



Aide-memoire

Talking points for the Design of the Progressive Home Ownership Fund Cabinet paper

Date:	29 June 2020	Security level:	In Confidence
Priority:	Medium	Report number:	AMC19/20060030

Information for Minister(s)

Hon Dr Megan Woods Minister of Housing	Note this information prior to attending the Cabinet Social Wellbeing Committee on Wednesday 1 July 2020.
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Contact for discussion

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

Other agencies consulted

N/A

Minister's office to complete

<ul style="list-style-type: none"><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) <hr/>	Comments
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Date returned to MHUD:



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Talking points for the Design of the Progressive Home Ownership Cabinet paper

For: Hon Dr Megan Woods, Minister of Housing

Date: 29 June 2020

Security level: In Confidence

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Purpose

1. To provide you with talking points for the Cabinet Social Wellbeing Committee (SWC) on 1 July 2020, when your Cabinet paper *Design of the Progressive Home Ownership Fund* will be considered.

Background

2. On 25 June 2020, you lodged the Cabinet paper *Design of the Progressive Home Ownership Fund* for consideration at SWC on 1 July 2020. This meets your requirement to report back to Cabinet on the progress made on phase one of the Progressive Home Ownership (PHO) Fund and on the final design of the PHO Fund.
3. The Cabinet paper 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 the PHO Fund to have an investment framework that will confirm the ongoing strategy, 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.
4. We have provided you with talking points in Annex A and some potential questions and answers in Annex B.

Annexes

5. Annex A: Talking points for the Cabinet Social Wellbeing Committee
6. Annex B: Potential questions and answers

Annex A: Talking points for the Cabinet Social Wellbeing Committee

The housing crisis is one of the most difficult long-term challenges that we face in New Zealand. Our Government's focus remains on addressing this crisis so that New Zealanders can once again achieve their home ownership aspirations.

The Progressive Homes Ownership Fund, or PHO Fund, is an important part of our wider housing and urban development work programme and will increase home ownership opportunities for those who would not otherwise be able to buy their own home.

For example, these might be families that can afford mortgage payments but are constantly 'chasing the market' in terms of saving a deposit, or families that have trouble getting a deposit together and are not able to afford the ongoing costs of a mortgage.

The PHO Fund will support these households by enabling more people to enter into ownership through shared ownership, rent to buy and leasehold schemes.

Our support for households will be especially important as we move into recovery following the effects of Covid-19. Progressive home ownership schemes are one way we can enable some households that now have a lower deposit or income, as a result of Covid-19, to still buy a home.

We will also have a specific focus on Māori, Pacific peoples, and families with children through the PHO Fund. This is one way that we can help to address the low levels of home ownership that Māori and Pacific peoples face in New Zealand.

To deliver the PHO Fund there will need to be several different organisations involved. I recommend that we set out a clear expectation for which organisations will deliver each function of the PHO Fund:

- The Ministry of Housing and Urban Development will lead the overarching policy, including the investment framework, and be responsible for the contract management, monitoring and assurance to implement the PHO Fund.

- Kāinga Ora – Homes and Communities will deliver the direct-to-household pathway as a service provider.
- iwi and Māori organisations and PHO providers will deliver PHO schemes through the iwi and Māori pathway and provider pathway.

We previously agreed to deliver the PHO Fund through a staged approach. I am happy to report that good progress has been made on phase one. The Minister of Finance and I have recently agreed to proceed with contracts with two providers to deliver PHO in Auckland and Queenstown.

I expect that officials will continue discussions with the other providers included in phase one, with the aim to get contracts lined up over the next few weeks.

Developing the necessary systems and processes for phase two will take time to make sure we are ready from day one. I expect to open up the PHO Fund to iwi and Māori organisations and PHO providers to put forward proposals in late 2020. Our delivery direct to households will be implemented at a later stage, in early 2021, to give time for the shared ownership product to be designed and developed.

Annex B: Potential questions and answers

Question	Answer
Who will be eligible for funding?	<p>The Progressive Home Ownership Fund aims to help households earning up to \$130,000, which broadly fit into two categories:</p> <ul style="list-style-type: none"> • lower to median income families that are unlikely to buy a home without a reasonable level of financial and non-financial support, and • at or above median income families that cannot get a large enough deposit together to buy a home, due to high rents and fast-growing house prices, and/or have insufficient income to service a low deposit mortgage at current house prices. <p>For example, these might be families that can afford mortgage payments but are constantly 'chasing the market' in terms of saving a deposit, or families that have trouble getting a deposit together and are not able to afford the ongoing costs of a mortgage.</p>
Why is phase one only targeting Auckland and Queenstown?	<p>While the first two phase one providers are confirmed for housing projects in Auckland and Queenstown, this does not mean that all our support will be delivered in these two places.</p> <p>I expect to be announcing further phase one housing providers and projects in the coming weeks that will operate in other parts of New Zealand.</p> <p>Across the lifetime of the PHO Fund, we will support households in a range of places across New Zealand with severe housing affordability issues, not just in Auckland and Queenstown.</p>
Is Queenstown the right place for progressive home ownership given Covid-19?	<p>As part of our information request to phase one providers, we asked them to provide detail of their demand for the homes they intend to secure for PHO schemes. The size of our support in any place will always consider what proven demand there is.</p> <p>Queenstown Lakes Community Housing Trust has a standing waiting list of households interested in participating in their programme. They are in regular contact with these households and are now actively working with households that would be in a position to buy specifically in relation to their PHO Fund phase one development. They will provide regular reporting on progress with the related development and the readiness of their households.</p> <p>Given the clear need from people in Queenstown, it makes sense for us to deliver there as part of phase one.</p>
How will the Progressive Home Ownership Fund help those with Māori affairs housing?	<p>I expect that as the iwi and Māori pathway is opened up, officials work with iwi and Māori organisations on diverse proposals, which may include delivering PHO schemes on land with Māori affairs houses.</p>

<p>Is Progressive Home Ownership still the right intervention given the effects of Covid-19?</p>	<p>The PHO Fund is still the right intervention as PHO schemes can play an important part in the recovery of housing markets post Covid-19.</p> <p>It can enable some households that have a lower deposit or income as a result of Covid-19, or as economic adjustments take place, to still buy a home.</p> <p>We may find that providers choose to change the mix of households they support, or the scheme they offer, to make sure that the PHO schemes they offer target households in the right way.</p> <p>For example, rent-to-buy schemes can work better for households further from home ownership that need more time to accumulate a deposit and address other issues such as consumer debt, poor credit histories and insecure employment.</p>
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