



Briefing

Update on Housing Bids for Budget Bilateral			
Date:	11 March 2021	Security level:	Budget - Sensitive
Priority:	High	Report number:	BRF20/21030887

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Note the information in this briefing to assist with bilateral discussions on 17 March 2021.	17 March 2021

Contact for discussion			
Name	Position	Telephone	1 st contact
Glenn Phillips	Principal Advisor Strategic Finance	04 831 6012	s 9(2)(a) ✓
Brad Ward	Deputy Chief Executive, Place-based Policy and Programmes	04 831 6035	s 9(2)(a)

Other agencies consulted
[Names]

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) _____
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Comments

Date returned to HUD:



Briefing

Update on Housing Bids for Budget Bilateral

For: Hon Dr Megan Woods, Minister of Housing

Date: 11 March 2021

Security level: Budget - Sensitive

Priority: High

Report number: BRF20/21030887

Purpose

1. A budget bilateral discussion on the Housing portfolio Budget 2021 bids is scheduled between you and the Minister of Finance on 17 March 2021.
2. Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development ("the Ministry") and the Ministry of Building, Innovation & Employment ("MBIE") submitted the Housing portfolio budget bids to Treasury on 29 January 2021 for assessment. Treasury has reviewed these budget bids and will be providing recommendations to the Minister of Finance prior to the bilateral on 17 March.
3. The purpose of this briefing is to provide you with a status update on bids. An updated slide pack summarising the budget bids has also been attached in Annex A.

Recommended actions

4. It is recommended that you:

1. **Note** the updated information on Budget 2021 bids in preparation for the Budget bilateral meeting scheduled for 17 March 2021.

Noted

Brad Ward
Deputy Chief Executive, Place-based
Policy & Programmes

11 / 03 / 21

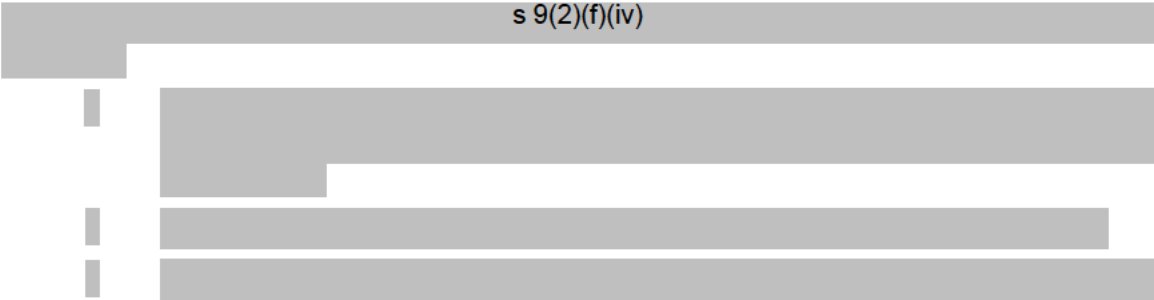
Hon Dr Megan Woods
Minister of Housing

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Background

5. Attached in Annex A is a full summary of the Budget Bids submitted in January 2021 with significant changes from previous briefings outlined below.

Government Housing Acceleration Fund

6. As presented to SWC on 10 March the current sizing of the fund is \$3 billion to cover;
- Large Scale Projects, and
 - other infrastructure investment
7. As part of the implementation advice the final composition of the individual components and the operating and capital nature of the investment are still in discussion.
8.  s 9(2)(f)(iv)
9. In addition to the above, depending on the outcome of decisions on First Home products of \$12.3 million per annum included in the SWC paper. If approval is given, the bid will be removed from the Budget process.

Update on Remaining Bids in the Budget Process

Accelerating Immediate Māori Housing Solutions

10. Following a meeting with Ministers on 8 March, The Ministry and Te Puni Kōkiri have been working on providing additional information on a co-ordinated approach to investment to accelerate Māori Housing Solutions.
11. Separate advice on the alignment of the Ministry's bid with Te Puni Kōkiri initiatives will be provided this week.

Extending Income Related Rent Subsidy

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

13.

Other Budget Bids

14. There are no further updates on the remaining budget bids, which remain consistent with the submission to Treasury on 29 January 2021 including:
- Increased investment in the Residential Development Response Fund (\$100m)
 - Kāinga Ora Sustainable Funding (\$283m)

- Maintaining the COVID motels and Support Services (\$102m)
- Replacement of Tenancy ICT System (MBIE - \$38m)
- Continued service levels for residential tenancies and unit titles services (MBIE - \$41m)
- Ensuring Compliance with Healthy Homes Standard (MBIE - \$16m)

MBIE Bids

15. As per advice provided on 28 January 2021 (BRF20/21010849 refers), the Ministry considers that it could be possible to combine the two MBIE bids; *Continued service levels for residential tenancies and unit titles services* and *Ensuring Compliance with Healthy Homes Standard*.

Engagement with the Treasury

16. Ministry Officials are scheduled to meet with the Treasury on 11 March to discuss our respective advice in preparation for the Budget bilateral to ensure the meeting is focused on key issues. If there is anything significant that arises from this meeting we will update your Office.

Annexes

17. Annex A: All Housing Budget Bids A3 (Updated 11 March 2021)
18. Annex B: Reconciliation to Original Budget Bids

Annex B: Reconciliation to Original Budget Bids

19. The original bids that were submitted through CFISnet to Treasury are as follows:

Initiative name	Total OPEX Amount (\$millions)	Total CAPEX Amount (\$millions)	Housing Acceleration fund package?
s 9(2)(f)(iv)			
Kāinga Ora Sustainable Funding	282.790	-	No
Extension of Short-term housing and associated programmes (previously: Maintaining COVID Motels and support services)	198.685	-	No
Accelerating Immediate Māori Housing Solutions	298.000	-	No
Replacement of the Tenancy Bond ICT System	17.983	20.000	No
Continuing service levels for residential tenancies and unit titles services – addressing a revenue shortfall	41.424	-	No
Ensuring compliance with the Healthy Homes Standards	15.988	-	No

20. Since submission through CFISnet on 29 January 2021, the key change has been consolidating the three Housing infrastructure bids above (*Package to increase housing supply and affordability, Investment to increase housing supply in Auckland large scale projects, and Kāinga Ora package to maintain momentum on the Eastern Porirua Regeneration Project*) into one package.

21. Following this consolidation, the following changes have been made from the *Package to increase housing supply and affordability* bid:

- a. In the bid the Enabling Infrastructure component was \$1,700 million. \$100 million of this has been split out and ring fenced to repurposing the Residential Development Response Fund (RDRF) for affordable housing.
- b. The bid contained a \$250 million component to shift existing RDRF funding from recyclable to non-recyclable. Given the changes in paragraph 20a above, this shift has been removed.
- c. Previously, \$25 million had been included for First Home product changes. This has now been accounted for separately in the Cabinet paper (BRF20/21020869), and has therefore been split out from this bid.

22. No other bid has funding sought changes since submission on 29 January 2021.

1

Budget 2021: Housing Bids

This A3 outlines the 2021 housing Budget bids and their options at a high level for quick reference.

No.	Bid	Critical Cost Pressure	Manifesto Commitment	Operating Expenditure (\$m)	Capital Expenditure (\$m)	Total Funding Sought (\$m)
1a	<p>Housing Acceleration Fund (Scaled) Provides the overarching package for initiatives increasing housing supply and improving affordability for first home buyers and renters. This package contains the following components:</p> <p>Infrastructure Fund Brings forward development ready land and supports Government led development. s 9(2)(f)(iv)</p> <p>Land for Housing Funding is being sought through the budget to enable land acquisitions to occur where the development economics are not feasible. This will allow the programme to deliver land on a strategic basis rather than a strictly commercial one.</p>		✓			\$3,000m
	<p>Housing Acceleration Fund (additional funding for intermediate option) To provide intermediate level infrastructure investment s 9(2)(f)(iv)</p>					\$700m
1b	Total Housing Acceleration Fund investment for intermediate option					\$3,700m
	s 9(2)(f)(iv)					
1c	Total Housing Acceleration Fund investment for full option					s 9(2)(f)(iv)
2	<p>Kāinga Ora Land Programme Allows for Kāinga Ora to finance up to an additional \$2.0bn (through revolving market debt) for land acquisition and development. This investment will support the delivery of a range of non-commercial outcomes including homes that are affordable for low-to-moderate income households and are not being delivered by the market, and ensuring that public housing is mixed with affordable and market housing rather than larger public housing estates. This could involve for example, writing down land values or providing express subsidies, where necessary. Funding provided would be used to service debt and cover holding costs, allowing Kāinga Ora to take on development risk and pursue non-commercial outcomes.</p>		✓	\$184m	-	\$184m
3	<p>First Home Products \$49.2 million is being sought to increase the income and house price caps of first home products to support first home buyers.</p>		✓	\$49m	-	\$49m
4	<p>Residential Development Response Fund The Residential Development Response Fund (RDRF) is planned to be redirected to provide support for the sector to deliver affordable housing options. A large portion of the original fund is recyclable, which limits the ability of the fund to provide for non-commercial outcomes. For greater flexibility to support affordable housing, this fund seeks \$100 million of non-recyclable operating funding through Budget 21 (to allow for options such as subsidised build to rent).</p>		✓	\$100m	-	\$100m

2

Budget 2021: Housing Bids

No.	Bid	Critical Cost Pressure	Manifesto Commitment	Operating Expenditure (\$m)	Capital Expenditure (\$m)	Total Funding Sought (\$m)
5	Kāinga Ora Sustainable Funding Seeks funding to enable Kāinga Ora to carry out its core urban development functions under the Kāinga Ora – Homes and Communities Act 2019 and the Urban Development Act 2020.	✓		\$283m	-	\$283m
	<i>Scaled option: around 60% of the proposed full opex amount, would only fund activities currently being delivered (buying off the plans programme, Māori outcomes and engagement team and some urban planning functions).</i>			\$173m	-	\$173m
6	Maintaining the COVID Motels and Support Services Funding is sought to maintain COVID motel accommodation and to maintain the provision of Housing First, Sustaining Tenancies, and Rapid Rehousing.	✓		\$102m	-	\$102m
	<i>Scaled option: fund accommodation for only one further year. This proposal would still account for a phasing out of motels across the year at the same rate as for the main proposal.</i>			\$33m	-	\$33m
7	Accelerating Immediate Māori Housing Solutions (subject to joint advice from HUD and TPK to be provided) This investment targets Māori communities in isolated or coastal locations that often receive limited or no housing support and where the COVID-19 impact is exacerbating extreme inequality and poverty across high Māori population communities who are already housing insecure. Proposed sites for establishing immediate supply are Northland (Taitokerau), East Coast (Tairāwhiti), Bay of Plenty (Te Arawa Mataatua), and Taranaki (Parihaka). Investment is expected to provide at least 1,000 quality homes over four years, at pace. Figures are HUD's investment only.		✓	\$298m	-	\$298m
	<i>Scaled option 1: 70% of proposed initiative, providing funding to start addressing needs for at-risk groups and sufficient quantum to impact some, but not all, targeted areas at scale.</i>			\$209m	-	\$209m

s 9(2)(f)(iv)

Cabinet Decisions required that do not count against Budget allowances:**Land for Housing**

Delegation of allocating funding from the KiwiBuild MYA sits with Cabinet and for efficiency reasons it is recommended that this done through the Budget process (instead of a standalone Cabinet paper). The design of the broader fund recommended that \$66 million of unallocated KiwiBuild funding is proposed to be reallocated to Land for Housing. \$50 million will come from the KiwiBuild inventory funding to cover recoverable development costs of Land for Housing, and \$16 million from UDA funding to cover departmental costs (such as professional fees) of running the programme (\$4 million per annum).