



Aide-memoire

Draft Cabinet paper: Design of the Progressive Home Ownership Fund			
Date:	11 June 2020	Security level:	In Confidence
Priority:	Medium	Report number:	AMC19/20060026

Information for Minister(s)		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Provide officials with your feedback on the draft Cabinet paper.	17 June 2020

Contact for discussion			
Name	Position	Telephone	1st contact
Caleb Johnstone	Manager, Market and Supply Responses	s 9(2)(a)	✓
Ross Taylor	Senior Policy Advisor	04 832 2454	

Other agencies consulted

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) _____	Comments
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Date returned to MHUD:



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Draft Cabinet paper: Design of the Progressive Home Ownership Fund

For: Hon Dr Megan Woods, Minister of Housing

Date: 11 June 2020

Security level: In Confidence

Priority: Medium

Report number: AMC19/20060026

Purpose

1. To provide you with the draft Cabinet paper: Design of the Progressive Home Ownership Fund.

Background

2. In December 2019, Cabinet agreed to the high-level design of the Progressive Home Ownership (PHO) Fund and invited you to report back on the progress made on the first phase to pilot our approach and the detailed design of the pathways for the full PHO Fund.
3. A draft Cabinet paper for your report back to Cabinet is attached for your consideration. The Cabinet paper sets out and seeks Cabinet's agreement to:
 - a. the detailed design on how the three PHO pathways (the provider pathway, iwi and Māori pathway, and direct-to-household pathway) will operate
 - b. the intent for an investment framework that will confirm the ongoing strategy for the PHO Fund, its objective and priorities, and how funding decisions will be made across the three pathways
 - c. the functions that are needed to deliver the PHO Fund, and the organisations best suited to undertake these functions
 - d. implementation of the iwi and Māori pathway and provider pathway in late 2020 and the direct-to-household pathway in early 2021.

Update on some aspects of the Cabinet paper following our initial advice

4. Since providing you with advice on 28 May 2020 on the detailed design of the full PHO Fund (BRF19/20040638 refers) we have refined some aspects of the proposed PHO Fund design, which incorporates useful insights from the sector. These have been reflected in the draft Cabinet paper and are detailed below.

We now have more clarity on the possible number of households that could be supported

5. Through the first phase, we have found that the amount of money required per household through PHO providers averages to about \$225,000. This means that if the \$400 million was channelled solely through the provider pathway, the PHO Fund would support 1,600 to 2,000 houses into home ownership.
6. The PHO Fund could target a lower number of those in greater need (Cohort A) or a higher number of households requiring less assistance (Cohort B). Whereas the provider pathway is likely to target households across both cohorts, the direct pathway will likely target more Cohort B households. We anticipate that a mix of both cohorts would be supported through

the Fund, where it would be both driven by household demand and informed through the PHO investment framework.

The government shared ownership product should be designed with the intention to create a standardised product for the market

7. Kāinga Ora – Homes and Communities (Kāinga Ora) will develop the government shared ownership product, with support from the Ministry of Housing and Urban Development (HUD). In developing the government shared ownership product, officials will explore the potential opportunities for it to form a standardised product that could be used by providers and iwi and Māori organisations.
8. We consider that a standardised product could be hugely beneficial for gaining market adoption. Particularly through greater acceptance of shared ownership products from the financial sector and better understanding of how shared ownership products work from lawyers and potential first home buyers.
9. Kāinga Ora and HUD will work with the sector to design the government shared ownership scheme. This will include learning from the sector's experience in developing a PHO product, particularly shared ownership products.

s 9(2)(f)(iv)

We recommend that the final design for the government shared ownership product be agreed to by Kāinga Ora's board

13. In our recent advice, we considered that as Kāinga Ora would be best placed to design the operational aspects of the government shared ownership product as it would deliver the direct-to-household pathway, which includes that product. We included key design elements of the shared ownership product that Cabinet should agree to, to guide Kāinga Ora's design of the product.
14. We previously recommended that the decision for the final design be delegated to the Ministers of Housing and Finance. We now consider that design beyond the key elements is an operational decision that would be better suited to be agreed to by Kāinga Ora's board. The draft Cabinet paper attached reflects this change in recommendation.

We recommend maintaining the option to review Kāinga Ora's role as service provider for the direct-to-household pathway

15. While there is a strong rationale for Kāinga Ora being the service provider for the direct-to-household pathway, it would be a new activity for the organisation. Given this, we recommend making it clear that:
 - a. Kāinga Ora and HUD will work with the sector to design the government shared ownership scheme and learn from the sector's experience in developing a PHO product

- b. you maintain the option to decide if Kāinga Ora should remain the sole service provider delivering the direct-to-household pathway and/or whether any other organisation is well-placed to deliver this pathway.

Next steps

16. We recommend that the draft Cabinet paper go through Ministerial consultation. Following any feedback from Ministerial consultation, we will provide you with an amended draft Cabinet paper in time for lodgement on 18 June 2020 so that it can be considered at the Cabinet Social Wellbeing Committee on 24 June 2020.

Annexes

17. Annex A: Draft Cabinet paper: Design of the Progressive Home Ownership Fund

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