed letters of intent with five strategic partners to fund up to an allocated number of places subject to the respective strategic partners confirming the projects by 31 July 2025.¹ The delivery of these social housing places will be contracted in a Schedule of Works signed by both parties, which will include a property schedule outlining the number of places, typology, location, cost and expected delivery date. To date, 393 places have been committed, and an additional 268 places have been allocated to partners based off their capacity to deliver with these places yet to be identified.
18. We are working with the strategic partners to get the Schedule of Works main contract signed by 31 May 2025, and the detailed property schedules finalised by 31 July 2025. Once this process is complete, we will have clarity on any unallocated places and will

¹ Accessible Properties New Zealand Limited, Community of Refuge Trust (CORT), Emerge Aotearoa Housing Trust, Te Āhuru Mōwai Limited Partnership, and The Salvation Army.



then work to reallocate these places to other CHPs to meet the 1500 place commitment.

Budget 2025 additional Auckland places – progress towards delivery

19. The Ministry has commenced work to deliver the 550 to 600 Auckland places funded through Budget 2025, to be delivered by mid to late 2026. We have had initial meetings with a range of CHPs and have identified opportunities totalling 598 homes.
20. The early-stage opportunity figures are an indicative view. These figures will continue to change as we investigate proposals and CHPs undertake further analysis of these opportunities. Due to the short delivery timeframes (12 – 18 months), our focus is on turn-key developments that could be purchased or leased by CHPs, including strategic partners.
21. Based on previous experience and CHP capacity and capability, we anticipate these early-stage opportunities to reduce by around half throughout the assessment and due diligence process. Accordingly, we will continue to work with CHPs to explore additional opportunities to bring on should the project delivery number drop below the target amount.
22. We have worked with Auckland CHPs to get an understanding of the development status of the early-stage opportunities, which is set out in Table Two below.

Table Two: Development status of opportunities for B25 Auckland delivery

STATUS OF DEVELOPMENTS	DELIVERY YEAR			TOTAL
	FY 24/25	FY 25/26	FY26/27	
Completed Developments	218	58		276
Developments under construction	38	171		209
Developments in consenting			113	113
TOTAL	256	229	113	598

23. Further work is required with CHPs to confirm confidence and timing of delivery. The assessment of the opportunities will include the following:
 - a. CHP capability and access to finance;
 - b. Confidence levels determined through the evaluation process of projects; and
 - c. Alignment with need based on location, typology and demand.
24. We are working on an assumption that the additional Auckland places need to be tenanted by the end of November 2026 at the latest to meet the Government's commitments. This is a tight delivery time, and CHP capability and capacity may mean they are not able to be delivered within this timeframe.
25. As we work with CHPs to confirm the pipeline once Budget is announced on 22 May 2025, we will have a better assessment of what can be delivered. At this point,



we will explore with you whether other options need to be considered to meet the target including:

- a. additional net new delivery by Kāinga Ora in Auckland
 - b. leasing existing homes from the market
26. To enable us to be ready to move quickly and to inform your choices, we have had an initial discussion with Kāinga Ora regarding their ability to deliver in Auckland to support the additional places if needed. Kāinga Ora has been focused on reducing its Auckland places by 199 homes for the 2025/26 year, as set out in the Letter of Expectations you provided. Based on our discussion with them, Kāinga Ora is investigating whether this can be reduced and what the impact would be on its delivery of the turnaround plan.

Next steps

27. Following Budget 2025 announcements, we will work quickly to progress discussions with CHPs, including strategic partners, to confirm the pipeline opportunities in Auckland. Once these conversations are progressed, we will be able to provide you with a more comprehensive update on delivery timing in mid-July.
28. We will continue to update you via the Weekly Report as projects move from approval to delivery (and to completion). We will also provide you a more substantive update on the 1,500 places funded through Budget 2024 once the Schedules of Works have been signed with the strategic partners, mostly likely in early June 2025 [HUD2025-006657 refers]. This will build on the information in this aide memoire, including information on location and housing typology; feedback we have received on the streamlined contracting process from Strategic Partners; and any risks to delivery.
29. As part of the work to establish the investment strategy and housing investment system [HUD2025-006813 refers], we are developing a monitoring framework and regular reporting on investment in housing. We will start by developing reporting for the Budget 24 funded places, before adding places to be funded from Budget 2025 and then build this out further in time. We will test the detail and presentation of the reporting with you to ensure this will meet your needs on an ongoing basis.

INFORMATION REQUEST: First Home Loan Cost Recovery one-pager

Purpose

To support Minister Bishop’s Office ahead of Budget 2025 announcements on moving the First Home Loan to cost recovery. The Minister’s Office has asked for a timeline setting out what will happen when the changes are announced and a table setting out example scenarios that first home buyers might find themselves in relation to the scheme.

What is the First Home Loan

- The First Home Loan enables eligible first home buyers to purchase a home with a minimum 5 percent deposit from participating banks.
- Kāinga Ora – Homes and Communities (Kāinga Ora) provides mortgage insurance to participating banks to reduce the risk of the low deposit loans¹.
- Banks pay an insurance premium to Kāinga Ora for this insurance the cost of which is passed on to borrowers.
- Government has previously subsidised this insurance, with the government paying 0.7 percent and the borrower paying 0.5 percent of the 1.2 percent premium. The government will no longer provide this subsidy from 1 July 2025 (except for buyers who fall into specific scenarios outlined below).
- The First Home Loan will still be available, but new borrowers will need to pay the full premium (unless specific scenarios apply to them as outlined below).

Timeline of changes

DATE	WHAT HAPPENS
22 May 2025	<ul style="list-style-type: none"> • Budget Day – First Home Loan changes announced.
1 July 2025	<ul style="list-style-type: none"> • First Home Loan premium changes effective for new applications and renewals made from this date. The premium charged to new borrowers will increase from 0.5 percent to 1.2 percent. • First Home Loan applications that are part-way through the process must be submitted to banks by COB 1 July 2025 to be on the 0.5 percent premium rate.

¹ Currently, the First Home Loan is offered by: Westpac, Kiwibank, The Cooperative Bank, SBS Bank, Unity, Nelson Building Society, and NZ Home Loans (NZHL).

12 August 2025	<ul style="list-style-type: none"> • Last day for banks to forward applications to Kāinga Ora received from customers that submitted by 1 July 2025 to be offered the 0.5 percent premium.
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Once a first home buyer is approved for the First Home Loan, the approval is valid for 90 days for them to find a property. If they have not found a property before their approval expires, their First Home Loan application can be renewed or a new application can be submitted.

Example scenarios of first home buyers who may be affected as a result of the change

GROUP	WHAT THIS MEANS FOR THEM
I am an existing borrower and currently have a First Home Loan mortgage	<ul style="list-style-type: none"> • The premium change does not affect them, as this change is only for new applications submitted to banks after 1 July 2025. • This group’s premium does not increase because they have already paid it.
I have submitted a First Home Loan application to my bank before or on 1 July 2025	<ul style="list-style-type: none"> • Subject to the first home buyer being approved and settling on a property within the 90-day period that their approval is valid for, this group will receive the 0.5 percent premium rate.
I currently have a First Home Loan approval but my approval expires on 1 July or later. I have not made an offer on a property	<ul style="list-style-type: none"> • This group will receive the 0.5 percent premium rate up until the approval expires. If they have not made an offer on a property before this approval expires, a new application or a renewed application will be on the new rate of 1.2 percent.
I currently have a First Home Loan approval but my approval expires on 1 July or later. I have made an offer on a property and my settlement date is after my approval expires	<ul style="list-style-type: none"> • This group will receive the 0.5 percent premium rate and will remain at this rate when their approval renews after 1 July as they have committed to a property purchase and may have a long settlement date.

Approved borrowers should contact their mortgage lender or Kāinga Ora if they are unsure about their specific circumstances.

Summary of 2025 Budget Initiatives

ID	Priority Area	PA Objective	Minister of Housing	Vote	Title	Description	Operating (\$ millions)					Capital (\$ millions)				
							2024/25	2025/26	2026/27	2027/28	2028/29	2024/25	2025/26	2026/27	2027/28	2028/29
16507	Cost Pressures	Cost Pressures	Minister of Housing	Housing and Urban Development	Housing Portfolio Reset of Investment – Cost Pressures funding to maintain existing service volumes	This bid addresses the Housing Portfolio's cost pressures outlined in the Performance Plan, which includes: - Price pressures: due to rising costs per Social and Transitional Housing place, with payments to Community Housing Providers contractually linked to market rent increases, exceeding the fixed nominal baseline from 2027/28. - Volume pressures: initial funding for Housing Services Income-Related Rent Subsidy (IRRS) did not consider prolonged stays in IRRS housing beyond service necessity, requiring about 200 additional IRRS places annually to maintain service volumes. HUD has identified savings offsetting these pressures through the forecast period (ID 16508 refers). However, cost pressures persist from 2029/30 onwards.	3.906	11.629	19.562	60.628	86.768	-	-	-	-	-
16508	Savings	Targeted Policy Savings	Minister of Housing	Housing and Urban Development	Housing Portfolio Reset of Investment – Savings to offset Cost Pressures	This bid includes OPEX savings options across the Housing Portfolio totalling \$182.493 million, which HUD proposes be used to offset Cost Pressures (ID 16507 refers). This includes initiatives identified in HUD's Resetting Investment set out in the Housing Portfolio's Performance Plan, including: - Public Housing Services / Transitional Housing (\$45m), - Contracted Emergency Housing (\$81.249m), - First Home Loans (\$35.8m), - Maori Housing (\$16.538m), and - Housing Infrastructure Fund (\$3.906m). These options have marginal impacts on FTEs, as funding is entirely non-departmental and	(3.906)	(11.629)	(19.562)	(60.628)	(86.768)	-	-	-	-	-

						mostly provided to third parties.													
16509	New Spending	New Spending Commitments	Minister of Housing	Housing and Urban Development	Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)	This new spending initiative supports delivering of a mix of social housing (including affordable rentals) and market housing with total volumes between 1,900 and 2,400 homes. The mix of tenures will be flexible to respond to varying needs across place. In Phase One, delivery to June 2027, the Fund will primarily offer grants for about 600 Affordable Rentals, complementing the 1,500 Social Homes funded through Budget 2024. Phase Two shifts to providing OPEX for new social housing (including affordable rentals). In both phases, market housing will be included as needed in mixed tenure projects to ensure feasibility or reduce concentrations of social housing. HUD has identified internal reprioritisation options that fully fund this initiative (ID 16511 refers).	-	34.850	40.438	34.998	63.231	136.446	11.536	74.350	44.350	20.870			
16511	Savings	Reprioritisation	Minister of Housing	Housing and Urban Development	Housing Portfolio Reset of Investment – Reprioritisation to Flexible Fund and new investment	This bid includes savings options across the Housing Portfolio totalling \$173.516m OPEX and \$287.552m CAPEX over the forecast period, which HUD proposes be reprioritised to initiatives detailed in the bid titled 'Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)' (ID 16509 refers). This includes initiatives presented in the Housing Portfolio's Performance Plan, including: <ul style="list-style-type: none"> - Contracted Emergency Housing (\$5.544m), - First Home Loans (\$35.800m), - Housing Infrastructure Fund (\$5.157m), and - Maori Housing (\$127.015m OPEX and \$287.552m CAPEX). These options have marginal impacts on FTEs, as funding is entirely non-departmental and mostly provided to third parties.	-	(34.850)	(40.438)	(34.998)	(63.231)	(136.446)	(11.536)	(74.350)	(44.350)	(20.870)			
16512	Savings	Tagged Contingency	Minister of	Housing and Urban	Budget 2020 – Waitangi	This initiative funds the agency's resourcing costs to respond to	-	-	-	-	-	-	-	-	-	-	-	-	-

			Housing	Development	Tribunal Housing Policy and Services Kaupapa Inquiry (Wai 2750) Tagged Contingency	the Wai 2750 kaupapa inquiry on behalf of the Crown, including internal resources, Crown Law costs and claimant costs to attend hearings.													
16766	Technical	Technical	Minister of Housing	Housing and Urban Development	He Kuku ki te Kainga - Increasing Maori Housing Supply	This initiative will transfer funding from the He Kuku ki te Kainga - Increasing Maori Housing Supply MYA that expires on 30 June 2025 into a new MYA effective from 1 July 2025. These changes are outside the scope of what joint Ministers can approve under CO (18) 2, as there are fiscally neutral transfers between appropriations and years. This initiative also includes a fiscally neutral transfer of existing funding from annual appropriations to the new MYA. There are no policy implications of this initiative and the Treasury supports these transfers.	-	-	-	-	-	-	-	-	-	-	-	-	-
16807	Technical	Technical	Minister of Housing	Housing and Urban Development	Progressing the Pipeline of Maori Housing MYA	This initiative will transfer funding from the Progressing the Pipeline of Maori Housing MYA that expires on 30 June 2025 into a new MYA effective from 1 July 2025. These changes are outside the scope of what joint Ministers can approve under CO (18) 2, as there are fiscally neutral transfers between appropriations and years. This initiative also includes a fiscally neutral transfer of existing funding from annual appropriations to the new MYA. There are no policy implications of this initiative and the Treasury supports these transfers.	-	-	-	-	-	-	-	-	-	-	-	-	-
16808	Technical	Technical	Minister of Housing	Housing and Urban Development	Land for Housing Programme - Developers' loan payments MYA	This initiative will transfer funding from the Land for Housing Programme - developers' loan payments MYA that expires on 30 June 2025 into a new MYA effective from 1 July 2025. These changes are outside the scope of what joint Ministers can approve under CO (18) 2, as there are fiscally neutral transfers between	-	-	-	-	-	(17.400)	13.300	4.100	-	-	-	-	-

					appropriations and years. There are no policy implications of this initiative, and the Treasury supports these transfers.														
16809	Technical	Technical	Minister of Housing	Housing and Urban Development	Te Puni Kokiri transfer of Whai Kainga Whai Oranga to Ministry of Housing and Urban Development	This initiative reflects agreement for the responsibilities Te Puni Kokiri (TPK) holds under the Whai Kainga Whai Oranga (WKWO) programme pathway to be transferred to Te Tuapapa Kura Kainga Ministry of Housing and Urban Development (HUD), with associated funding. The change is outside the scope of what joint Ministers can approve under CO (18)2 as the fiscally neutral transfer is between appropriations and years. There are no policy implications, and the Treasury supports this transfer.	(26.185)	26.185	-	-	-	-	-	-	-	-	-	-	-
16886	Technical	Technical	Minister of Housing	Housing and Urban Development	Kainga Ora – Homes and Communities Private Debt Refinancing Facility	This initiative seeks to increase funding in Kainga Ora Private Debt Refinancing Facility MYA so that Kainga Ora can refinance their existing debts.	-	-	-	-	-	-	-	-	-	-	-	-	- 1425.000
16887	Technical	Technical	Minister of Housing	Housing and Urban Development	Refinancing of Kainga Ora – Homes and Communities	This initiative transfers one appropriation from Vote Finance to Vote Housing and Urban Development for the refinancing of Kainga Ora – Homes and Communities. This will ensure that all appropriations related to Kainga Ora are all in Vote Housing and Urban Development, and that there is alignment with the Ministry of Housing and Urban Development's and Minister's responsibilities in respect of Kainga Ora – Homes and Communities. There are no policy implications and the Treasury supports this transfer.	-	-	-	-	-	283.442	331.148	290.989	99.832	6.914			
16888	Technical	Technical	Minister of Housing	Housing and Urban Development	First Home Loan Crown Premium	This initiative seeks in-principle approval to transfer any remaining First Home Loan Crown Premium contributions that were pre approved by banks prior to 30 Jun 2025 but are not due to settle and be paid to Kainga Ora – Homes and Communities until after 30 June 2025. A Budget 2025 significant	-	-	-	-	-	-	-	-	-	-	-	-	-

16894	Savings	Targeted Policy Savings	Minister of Housing	Housing and Urban Development	Reprioritising Saving Initiatives to New Spending Initiatives	This initiative seeks to return He Kuku Ki Te Kainga - Increasing Maori Public Housing Supply (MYA) identified unallocated Savings of \$44.4 million. This initiative also seeks to return Housing Infrastructure Funding to fund the Greenfeild Model.	-	-	-	(42.162)	(2.279)	(53.672)	(45.335)	(50.589)	(50.589)	(18.069)
16915	Technical	Technical	Minister of Housing	Housing and Urban Development	Transfer Crown Management fees to Kainga Ora - Homes and Communities Appropriation	his initiative seeks to expire the Management of Crown Properties held under the Housing Act 1955 appropriation, and transfer funding to the Kainga Ora - Homes and Communities appropriation. Kainga Ora is the agency responsible for managing Crown properties held under the Act,	-	-	-	-	-	-	-	-	-	-
16963	Savings	Targeted Policy Savings	Minister of Housing	Housing and Urban Development	Large-Scale Projects Additional Savings	This initiative withdraws capital funding of \$125M for Large-scale Projects	-	-	-	-	-	-	(125.000)	-	-	-
16964	Cost Pressures	Cost Pressures	Minister of Housing	Housing and Urban Development	Reprioritisation of savings to Upfront Operating Supplement	This initiative reprioritises funding for upfront operating payments for Community Housing Providers	-	-	-	-	-	-	42.000	-	-	-
17006	New Spending	New Spending Commitments	Minister of Housing	Housing and Urban Development	Housing Portfolio Reset - Flexible Fund for new social housing investments (including affordable rentals)	This new spending initiative supports delivering of a mix of social housing (including affordable rentals) and market housing with total volumes between 1,900 and 2,400 homes. The mix of tenures will be flexible to respond to varying needs across place. In Phase One, delivery to June 2027, the Fund will primarily offer grants for about 600 Affordable Rentals, complementing the 1,500 Social Homes funded through Budget 2024. Phase Two shifts to providing OPEX for new social housing (including affordable rentals). In both phases, market housing will be included as needed in mixed tenure projects to ensure feasibility or reduce concentrations of social housing. HUD has identified internal reprioritisation options that fully fund this initiative (ID 16511 refers).	-	-	-	-	-	-	-	-	-	-
Total Initiatives							(26.185)	26.185	-	(42.162)	(2.279)	212.370	216.113	244.500	49.243	1413.845

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: Housing Support Services, Transitional Housing, and Social Housing – Cost Pressures

Description: This initiative provides funding for cost pressures in key housing services, including housing support services, transitional housing, and social housing provided by Community Housing Providers. This initiative will be fully funded through reprioritisation of existing funds within Vote Housing and Urban Development.


Appropriation Changes

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Balance Impact*	3.906	11.629	19.562	60.628	86.768
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	3.906	11.629	19.562	60.628	86.768

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Social Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Purchase of Social Housing Provision	-	-	-	23.068	32.546
Services for People in Need of or at risk of Needing Social Housing	3.906	11.629	19.562	28.226	36.740
Total Multi-Category Expenses and Capital Expenditure: Social Housing (MCA)	3.906	11.629	19.562	51.294	69.286
Transitional Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Provision of Transitional Housing Places	-	-	-	9.334	17.482
Total Multi-Category Expenses and Capital Expenditure: Transitional Housing (MCA)	-	-	-	9.334	17.482
Total Operating	3.906	11.629	19.562	60.628	86.768
Total Capital	-	-	-	-	-

Additional Recommendations

- 1 s 9(2)(f)(iv) 
- 2 **note** savings have been identified to offset these pressures through the forecast period (initiative 16508);

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: Housing Portfolio Savings for Cost Pressures

Description: This savings initiative returns \$182.5 million total operating funding from descoping programmes across the Housing Portfolio, to be used to offset cost pressures. Savings have been identified from a range of areas consisting of:

- Social and Transitional Housing Services: \$11.3 million per annum average operating savings,

- Ending Contracted Emergency Housing: \$20.3 million per annum average operating savings,

- Ending government contribution to First Home Loan premiums: \$8.95 million per annum average operating savings, and

- Returning operating funding from the Housing Infrastructure Fund: \$0.98 million per annum average operating savings.

Appropriation Changes

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Balance Impact*	(3.906)	(11.629)	(19.562)	(60.628)	(86.768)
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(3.906)	(11.629)	(19.562)	(60.628)	(86.768)

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Output Expenses:					
Contracted emergency housing accommodation and services	-	(11.629)	(19.562)	(25.029)	(25.029)
He Kūkū ki te Kāinga - Increasing Māori Housing Supply (MYA)	-	-	-	(2.699)	(13.839)
Kāinga Ora - Homes and Communities	-	-	-	(17.900)	(17.900)
Multi-Category Expenses and Capital Expenditure:					

Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)					
<i>Non-Departmental Other Expenses:</i>					
Fair Value Impairment Loss – Housing Infrastructure Fund	(3.906)	-	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)	(3.906)	-	-	-	-
Transitional Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Transitional Housing Services	-	-	-	(15.000)	(30.000)
Total Multi-Category Expenses and Capital Expenditure: Transitional Housing (MCA)	-	-	-	(15.000)	(30.000)
Total Operating	(3.906)	(11.629)	(19.562)	(60.628)	(86.768)
Total Capital	-	-	-	-	-

Additional Recommendations

- 1 **agree** to cease government contributions to the First Home Loan programme in order to give effect to the associated savings;
- 2 **note** that this initiative corresponds to spending initiative (16507);
- 3 **note** that the forecasts for Contracted Emergency Housing were below the appropriated amount. The forecasts adjustments table above reflect adjustments to forecast expenditure relative to the 2024 Half-Year Economic and Fiscal Update;
- 4 **note** that this initiative, and initiative 16511 reprioritises all uncommitted funding from existing Māori Housing programmes, to cover:
 - 4.1 Cost pressures within the Housing portfolio (Initiative 16507)
 - 4.2 New spending in the portfolio, including \$200 million for at least 400 affordable Māori Housing rentals and ongoing funding for additional Social Places / Affordable Rentals (initiatives 16509 and 16964)
- 5 **agree** the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" is adjusted by \$(16.538) million.
- 6 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" reflect the change to the indicative annual spending profile.

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: New Social Housing and Affordable Rental Investments

Description: This initiative provides funding to support the delivery of additional social homes and affordable rental properties. This initiative will be fully funded through reprioritisation of existing funds within Vote Housing and Urban Development.

Appropriation Changes

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Balance Impact*	-	48.500	57.376	37.875	33.000
Net Core Crown Debt Impact Only	-	60.500	75.625	15.131	40.000
No Impact	-	-	-	-	-
Total	-	109.000	133.001	53.006	73.000

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Output Expenses:					
He Kūku ki te Kāinga - Increasing Māori Housing Supply (MYA)	-	19.500	24.376	4.875	-
Multi-Category Expenses and Capital Expenditure:					
Social Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Purchase of Social Housing Provision	-	29.000	33.000	33.000	33.000
Total Multi-Category Expenses and Capital Expenditure: Social Housing (MCA)	-	29.000	33.000	33.000	33.000
Upfront Payments (MCA)					
<i>Non-Departmental Capital Expenditure:</i>					
Community Housing Providers - Early Stage Operating Supplement	-	-	-	-	40.000
He Kūku ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	-	60.500	75.625	15.131	-
Total Multi-Category Expenses and Capital Expenditure: Upfront Payments (MCA)	-	60.500	75.625	15.131	40.000

Total Operating	-	48.500	57.376	37.875	33.000
Total Capital	-	60.500	75.625	15.131	40.000

Additional Recommendations

- 1 **note** initiative 16511 identifies reprioritisation options that fully fund this initiative;
- 2 **note** a review will be undertaken to determine if any appropriation changes are necessary to recognise non-cash expenses associated with policy implementation;
- 3 **note** if appropriation changes are required, these will be agreed subsequently and met in a fiscally neutral manner through reprioritisation;
- 4 **note** that collectively, initiatives 17006 and 16509 represent all new spending in the portfolio as informed by the reset of investment in housing and urban growth;
- 5 **agree** the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" is adjusted by \$48.751 million.
- 6 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" reflect the change to the indicative annual spending profile.

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: Housing Portfolio Savings to Enable New Investment

Description: This savings initiative returns \$218 million total operating and \$382.8 million capital funding from descoping programmes across the Housing Portfolio to enable new housing investment. Savings have been identified from a range of areas consisting of:

- Ending Contracted Emergency Housing by December 2025: an average of \$1.4 million per annum operating funding;
- Ending government contributions towards the mortgage insurance levy as part of the First Home Loan programme: \$8.95 million per annum operating funding;
- Returning uncommitted funding from the Māori Housing Programme: \$42.9 million per annum average operating and \$382.8 million total capital; and
- Returning operating funding from the Housing Infrastructure Fund: \$1.3 million per annum.

Appropriation Changes

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Balance Impact*	-	(34.850)	(40.438)	(77.161)	(65.510)
Net Core Crown Debt Impact Only	(103.860)	(58.536)	(50.850)	(44.350)	(20.870)
No Impact	-	-	-	-	-
Total	(103.860)	(93.386)	(91.288)	(121.511)	(86.380)

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Output Expenses:					
Contracted emergency housing accommodation and services	-	(0.483)	(5.061)	-	-
He Kūkū ki te Kāinga - Increasing Māori Housing Supply (MYA)	-	-	-	(42.163)	(59.942)
Kāinga Ora - Homes and Communities	-	(17.900)	(17.900)	-	-

Progressing the Pipeline of Māori Housing (MYA)	-	(9.745)	(5.000)	(5.000)	(5.000)
Multi-Category Expenses and Capital Expenditure:					
Housing Acceleration Fund (MCA MYA)					
<i>Non-Departmental Other Expenses:</i>					
Investment in Infrastructure to Advance Development-Ready Land	-	(1.565)	(12.477)	(29.998)	(0.568)
Total Multi-Category Expenses and Capital Expenditure: Housing Acceleration Fund (MCA MYA)	-	(1.565)	(12.477)	(29.998)	(0.568)
Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)					
<i>Non-Departmental Other Expenses:</i>					
Fair Value Impairment Loss – Housing Infrastructure Fund	-	(5.157)	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)	-	(5.157)	-	-	-
Upfront Payments (MCA)					
<i>Non-Departmental Capital Expenditure:</i>					
He Kūkū ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	(89.347)	(36.117)	(50.850)	(44.350)	(20.870)
Māori Infrastructure Projects - Prepayment of Upfront Funds	(14.513)	(22.419)	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Upfront Payments (MCA)	(103.860)	(58.536)	(50.850)	(44.350)	(20.870)
Total Operating	-	(34.850)	(40.438)	(77.161)	(65.510)
Total Capital	(103.860)	(58.536)	(50.850)	(44.350)	(20.870)

Additional Recommendations

- 1 **note** that this initiative, and initiative 16508 reprioritises all uncommitted funding within Māori Housing programmes, to cover:
 - 1.1 Cost pressures within the Housing portfolio (Initiative 16507);
 - 1.2 New Spending (initiatives 16509 and 16964), including \$200M for at least 400 affordable Māori Housing rentals and ongoing funding for additional Social Places / Affordable Rentals;.
- 2 **agree** to cease government contributions towards the mortgage insurance levy as part of the First Home Loan programme, in order to give effect to the associated savings;
- 3 **authorise** the Minister of Housing to undertake any subsequent actions necessary to give effect to the policy decisions outlined in recommendation X above;
- 4 **agree** the Multi Year Appropriation: "Housing Acceleration Fund" is adjusted by \$(44.608) million;

- 5 **note** that forecast expenditure for the Housing Acceleration Fund MY MCA appropriation differs from the appropriated amounts;
- 6 **note** that the amounts shown in the Forecast Adjustments table above reflect adjustments to forecast expenditure from the Half-Year Economic and Fiscal Update;
- 7 **agree** the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" is adjusted by \$(102.105) million.
- 8 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "He Kūkū ki te Kāinga - Increasing Māori Housing Supply" reflect the change to the indicative annual spending profile.
- 9 **agree** the Multi Year Appropriation: "Progressing the Pipeline of Māori Housing" is adjusted by \$(24.745) million.
- 10 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "Progressing the Pipeline of Māori Housing" reflect the change to the indicative annual spending profile.
- 11 **agree** the Multi Year Appropriation: "Housing Acceleration Fund" is adjusted by \$(496.425) million.
- 12 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "Housing Acceleration Fund" reflect the change to the indicative annual spending profile.

[View Initiative Details](#)

Initiative No: 16894

Note: Initiative has been bilateralised but it was not agreed to by Ministers for Initiative 16894.

Vote: Housing and Urban Development

Appropriation: Ministry of Housing and Urban Development

Administrator:

Title: Repricing Saving Initiatives to New Spending Initiatives

Description: This initiative seeks to return He Kuku Ki Te Kainga - Increasing Maori Public Housing Supply (MYA) identified unallocated Savings of \$44.4 million. This initiative also seeks to return Housing Infrastructure Funding to fund the Greenfeild Model.

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: Kāinga Ora-Led Large-Scale Projects

Description: This savings initiative returns \$125 million total capital funding from Kāinga Ora's Large-Scale Projects, reducing total funding for the projects from \$1.05 billion to \$925.6 million. Of these savings, \$100 million will be reprioritised within Vote Housing and Urban Development, with the residual \$25 million reprioritised towards initiatives within Vote Finance.

Appropriation Changes

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	-	(27.000)	(6.000)	(38.000)	4.000
No Impact	-	-	-	-	-
Total	-	(27.000)	(6.000)	(38.000)	4.000

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Housing Acceleration Fund (MCA MYA)					
<i>Non-Departmental Capital Expenditure:</i>					
Investment in Crown-owned Entities to Advance Development-Ready Land	-	(27.000)	(6.000)	(38.000)	4.000
Total Multi-Category Expenses and Capital Expenditure: Housing Acceleration Fund (MCA MYA)	-	(27.000)	(6.000)	(38.000)	4.000
Total Operating	-	-	-	-	-
Total Capital	-	(27.000)	(6.000)	(38.000)	4.000

Additional Recommendations

1 **note** that the savings identified in recommendation X above are proposed to fund the below initiatives in Vote Housing and Urban Development:

1.1 Upfront Operating Supplement \$42 million (initiative 16509);

1.2 Tagged Contingency \$58 million (initiative 17006);

2 **note** that \$25 million of savings identified in recommendation X above are proposed to fund further greenfield development (Initiative 16921) in Vote Finance;

3 **agree** the Multi Year Appropriation: "Housing Acceleration Fund" is adjusted by \$(125.000) million;

4 **note** that forecast expenditure for the Large-Scale Projects component of the Housing Acceleration Fund differs from the appropriation profile;

5 **note** that the amounts shown in the forecast adjustment table above reflect adjustments to forecast expenditure from the 2024 Half-Year Economic and Fiscal Update;

6 **agree** the Multi Year Appropriation: "Housing Acceleration Fund" is adjusted by \$(67.000) million.

7 **note** that the amounts shown in the Appropriation Changes table for the Multi Year Appropriation: "Housing Acceleration Fund" reflect the change to the indicative annual spending profile.

Vote: Housing and Urban Development

Appropriation Administrator: Ministry of Housing and Urban Development

Title: New Social Housing and Affordable Rental Investments

Description: This initiative provides funding to support the delivery of additional social homes and affordable rental properties. This initiative will be fully funded through reprioritisation of existing funds within Vote Housing and Urban Development.

Tagged Contingency

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating Contingency	-	-	-	15.842	25.365
Capital Contingency	-	18.905	18.905	28.538	20.862
Total	-	18.905	18.905	44.380	46.227

Additional Recommendations

- 1 **note** that reprioritisation options have been identified that fully fund this initiative (initiative 16511);
- 2 **note** that collectively, initiatives 17006 and 16509 represent all new spending and Tagged Contingency in the Housing and Urban Development portfolio as informed by the reset of investment in housing and urban growth;
- 3 **authorise** the Ministers of Housing and Finance to jointly draw down funding from the Tagged Operating and Capital Contingencies subject to Cabinet endorsement of an investment strategy containing:
 - 3.1 Investment objectives for government housing;
 - 3.2 Approach to analysis of housing needs by place, population segment and tenure type and evidence the impact and relative value for money of different investment options;
 - 3.3 A robust monitoring framework to assess outcomes and impacts qualitatively and quantitatively, and;
 - 3.4 Clear and transparent decision making processes, which will include a requirement to develop an Investment Plan with signoff by Joint Ministers setting out the expected allocations of funding within the forecast period in line with the Investment Strategy;

- 4 **agree** that the investment strategy take into consideration:
 - 4.1 The reset of investment in housing and urban development;
 - 4.2 s 9(2)(f)(iv)
 - 4.3 How to make most effective use of Māori Housing providers and Māori land;
- 5 **agree** that the expiry date for the above tagged contingency be 1 May 2027 (to replace auto generated rec)
- 6 **agree** that to maintain the net core Crown debt track, capital funding in the Tagged Contingency must be drawn down in line with the funding profile in the Tagged Contingency table above
- 7 **agree** that the expiry date for the above tagged contingency be 1 February 2026.