



Aide-memoire

Talking points for Cabinet Business Committee: Advancing the housing supply and affordability package (24 May)			
Date:	20 May 2021	Security level:	Budget - Sensitive
Priority:	Urgent	Report number:	AMI20/21050538

Information for Minister(s)	
Hon Dr Megan Woods Minister of Housing	Note the attached talking points and Q&As
Hon Peeni Henare Associate Minister of Housing (Māori Housing)	

Contact for discussion			
Name	Position	Telephone	1 st contact
Hilary Eade	Kaiaki	04 831 6035	s 9(2)(a) ✓
Joey Shannon	Lead, Infrastructure Fund Policy	04 830 6920	

Other agencies consulted
N/A

Minister's office to complete

- Noted
- Seen
- See Minister's notes
- Needs change
- Overtaken by events
- Declined
- Referred to (specify)

Comments

Date returned to MHUD:

Aide-memoire

Talking points for Cabinet Business Committee: Advancing the housing supply and affordability package (17 May 2021)

For: Hon Dr Megan Woods, Minister of Housing

Hon Hon Peeni Henare

Date: 20 May 2021

Security level: Budget - Sensitive

Priority: Urgent

Report number: AMI20/21050538

Purpose

1. This aide-memoire provides talking points and reactive Q&As to support consideration of your Cabinet paper “Advancing the housing supply and affordability package” on 24 May 2021. It also provides an A3 that was requested by Minister Woods setting out how the Infrastructure Fund complements other funding and financing tools, and wider reforms.
2. The Cabinet paper’s primary purpose is to report back on the Housing Acceleration Fund (HAF) and seek agreement to the design of the Infrastructure Fund (the key component of the HAF). It also provides updates on the Kāinga Ora Land Programme, s 9(2)(f)(iv) and the Land for Housing Programme.
3. There are two attachments to this aide memoire to support your item:
 - a. Annex 1: Talking points
 - b. Annex 2: Q&As
 - c. Annex 3: A3 - Infrastructure Fund and other Funding and Financing Tools.

Annex 1:

Talking points on “Advancing the housing supply and affordability package” (CBC, 24 May)

Background

- Cabinet agreed in March to a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes.
- The most significant part of that supply-side response was the Housing Acceleration Fund which will establish a \$3.73 billion Infrastructure Fund.
- I recently provided Cabinet with an update on the Infrastructure Fund, and Cabinet agreed that \$350 million from the Infrastructure Fund be made available for a Māori Infrastructure Fund to complement Whai Kāinga Whai Oranga, the \$380 million 2021 Māori housing supply Budget initiative.
- I also indicated that we’re proposing the Infrastructure Fund has two additional components:
 - That it’s used to accelerate the pace and scale of housing delivery for Kāinga Ora’s six large scale projects in Auckland and Porirua - expected to require up to s 9(2).
 - That it establishes a s 9(2)(j) competitive infrastructure fund to support investment in a wider range of projects throughout New Zealand.
- This Cabinet paper sets out the design of the Infrastructure Fund, fulfilling Cabinet’s requested report back on this.
- This paper, s 9(2)(f)(iv) advance initiatives that will increase housing supply, improve affordability and enable infrastructure.

Kāinga Ora’s large scale projects

- s 9(2)(j)
- These projects are expected to provide build-ready land that will enable the delivery of up to 14,000 new additional homes and at least 4,000 replacement public homes on Kāinga Ora land over the next five to ten years. The additional infrastructure capacity provided by the funding has the potential to unlock a further 11,000 homes on surrounding privately owned land.
- Large scale projects are the Government’s best bet for delivering accelerated housing outcomes. No other agency or council in New Zealand is set up to manage the scale and pace of development proposed.
- The projects are underway and the key infrastructure projects needed for delivery in the early years are well understood and agreed by both councils and Kāinga Ora.

- [REDACTED] s 9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED] the Minister of Finance and I propose that Cabinet decide on funding for each large scale project (five in Auckland – Mount Roskill, Mangere, Tāmaki, Oranga and Northcote, and one in Porirua) individually through programme business cases. The programme business cases will consider funding against the objectives and criteria of the Infrastructure Fund.
- [REDACTED] s 9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I propose to report back to Cabinet on the matters I’ve just mentioned in December 2021, and on the process for drawdown, monitoring and reporting.

Competitive Fund

- As the competitive fund is the distinct public-facing part of the Infrastructure Fund, I propose branding this separately and calling it the Infrastructure Acceleration Fund.
- We are proposing that the Infrastructure Acceleration Fund includes two application paths – a ‘programme path’ oriented around our Urban Growth Partnerships where there is greater complexity and so more collaboration and negotiation will be required, and a more streamlined ‘project path’ for other parts of the country.
- Through both of these paths, we are proposing there be a fast-track process to ensure any ‘quick win’ investments can be committed to this year where that makes sense.
- We are proposing that Kāinga Ora administers the Infrastructure Acceleration Fund, and its Board be responsible for making recommendations. A cross-agency reference group would inform their recommendations.
- We are proposing the Minister of Finance and I be the final decision makers on investments. Given the importance of aligning investments across the Government’s infrastructure spend, we will also work closely with the Ministers of Local Government and Transport.

- This paper sets out a number of other detailed settings, such as eligible projects, applicants, overall process, decision making and approach to alignment across other infrastructure investment. We are also seeking Cabinet’s agreement to these.

Infrastructure for Māori housing

- The Māori Infrastructure Fund will also have two paths. A ‘project path’ for small scale developments across Aotearoa, and an ‘iwi programme path’ for multi-year delivery programmes by Regional/Tribal Authorities.
- We are proposing that Te Tūāpapa Kura Kāinga administers the Māori Infrastructure Fund.
- We are proposing that the Minister of Finance, the Associate Minister of Housing (Māori Housing), and I be the final decision makers on investment. We will work closely with the Whai Kāinga Whai Oranga Ministers to ensure alignment between infrastructure projects to Whai Kāinga Whai Oranga projects.
- The paper sets out several high-level settings for Cabinet’s agreement. We are also seeking delegations from Cabinet to the Minister of Finance, the Associate Minister of Housing (Māori Housing), and I for a number of matters of detail.

Timing

- Given the pressing nature of our housing issues, we want to move quickly with launching the Infrastructure Fund.
- We are expecting that the Expression of Interest for the Infrastructure Acceleration Fund will be released by early July.
- We also expect to be able to announce:
 - [redacted] s 9(2)(j)
 - [redacted]

Update on other funds

- This paper also provides updates on complementary supply-side initiatives agreed to by Cabinet, including the Kāinga Ora Land Programme, the additional funding for Land for Housing Programme, and [redacted] s 9(2)(f)(iv)
- In agreeing to the suite of demand and supply-side initiatives in March, Cabinet also sought a report back on how the government can further support increased delivery of high-quality rentals. Supply of affordable rentals will be supported to some degree by each of these complementary funds, and I will provide a more comprehensive report back by the middle of this year.

Annex 2: Questions and answers on “Advancing the housing supply and affordability package” (CBC, 24 May)

Competitive Fund

Are regions in the ‘programme path’ prioritised over the ‘project path’?

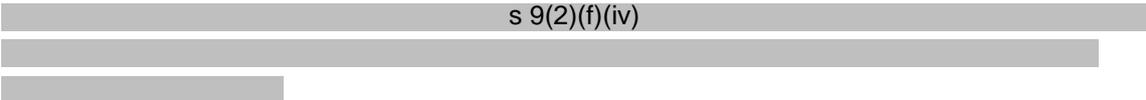
- The distinction between these paths is based on complexity of potential infrastructure investment and the importance of aligning with our Urban Growth Partnership approach. It is not intended to indicate whether regions or places are inherently a higher priority for the Fund.

Is the Kāinga Ora Board the appropriate body to be making recommendations for infrastructure investment?

- Retaining the advisory function within Kāinga Ora maintains clear accountability for the whole process within one organisation and reduces complexity and this risk of competing advice.
- While Kāinga Ora does have an interest in infrastructure investment, because it may benefit areas in which they are active, I am confident that sufficient protections are built into the process to address any conflict of interest risks, including that:
 - Kāinga Ora is not able to apply directly to the Fund; and
 - where the Board (or a sub-committee of the Board) recommends Ministers consider proposals for infrastructure which may benefit land in which Kāinga Ora has an interest, Ministers will be provided with independent second-opinion advice from the Ministry of Housing and Urban Development and any other entity as directed by Ministers.

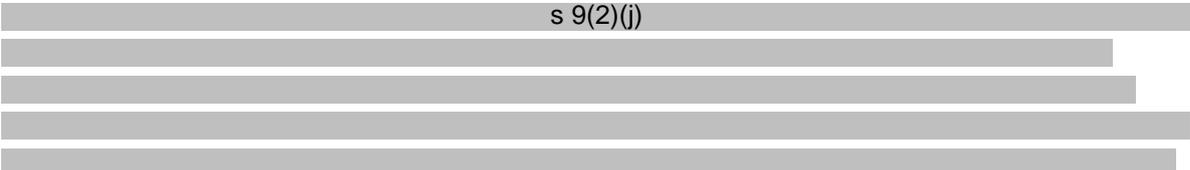
General

How quickly will infrastructure investment decisions be made?

- I am anticipating that any fast-tracked decisions for the Infrastructure Acceleration Fund could be announced late this year, with the remaining investment decisions announced between April and June next year.
-  s 9(2)(f)(iv)
- Decisions on each programme business case for the Large Scale Projects will also begin late this year.

How confident are you that a solution will be found to ensuring developers pay their fair share when they benefit from infrastructure?

- I acknowledge this is a complex area. The Local Government Act precludes councils from requiring development contributions when infrastructure has already been paid for, which would be the case for the infrastructure funding.
- For some situations there are clear options, for example, entering into agreements with developers that include commitments for contributions, or using mechanisms under the Infrastructure Funding and Financing Act. But this won't work in every case.

-  s 9(2)(j)



Given the pace at which this has been developed, and limited engagement, how do you know the settings are right?

- The Fund has been developed at pace given the pressing nature of our housing issues. In designing the key settings, officials have drawn on lessons and settings from previous comparable funds. Officials have also tested some of the key design settings with LGNZ, and a limited number of councils.
- Based on those meetings, we are confident that the design settings are sufficiently enabling. I recognise that it will be important to re-engage with councils once we have publicly released details about the design.

Annex 2: A3 - Infrastructure Fund and other funding and financing tools

Infrastructure Fund and other funding and financing tools

The Infrastructure Fund provides a significant boost to housing supply in the short to medium term

The key purpose of the Infrastructure Fund is to increase the supply of build ready land for housing, with a focus on:

- Increasing the pace, scale and density of housing development
- Increase the proportion of homes that are affordable for low to moderate households (whether to rent or own)
- Supports good access to public transport, jobs, education and amenities

The primary focus on housing differs from other infrastructure programmes such as Three Waters, the New Zealand Upgrade Programme and Infrastructure Reference Group.

The Fund seeks to directly overcome funding and financing constraints facing local authorities in three ways:

- **Kāinga Ora Large Scale Projects** – to maintain momentum and enable step change in housing delivery
- **A competitive fund** – support projects in areas facing the biggest housing supply and affordability challenges
- **Infrastructure for Māori Housing** – enable Māori led investments in infrastructure and housing.

The Infrastructure Fund is expected to provide grants to address constraints to funding infrastructure. Where funding is available but a project can't be financed, then alternatives to grants would be considered.

The Infrastructure Fund should complement other key initiatives and investments

Infrastructure Funding and Financing Act

The Infrastructure Fund should not displace existing funding sources. Where projects can be funded, but can't be financed by local authorities, then IFF Act could be used. In such cases, the Fund could be used to meet remaining funding gaps to get these projects across the line

Urban Growth Partnerships

The Infrastructure Fund could bring forward investment to unlock priority development we have agreed, or will agree in near future, with partner councils and iwi.

Leverage other investment

The Infrastructure Fund should complement and build on investment under the Three Waters, Shovel Ready and New Zealand Upgrade Programme.

Support other government priorities such as the NPS-Urban Development

The Infrastructure Fund could be used to address specific constraints to densification which could also involve improvements to service levels and renewal of existing assets, so may not be funded in current plans.

But the funding and financing of infrastructure is under significant strain

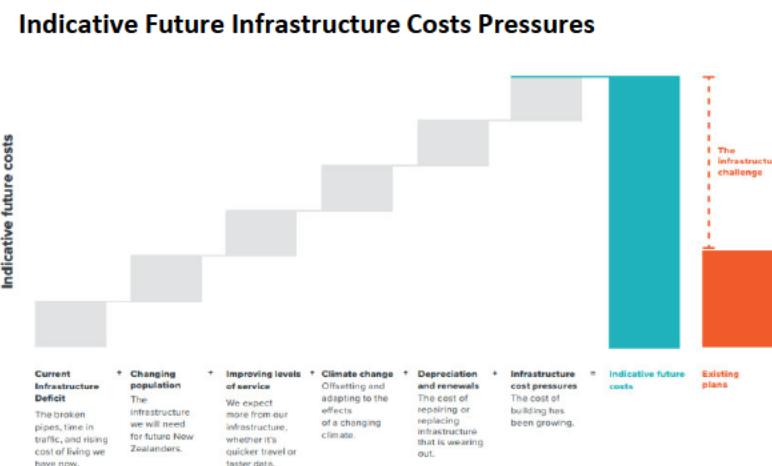
Decades of underinvestment in infrastructure has limited the amount of land that can be used for residential development and the levels of housing density.

But it is not just about growth. Local government and other infrastructure providers face significant demands from increasing service levels, catching up on renewals, cost pressures, and meeting future challenges such as climate change.

Over the coming decades, we face significant challenges in how we fund this investment and how we finance it. Many high growth councils are reaching their debt constraints and some councils are proposing significant increases in rates.

While significant reform is underway, the Infrastructure Fund can provide targeted funding (and/or financing) for projects to unlock housing development.

Funding for infrastructure will remain an ongoing challenge, including for growth infrastructure



Source: Infrastructure Commission – He Tūāpapa ki te Ora Infrastructure for a Better Future

Significant reform is underway and how infrastructure is funded will be a key issue

Three waters reforms

Consolidation of water providers can help address finance constraints that limit investment in renewals, service level improvements and growth. However any increase in investment must still be funded and paid for.

Resource Management System Reform

The Strategic Planning Act and Climate Change Adaptation Acts will support long term investment to enable growth and adapt to climate change. How investment is funded will influence how the cost of growth and change are met.

Future of Local Government Review

The review will consider how our local democracy and governance needs to evolve over the next 30 years including how functions of local government are funded and financed.

Infrastructure Commission Infrastructure Strategy

The Infrastructure Commission has identified equitable and affordable infrastructure decisions as key outcomes from an infrastructure system. How infrastructure is funded and financed is a key driver of equity and affordability.