

In Confidence

Office of the Minister of Housing

Chair, Cabinet Social Wellbeing Committee

Kāinga Ora renting directly to non-public housing tenants

Proposal

- 1 This paper seeks agreement to:
 - 1.1 A one-off mixed tenure pilot where Kāinga Ora – Homes and Communities (Kāinga Ora) would intentionally rent to up to 76 non-public housing tenants at 139 Greys Avenue, Auckland; and
 - 1.2 Kāinga Ora renting to non-public housing tenants in limited situations where this occurs incidentally to its urban development and housing functions.

Relation to government priorities

- 2 The proposed pilot at Greys Avenue complements the Government's affordable housing and Build-to-Rent initiatives. The anticipated benefits are consistent with the Government's wellbeing approach and further the outcomes in the living standards framework.

Executive Summary

- 3 I am seeking Cabinet agreement to Kāinga Ora renting to non-public housing tenants in certain limited situations.
- 4 Primarily, I am seeking Cabinet agreement to a mixed tenure pilot, where Kāinga Ora would intentionally rent to non-public housing tenants some of the units (76 out of 276 units, initially being all the units in one of three interconnected buildings) at its new apartment development at 139 Greys Ave, Auckland, in line with international best-practice for incorporating mixed-tenure. Kāinga Ora believe mixed tenure is critical to successfully delivering public housing on this site at the proposed scale through creating a more diverse community, a sense of neighbourliness and inclusiveness, and enabling public-housing tenants to thrive.
- 5 Key benefits anticipated are improved social cohesion, increased social interaction, improved life outcomes – employment, health and educational – for public housing tenants, reduced tenant turnover, and improved resident stability, safety and satisfaction. A comprehensive longitudinal evaluation of the pilot is proposed, with an independent component carried out by HUD, to ensure the costs and benefits of mixed tenure can be assessed and a decision made as to whether such intentional renting should continue beyond the pilot.
- 6 The proposed pilot has the support of Auckland City Mission as well as Common Ground Queensland, both of whom see tenant mix as an essential part of single site supported housing and critical to its success, as well as helping ensure that supportive housing is seen as contributing positively to the local community.

IN CONFIDENCE

- 7 While Kāinga Ora will develop a tenant placement policy if the pilot is agreed, as far as practical I am particularly keen to see these 76 units prioritised to those who have been impacted by the recent floods in Auckland. I therefore seek Cabinet's agreement to this prioritisation.
- 8 Should Cabinet agree to the pilot, it would commence in mid-2023 upon the development's completion and run to mid-2026, when I will report back to Cabinet following the pilot's evaluation. If Cabinet does not agree to the pilot, Kāinga Ora will rent all units as public housing.
- 9 I am also seeking Cabinet agreement to clarify that the practice of Kāinga Ora incidentally renting to non-public housing tenants in a small number of cases is consistent with its role. These mainly relate to acquisitions of either land for future re-development or council housing with existing tenants.
- 10 s 9(2)(f)(iv)

Background

- 11 In March 2021, Cabinet noted that I would discuss with the Minister of Finance and Minister for Social Development and Employment my intention to seek Cabinet agreement to enable Kāinga Ora to rent some properties to non-public housing tenants, and for those tenants to be able to receive the Accommodation Supplement (through amendments to the Social Security Act 2018) [CAB-21-MIN-0061 refers].
- 12 As part of its housing and urban development role, there are two distinctly different situations – incidental and intentional – where Kāinga Ora might wish to rent to non-public housing tenants. These are tenants not placed from the public housing register but who are typically renting from the private market.
- 13 In *incidental* situations, Kāinga Ora acquires homes with existing private tenants and continues these tenancies after acquisition, generally for a short period. For example, where land and housing is acquired as part of a larger redevelopment project. Exiting incidental non-public tenancies happens when existing tenancies end, normally either by the tenant giving notice they want to leave, or by Kāinga Ora giving notice by permitted reasons under the Residential Tenancies Act 1986 such as for redevelopment.
- 14 Kāinga Ora proposes to *intentionally* rent to non-public housing tenants some of the units at its development at 139 Greys Ave Auckland as part of a pilot programme. This is in line with established international best-practice for large public housing developments incorporating mixed tenure to create diverse communities with improved social outcomes. International evidence points to best practice for incorporating mixed tenure in public housing developments having a number of dimensions including segmenting or clustering rather than pepper-potting of tenancies, quality design with similar levels of amenity and appearance, and having single management of the tenancies and facilities. The proposed Greys Ave pilot captures all of these important elements.
- 15 Kāinga Ora already incorporates mixed tenure in its urban redevelopment projects and it is an important component moving forward across all of its large-scale urban

development initiatives.¹ Incorporated alongside good urban design and place-based planning principles, mixed tenure is a key component in delivering vibrant, diverse communities and improved social outcomes. It is underpinned by the Public Housing Plan and directly supports policies including Kiwibuild and first home buyer initiatives, as well as the housing market generally through fostering growth in housing supply.

- 16 Kāinga Ora wants to similarly incorporate mixed tenure as an important part of some of its high-density inner-city public-housing developments, and believes a pilot at its Greys Ave development is the best way to evaluate the benefits and incorporate any learnings. To maximise the benefits of the pilot, ensure flexibility throughout the pilot, and keep administration simple, it is necessary for Kāinga Ora to maintain ownership during this pilot. Because this will involve Kāinga Ora intentionally renting to non-public housing tenants, it requires clear government policy approval to proceed with the pilot at Greys Ave.
- 17 Kāinga Ora tenants are unable to access the Accommodation Supplement or the Student Allowance Accommodation Benefit even if they meet the other eligibility criteria. s 9(2)(f)(iv)

Intentional renting to non-public housing tenants is intended to complement public housing provision in a high-density setting

- 18 I am seeking approval for Kāinga Ora to proceed with a pilot renting directly to non-public housing tenants some of the units at its new apartment development at 139 Greys Avenue, central Auckland. If agreed, the pilot will see up to 76 units out of 276 in total (initially all of the units in one of the three connected buildings) rented to the market rather than to public-housing tenants. The exact configuration may be varied as the pilot progresses. The other 200 units, as well as the existing 50 units on an adjacent site, would be public housing using the single-site supported housing (SSSH) model.
- 19 This is Kāinga Ora's first redevelopment at this scale and concentration, and provides an opportunity to trial new ways of delivering public housing ahead of other large projects. Kāinga Ora is implementing the SSSH model combining permanent housing with 24/7 on-site support services. This is similar to the housing models operated here and overseas including Brisbane Common Ground and Auckland City Mission's Mission Homeground.
- 20 Balancing tenant mix within single site supportive housing complexes is seen as a way to ensure that supportive housing contributes positively to the local community and helps to support positive integration for people with high levels of need into the community. Mixed tenure helps to balance demand for on-site support services, ensuring good quality support to those in the buildings who most need it.
- 21 Anticipated benefits from mixed tenure arise largely as a result of creating a diverse community and comprise a number of social benefits. Many of these benefits are

¹ Kāinga Ora plans to deliver over 40,000 new, warm, dry homes throughout the country in its large scale urban development projects. These will be a mix of social, market and affordable homes built over the next 20 years, with Kāinga Ora retaining ownership of the social housing and the balance being sold.

IN CONFIDENCE

consistent with the Government's wellbeing approach and the desired outcomes in the living standards framework. These include:

- 21.1 improved social cohesion and a sustainable community, through increased social interaction among residents from diverse backgrounds;
 - 21.2 improved life outcomes, including improved employment, health and educational outcomes;
 - 21.3 reducing the stigma associated with large concentrations of disadvantage, reducing turnover, and improving resident stability, safety and satisfaction;
 - 21.4 enhanced sense of belonging and improved feelings of neighbourliness among tenants;
 - 21.5 improved perceptions of safety and security among tenants and the local community;
 - 21.6 inducing positive participatory actions among tenants; and
 - 21.7 creation of opportunities for sustained prosperity.
- 22 In addition to the anticipated outcomes from incorporating mixed tenure, the conduct of the pilot will bring a number of benefits, which would not otherwise occur, including:
- 22.1 adding to existing research through evaluation of the impacts of incorporating mixed tenure as part of a high-density public housing development;²
 - 22.2 operational flexibility to vary tenant mix over time and across the site, based on experience and learning as the pilot progresses; and
 - 22.3 post-pilot flexibility to either continue or unwind the pilot if required (which is administratively simpler than if individual units had been unit-titled and sold, for example).
- 23 It is worth noting that Kāinga Ora's business case also highlighted an operational financial benefit of mitigating the cost of delivering the public housing component of the development by allocating some of the fixed construction cost to the market rental component, thereby lowering the effective cost per unit to deliver public housing at the site.

The pilot is well-supported by Kāinga Ora's local and international partners who say mixed tenure is critical to its success

- 24 The approach of mixed tenure at 139 Greys Ave is supported by key partners of Kāinga Ora including Auckland City Mission, Brisbane Common Ground and Micah Projects. Auckland City Mission point to their experience at Mission Homeground and say mixed tenure is critical to success for several reasons, including:

² There is limited conclusive international research on the benefits of mixed tenure, with many of the benefits being qualitative in nature, relating to perceptions of sense of community, safety and so forth. Evidence in the New Zealand context around the impact of mixed tenure in a high-density setting is scarce, with a clearly-identified need for further research.

IN CONFIDENCE

- 23.1 a mix of needs and diversity in the residents is required to create a cohesive and thriving community;
- 23.2 including lower income households as part of the resident mix in single site housing, whose main barrier to secure housing is poverty, enables a mixed tenure community while still providing critical housing for a group of people who also struggle to access secure, long-term housing;
- 23.3 balancing tenant mix within single site supportive housing complexes is seen as a way to ensure that supportive housing contributes positively to the local community and helps to support positive integration for people with high levels of need into the community; and
- 23.4 mixed tenure helps to ensure that the on-site support services are able to provide good quality support to those in the building that most need it.
- 25 The Common Ground model is used widely overseas and includes mixed tenure as part of the approach. The Common Ground Practice Manual states:
- “Balancing overall support needs of tenants can be attained by the inclusion of lower needs tenants along with higher needs tenants. ... Creation of a cohesive community will be enhanced if the tenant mix includes a critical mass of tenants that are able to contribute to building a pro-social environment. This may be crucial at the initial intake to quickly build constructive social norms in the building.”*
- 26 Kāinga Ora’s initial engagement with key partners and support service organisations indicated the non-public housing units at Greys Ave could appeal to a range of different renters including key workers seeking accommodation in the city centre. Combined with temporary financial assistance approximating accommodation supplement, they could also be suitable for lower income city workers in industries such as hospitality, cleaning and clerical, and for customer groups such as the elderly with central city links.³
- 27 I believe the units could also be suitable for accommodating some of those who have been displaced by recent Auckland flooding events, depending on household size and circumstances. In this regard, I seek Cabinet’s agreement that, as far as practical, Kāinga Ora prioritise access to the 76 units for those who have been displaced or adversely impacted by the recent Auckland flooding.

Other options may achieve similar benefits of mixed tenure, although time constraints limit immediate choices

- 28 The sale or lease of the 76-unit building to a third party could also be expected to increase tenancy mix and bring some of the benefits described above. The sale of the building would also generate funds which, after repayment of debt, could then be applied to public housing priorities elsewhere.
- 29 However, sale of the building – either tenanted or vacant – is not a feasible short-term option due to the interconnectedness of building services and the need to resolve a number of other issues. Sale would also forego the opportunity to monitor and evaluate the benefits and costs in the pilot, along with the opportunity to vary the model

³ Kāinga Ora intends to conduct a valuation of the market units closer to the time of the start of tenancies, noting that the rental market in the central city continues to change post Covid and an updated rental appraisal will be undertaken at the point of handover of the building to match current market rates.

IN CONFIDENCE

based on learnings from the pilot as it progresses. Lease of the building would also forego these opportunities to some extent. Both sale and lease would remove some of the best-practice elements – such as single tenancy management and facilities management – meaning they are less likely to deliver the same level of benefit from mixed tenure as would the proposed pilot.

- 30 More complex options, such as unit titling and subsequent sale of some units, have not been explored in detail. While arguably providing for a finer grain of tenure mix, such options would be administratively complex and costly, together with being difficult to unwind or vary down the track if so desired.

Delivery as 100 percent public housing is also an option

- 31 Should Cabinet not agree to the one-off pilot, the Board of Kāinga Ora has determined that the site will be 100 percent public housing. This is because the timeframe to completion and letting means other options are not practical in the short term. Including the adjacent 50 units this would mean 326 public housing units at the site.
- 32 It is noted that the locality is in central Auckland, with a number of high-density apartment buildings in close proximity housing thousands of people. While public housing would comprise a small proportion of housing in the vicinity either with or without the pilot, delivery of Greys Ave as 100 percent public housing would mean a lost opportunity to trial mixed tenure in a high-density public housing development. This would come with a number of risks including:
- 32.1 challenges and increased complexity of managing an additional 76 high needs public housing tenancies at the site (326 rather than 250);
 - 32.2 potential to compromise or reduce the effectiveness of broader initiatives to build community connectedness, promote wellbeing and safety;
 - 32.3 additional demand and strain on the 24/7 support services and resources, which have been scaled on the basis of 250 public housing tenancies in total; and
 - 32.4 reduced operational flexibility to manage tenant mix across the site.
- 33 Delivery as public housing would support our commitment to an additional 18,000 public and transitional houses, although 76 places is only a small number compared to the overall pipeline of public housing that will be delivered through the Public Housing Plan 2021-2024. In addition, Kāinga Ora is on track to exceed its targets in Auckland, so the 76 units are not critical in this regard. Rather the focus of activity is on lifting delivery across other regions in order to meet targets in these areas.
- 34 I note that proceeding with the pilot does not rule out any of these broader options as permanent options post-pilot. I consider that, at this point in time, the benefits from learning from the Greys Avenue pilot outweigh the benefits of Kāinga Ora delivering an additional 76 public housing places at the same location as 250 others.

In addition to Kāinga Ora's evaluation, HUD will carry out an independent component of evaluation for the pilot

- 35 Monitoring and evaluation is critical to ensure the pilot provides sufficient information around the relative benefits and costs of mixed tenure. With many of the anticipated benefits being qualitative in nature, a range of approaches will be required to build up a

IN CONFIDENCE

picture of the benefits. Early agreement around some key indicators/ measures that can be used to indicate success or otherwise is desirable. There will be a likely emphasis on surveying tenants – both public housing and market rental – as well as others in the community to test perceptions and self-reported wellbeing indicators over the course of the pilot.

- 36 Kāinga Ora has plans to evaluate all aspects of Greys Avenue in a longitudinal evaluation which, should the pilot proceed, would include evaluating:
- 36.1 the delivery of mixed tenure communities within a single medium-to-high density site;
 - 36.2 Kāinga Ora as a single landlord across the mixed tenures; and
 - 36.3 the overall social cohesion, neighbourliness, and experience of residents.
- 37 While Kāinga Ora plans to do this in conjunction with other agencies, I consider it important that there is an independent component for the evaluation of the pilot focussed on the non-public housing delivery at Greys Avenue. An independent component will provide greater assurance in terms of the robustness of the evidence informing our future decisions.
- 38 The independent component of the evaluation will have a focus on the policy rationale for Kāinga Ora to rent to non-public housing tenants in high density mixed tenure developments. It will focus on the anticipated benefits, including the contribution to wellbeing outcomes, and will aim to provide some insights into the:
- 38.1 overall benefits of providing non-public housing alongside public housing, particularly in a high-density setting;
 - 38.2 costs of taking this approach against the costs of alternatives available; and
 - 38.3 role and effectiveness of Kāinga Ora potentially expanding its delivery to include more non-public housing.
- 39 I therefore propose that this independent component of the evaluation is carried out by Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD).
- 40 Tenants will need to be in place for sufficiently long enough for there to be something for Kāinga Ora and HUD to evaluate. However, there may be some challenges involved in attributing the cause of any outcomes seen at Greys Avenue due to the simultaneous use of other new approaches, such as the SSSH model, alongside renting to non-public housing tenants.
- 41 It will also take time for a robust evaluation to take place and for the results to be compiled. I therefore propose that I report back to Cabinet in mid-2026 on the progress of the pilot, the experience of Kāinga Ora, and the results of the independent component of the evaluation. Because this is over three years away, I also propose an interim report by December 2024.

The pilot will help inform decisions around future options, including continuing the delivery model or winding it down

- 42 The pilot and its evaluation will provide more information around the benefits and costs of a mixed tenure approach in a high-density public housing setting, which will help

assess the effectiveness of mixed tenure against other options. In this way it will provide a sounder evidence base on which to make more permanent decisions.

- 43 If the evaluation finds that the mixed tenure model delivers sufficient benefits relative to the costs, then Cabinet could agree to allowing the continuation of mixed tenure in some form at Greys Ave, along with its incorporation in other developments. Kāinga Ora has a number of large-scale redevelopment projects in its pipeline, so the pilot will help inform whether mixed tenure can add value to these, along with how any future application of the model might best be progressed.
- 44 If the evaluation finds insufficient evidence of benefits relative to costs, then Kāinga Ora would be expected to wind down the pilot at Greys Ave – either through sale of the building containing non-public housing tenants, or by transitioning tenancies to public housing as tenancies end.⁴ This would be an operational decision for Kāinga Ora in the event Cabinet did not agree to an extension of intentional renting to non-public housing tenants post-pilot.
- 45 Sale of the entire building comprising the 76 tenancies would enable the capital funds to be applied to public housing priorities where most needed, while retaining some element of mixed-tenure. I note the pilot's timeframe ensures sufficient time for Kāinga Ora to address interconnectivity issues and prepare a plan for sale.
- 46 Conversely, transition to public housing might be favoured in the event there remains a persistent high housing need in central Auckland relative to priorities elsewhere. I note the pilot's timeframe provides sufficient time for Kāinga Ora to plan for such a managed transition.
- 47 I propose that Cabinet's agreement to the pilot include provisos designed to ensure a level of readiness for exit options in the event the pilot is discontinued, including:
- 47.1 Resolution of building-interconnectivity issues and preparation of a plan for sale;
 - 47.2 Consideration of build-to-rent policy; and
 - 47.3 Development of a transition plan to public housing.

This is a good opportunity to provide clarification around Kāinga Ora's incidental renting to non-public housing tenants

- 48 Kāinga Ora has already acquired a small number of non-public housing tenancies incidentally, such as through the acquisition of council housing portfolios. While currently low in number – around 10 or so – this is expected to increase in the future through acquisition of occupied housing on land as part of more comprehensive redevelopment projects.
- 49 I consider it important that government policy is supportive of Kāinga Ora incidentally renting to non-public housing tenants as this supports the urban development and housing role of Kāinga Ora, as well as the broader housing system. Continuing these tenancies improves stability and certainty for the tenant, while providing income for Kāinga Ora in the interim until redevelopment commences.

⁴ While no new non-public housing tenancies would be signed up, existing tenancies would continue as per obligations under the Residential Tenancies Act 1986.

IN CONFIDENCE

- 50 If Kāinga Ora were prevented from renting in this manner, then future acquisitions as 'vacant possession' could increase, along with earlier terminations of tenancies post-acquisition on the grounds of redevelopment.⁵ I note that this would have no upside in terms of availability for permanent public housing, and houses may sit empty or be demolished during the window before redevelopment commences.
- 51 While nothing in legislation precludes Kāinga Ora from renting in this manner, there has been no clear government policy agreement on this to date. This risks it being viewed by some as a departure from its core role, especially if numbers increase significantly from present levels.
- 52 I therefore recommend, for the avoidance of doubt, that Cabinet explicitly agrees to Kāinga Ora taking on non-public housing tenancies in incidental situations where this supports its broader urban development and housing functions, on the proviso that it does not detract from its principal focus on meeting public housing need. These incidental situations are the acquisition of:
- 52.1 land and dwellings with sitting tenants with the intention to redevelop in the future; and
 - 52.2 housing portfolios, such as from councils, but where some tenants were not assessed as eligible for public housing but that the housing would eventually be transitioned to public housing once the existing tenancy ends.
- 53 Where an incidental situation arises that is not as described above, I consider that the Minister of Housing and Minister of Finance should be given the joint authority to decide whether that type of situation should be included as an incidental situation.

s 9(2)(f)(iv)

- 54 Under section 66(1)(a) of the Social Security Act 2018 and regulation 9 of the Student Allowances Regulations 1998, all tenants of Kāinga Ora are ineligible for an Accommodation Supplement or Accommodation Benefit respectively. This policy was in place as Kāinga Ora tenants were anticipated to be in public housing with their rent already subsidised by the government.⁶

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

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⁵ Section 51 of the Residential Tenancies Act allows landlords to terminate periodic tenancies by giving at least 90 days' notice where the landlord is required, under an unconditional agreement for the sale of the premises, to give the purchaser vacant possession. At least 90 days' notice must be given where premises are to be demolished, with an obligation that demolition is to begin, or material steps towards it are to be taken, within 90 days after the termination date.

⁶ While some tenants in public housing pay market rate, this is appropriate as they would have been assessed as being able to afford market rent and have greater security of tenure than private tenants.

s 9(2)(f)(iv)

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Implementation

58 An indicative timeframe in relation to the proposed Greys Ave pilot s 9(2)(f)(iv) is provided in the table below.

Milestone/Activity	Timeframe
Cabinet Agreement to pilot	13 March 2023 (TBC)
Building completion, pilot commences	Mid-2023
Officials to provide an update of the progress of Greys Avenue	December 2023
s 9(2)(f)(iv)	
Interim report on pilot	December 2024
Final report on pilot	Mid 2026
Cabinet agreement on future of Greys Ave pilot	Mid 2026

Financial Implications

59 Kāinga Ora advise that operating the pilot at Greys Avenue will mean no significant difference to its net operating revenue compared with the alternative option of operating as 100 percent public housing. Under either scenario, there is a projected operating loss of around \$5.5 million p.a. for the entire Greys Ave complex of 326 units.

60 There will be additional costs to the Crown should the pilot not go ahead and the development progress as 100 percent public housing. These are estimated as an additional \$0.3m approximately for expansion of the 24/7 onsite support services.⁷

61 The additional investment required to deliver these non-public housing units was estimated to cost \$40.2 million with market value estimated to be around \$63.5 million in 2018. Once the pilot ends, Kāinga Ora could recover losses by selling the market rental units or could transition the units to public housing. Sale of the market rental units would be expected to free up more than \$60 million, the net proceeds of which (after debt repayment) could be applied to other public housing priorities. Operation as public housing would effectively mean an additional 76 units had been delivered at around half the average Kāinga Ora build cost per house.

Legislative Implications

⁷ While tenanting the 76 units would mean an estimated additional \$1.7m p.a. in IRRS payments, the overall quantum of these is tied to the public housing plan and remains unchanged.

62 These are discussed in paragraphs 54-57 above.

Transitional arrangements

63 s 9(2)(f)(iv) Kāinga Ora intend to offer a temporary assistance measure for Greys Ave tenants which approximates the financial assistance which the Accommodation Supplement would otherwise provide. Based on expected income profile and eligibility of tenants, the expected cost of this is up to \$0.3m p.a.⁸

64 While, in principle, Kāinga Ora should not bear the cost of assisting with a tenant's rental costs, I understand this is very much intended as a short-term measure in order that the pilot can proceed. I acknowledge that the funding arrangements for this may require revisiting should s 9(2)(f)(iv) the overall cost of assistance prove to be more significant, and will report back on this as part of an interim report by December 2024.

Impact Analysis

65 The Treasury's Regulatory Impact Analysis team has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Climate Implications

66 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

67 Incidental renting generally would support renters as potential households that would live in Kāinga Ora owned non-public housing. This may potentially help Māori, Pacific Peoples, and those in the rainbow community who are disproportionately renters. Where incidental non-public housing arises from purchases of council portfolios, this will primarily be beneficial to older people, who make up the majority of current council tenants.

68 In relation to the Greys Avenue pilot, compared to the alternative of 100% public housing, this proposal would increase the supply of market rentals at that site and reduce the number of public houses available. As public housing tenants tend to have higher need than market rental tenants, this proposal, viewed in isolation, could be seen as having a net negative effect on populations with high housing need such as Māori and Pacific peoples. However, this proposal does not alter the overall supply of public housing which is set by the Crown through the Public Housing Plan.

⁸ To keep the temporary assistance as simple as possible, Kāinga Ora will advise tenants of the availability of reduced rent if they would otherwise qualify for the Accommodation Supplement. MSD will assist the tenant to calculate the Accommodation Supplement, if any, that they would receive if they were renting from a private landlord. Eligibility for a reduced rent would be reviewed by Kāinga Ora annually.

This proposal means slightly less public housing at this specific location and more public housing in other locations where needed.

Human Rights

69 There are no inconsistencies between this proposal and the Human Rights Act 1993.

Consultation

70 HUD consulted with the following agencies in the development of this paper: The Treasury, Ministry of Social Development, Kāinga Ora – Homes and Communities, and Ministry of Education. The Department of the Prime Minister and Cabinet has been informed.

Treasury comment

71 The Treasury does not support Kāinga Ora renting to non-public housing tenants in the pilot at Greys Avenue at this stage. While mixed tenure models may have benefits, the proposed model requires diverting housing and financial resources from serving public housing tenants. The Treasury consider that the case put forward does not adequately set out alternative ways of delivering mixed tenure that do not require diverting such resources, such as selling or leasing to developers or Community Housing Providers. Additionally, renting to non-public housing tenants is inconsistent with Ministers' expectations that Kāinga Ora focus on its core roles and functions of delivering public housing.

72 While an evaluation will provide some additional information, it will be difficult to attribute any benefits found to the mixed tenure model versus other factors, such as 24/7 provision of on-site support services. The absence of a comparable site without the mixed tenure model means there will not be a baseline against which to compare outcomes. Therefore, there is a risk that an evaluation of the pilot does not provide Cabinet with sufficient information on the costs and benefits of a mixed tenure model.

73 If Cabinet does agree to proceed with the pilot at Greys Ave, The Treasury considers that an independent evaluation of the pilot procured by HUD and focused on the costs and benefits of Kāinga Ora renting to non-public housing tenants is necessary to ensure Cabinet has the right information to consider whether or not to wind down the pilot in 2026.

Kāinga Ora comment

74 Kāinga Ora believes that the evaluation of all aspects of the pilot is best led by its Evaluation and Research team, with independent input and peer review. This team is independent from delivery, has the requisite professional skills and independence, and will apply a robust ethics framework. Resourcing for the evaluation and baselining phases is already confirmed and an expert employed to undertake this work.

75 A comprehensive longitudinal evaluation of Greys Avenue is planned, including the impacts of tenure arrangements within Greys Avenue and other Kāinga Ora sites. The proposed pilot is one of many innovative features at Greys Avenue, including the single-site supported housing initiative, and it is for this reason that the organisation has chosen to invest in evaluating its outcomes – social, cultural, economic, and environmental – over both the short and long term.

IN CONFIDENCE

- 76 The complexity of Greys Avenue is such that it would be difficult and time-consuming for an additional external evaluator managed by HUD to effectively evaluate the pilot in isolation. Running two evaluations risks duplication (including over surveying residents) and lack of connection to the wider evaluation.
- 77 Kāinga Ora envisages establishing a steering group for the evaluation which would include representatives from HUD, the Ministry of Social Development, the Treasury, and any other government organisations as appropriate. This steering group would be involved in the detailed design of the pilot evaluation, and the identification of independent peer reviewers. Kāinga Ora would anticipate peer review occurring at key points: evaluation design; data collection; and analysis and reporting.
- 78 Kāinga Ora is presently collaborating with staff from HUD on how it will evaluate the Single Site Supported Housing model and a peer review process has been tentatively established.

HUD comment

- 79 HUD notes the Treasury does not support the pilot on the basis of perceived diversion of resources and difficulties with any evaluation's ability to attribute benefits, and makes the following comment in relation to these two issues:
- 79.1 The proposed pilot does not change the agreed targets in the Public Housing Plan. Kāinga Ora is presently on track to exceed its targets in Auckland, so delivering 76 more units there (should the pilot not proceed) would be unlikely to materially affect delivery in other regions, although could reduce overall operating funding available for these regions.
- 79.2 The other options referred to by the Treasury entail removing elements of best-practice which are incorporated in the proposed pilot, likely making them less-effective at achieving the desired social outcomes including improved community wellbeing, safety and security.
- 79.3 While many social benefits and outcomes are qualitative and often difficult to quantify and attribute, this does not mean they are not important or can be discounted as benefits. The proposed pilot's anticipated benefits are consistent with the desired outcomes in the Treasury's own living standards framework, which will likely be a useful reference point for the evaluation. A range of tools for evaluating more qualitative aspects will likely be used, including tracking perceptions of tenants and the local community as the pilot progresses. HUD considers the evaluation of the pilot will provide much needed information on the nature and extent of benefits of mixed tenure in a high-density setting.
- 80 HUD notes Kāinga Ora's proposed longitudinal evaluation is comprehensive and includes a peer review, along with opportunity for input from HUD and other agencies. HUD will work with Kāinga Ora to feed into their evaluation as well as working to refine the size, scope, and cost of the independent element of the evaluation.

Communications

- 81 I intend to make a public announcement about the pilot at Greys Avenue.

Proactive Release


- 82 I intend to proactively release this paper on the HUD website within 30 business days of final decisions being taken by Cabinet.

Recommendations

The Minister of Housing recommends that the Committee:

- 1 **Agree** to Kāinga Ora piloting a mixed tenure development, as a one-off, at its development at 139 Greys Avenue, where it would rent directly to up to 76 non-public housing tenants, with the pilot commencing in mid-2023 and ending in June 2026;
- 2 **Agree** to request that Kāinga Ora, as far as practical, prioritise access to the 76 units for those who have been displaced or adversely impacted by the recent Auckland flooding;
- 3 **Note** that in operating the pilot, Kāinga Ora will incur a similar operating loss as it would do if all units were operated as public housing;
- 4 **Note** that given the significant need reflected in the public housing register, for its development pipeline beyond Greys Avenue, Kāinga Ora will remain primarily focussed on the delivery of public housing;
- 5 **Note** that, if Cabinet agrees to the mixed-tenure pilot, Kāinga Ora will not pursue intentional renting to non-public tenants in its other developments while the pilot is ongoing;
- 6 **Agree** that further Cabinet agreement would be required for continuation of Kāinga Ora renting to new non-public housing tenants at Greys Avenue, beyond the conclusion of the pilot in June 2026, or for any expansion of this model to other sites;
- 7 **Invite** the Minister of Housing to report back to Cabinet in mid-2026, once an independent component of the evaluation of the one-off pilot at Greys Avenue has been completed and provides evidence on the nature and extent of benefits of mixed tenure in high-density public housing in New Zealand;
- 8 **Note** that the independent component of the evaluation of the pilot at Greys Ave, and subsequent reporting back to Cabinet in 2026, will include consideration of opportunity cost to inform Cabinet's future decision on any continuation or extension of intentional renting post-pilot;
- 9 **Note** that if Cabinet doesn't agree to continuation or expansion of intentional renting, then Kāinga Ora will wind down the pilot at Greys Avenue and likely either sell the building comprising the 76 tenancies or transition any non-public housing units to public housing as the existing tenancies end;
- 10 **Agree** that Kāinga Ora will continue to operate a small number (unlikely to be more than 50) of non-public housing tenancies that arise incidentally from Kāinga Ora activities that are consistent with its urban development and housing functions, which would be the acquisition of:

IN CONFIDENCE

- 10.1 land and dwellings with sitting tenants with the intention to redevelop in the future;
- 10.2 housing portfolios, such as from councils, but where some tenants were not assessed as eligible for public housing but that the housing would eventually be transitioned to public housing once the existing tenancy ends;
- 11 **Agree** that incidental situations not covered by 10.1 and 10.2 would need to be jointly agreed to by the Minister of Housing and Minister of Finance before Kāinga Ora proceeds with the acquisition;
- 12 **Note** that non-public housing tenants who are renting Kāinga Ora housing in incidental situations and at Greys Avenue are currently unable to access the Accommodation Supplement where they would otherwise be eligible;
- 13 s 9(2)(f)(iv) 
- 14 **Note** the intention by Kāinga Ora to provide temporary assistance to Greys Ave non-public housing tenants in the interim, through a reduction in rent, which approximates the financial assistance the Accommodation Supplement would otherwise provide, at an estimated cost of up to \$0.3m p.a, despite it not being their role to fund assistance with accommodation costs;
- 15 **Invite** the Minister of Housing to report back to Cabinet by December 2024 with a progress report on the pilot which also quantifies the extent of lost rental income by Kāinga Ora in providing temporary assistance and options for funding this;
- 16 **Note** the Minister of Housing has requested Officials to provide an update of the progress of Greys Avenue in December 2023, and the Minister of Housing is invited to report back to Cabinet following this update.

Authorised for lodgement

Hon Dr Megan Woods

Minister of Housing