



# Briefing

Draft cabinet paper – advancing the housing supply and affordability package			
Date:	29 April 2021	Security level:	Sensitive
Priority:	High	Report number:	BRF20/21040926

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	<p><b>Note</b> the information provided in this briefing on the attached draft Cabinet paper <i>Advancing the housing supply and affordability package</i></p> <p><b>Provide</b> feedback on the attached Cabinet paper</p>	4 May 2021 (to enable new draft of the Cabinet paper by 6 May)

Contact for discussion				
Name	Position	Telephone	1 <sup>st</sup> contact	
Brad Ward	DCE, Place-based Policy & Programmes	04 831 6035	s 9(2)(a)	
Hilary Eade	Kaiaki, Place-Based Policy and Programmes	04 831 6032		✓
Saskia Patton	Manager, Urban Development Delivery	04 832 2514		✓
Xavier Warne	Advisor, Place-Based Outcomes			

Other agencies consulted
Treasury, Kāinga Ora, the Ministry of Transport, the Department of Internal Affairs, and Waka Kotahi New Zealand Transport Agency were consulted on the policy content of the draft Cabinet paper relating to the areas of the Infrastructure Fund that were relevant to them. DPMC have been informed.

## 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)  <hr/>
--

<p><b>Comments</b></p>     
--

Date returned to HUD:

---



# Briefing

## Draft cabinet paper – advancing the housing supply and affordability package

**For:** Hon Dr Megan Woods, Minister of Housing

**Date:** 29 April 2021

**Security level:** Sensitive

**Priority:** High

**Report number:** BRF20/21040926

### Purpose

1. This briefing:
  - a. Attaches the draft Cabinet paper *Advancing the housing supply and affordability package* and highlights the key decisions that are still required on the Housing Acceleration Fund, including an approach to funding the Large Scale Projects.
  - b. Outlines next steps for the other elements of the housing supply package reported on in the draft Cabinet paper, including support for purpose-built rentals.

### Recommended actions

2. It is recommended that you:

1. **Note** that we have provided you with advice on the detailed design of the Infrastructure Fund on 22 April [BRF20/21040912 refers].
2. **Note** that the draft Cabinet paper reflects our recommendations from the 22 April briefing.
3. **Note** that we are sharing a draft of the Cabinet paper with agencies at the same time as we provide it to your office.
4. s 9(2)(j)

*Noted*

*Noted*

*Agree / Disagree*

*Agree / Disagree*

Brad Ward  
Deputy Chief Executive, Place-Based  
Policy and Programmes

29, 4, 21

Hon Dr Megan Woods  
Minister of Housing

1, 5, 21

## Background

---

3. In March, Cabinet agreed to a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061 refers].
4. Cabinet sought specific reports back on [CAB-21-MIN-0061 refers]:
  - a. the design parameters for the Infrastructure Fund, including on alignment with existing infrastructure processes (in particular three waters and transport) and ongoing collective ministerial oversight across alignment with the Treasury, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, Department of Internal Affairs and Kāinga Ora; and
  - b. s 9(2)(f)(iv)
5. The primary purpose of the Cabinet paper is to seek agreement to the design parameters for the Infrastructure Fund, including both the Kāinga Ora Large Scale Projects and the competitive component of the Infrastructure Fund. It also provides updates on the progress of the Kāinga Ora Land Programme, the refocused Residential Development Response Fund, the Land for Housing Programme, and how the supply measures will support the increased provision of purpose-built rentals.
6. The supply-side measures of the Government Housing Package are progressing on separate timelines and Cabinet decisions will be sought independently over the course of 2021. The current timeline is provided at para 55.

## The competitive component of the Infrastructure Fund

---

7. The recommendations in the draft Cabinet paper reflect your decisions on the 8 April paper *Infrastructure Fund - High Level Design of competitive (non-LSP) component [BRF20/21040911]*. These were:
  - a. the objectives for this fund,
  - b. the appropriateness of a contestable approach for the non-LSP component of the fund with set criteria for funding allocation,
  - c. the role of Territorial Authorities as lead applicants, with provisions for iwi/Māori and private developers to apply in some cases,
  - d. requiring territorial authorities in main urban areas with complex needs to go through a programme pathway which considers multiple development areas, transport investment, and funding/financing options,
  - e. for the fund to be allocated over multiple funding rounds.

## The draft Cabinet paper seeks decisions based on our recommendations made on 22 April

8. Given the timing imperatives for lodgement by 13 May, we have drafted the Cabinet paper based on recommendations made in *Competitive Infrastructure Fund – Detailed Design Features [BRF20/21040912]* before receiving your feedback.
9. The key features of that advice which we have included in the Cabinet paper are:
  - a. To limit the **scope of eligible projects** to new or upgraded transport or water infrastructure wholly or primarily for the purpose of enabling new/additional housing development of a minimum scale in the short to medium term. Projects will be assessed against housing outcomes, impact of additional funding, cost and co-funding commitments, and the capability and readiness of the project.



- b. To require Territorial Authorities in urban areas likely to require complex negotiations and funding alignment to apply through the **Programme Path** to access the infrastructure fund<sup>1</sup>. All other Territorial Authorities (as well as iwi and developers) would be eligible to apply under the Project Path individually. Prioritisation across places will function through the evaluation criteria (not a pre-defined list).
- c. To have a **two-stage procurement process** whereby applicants provide a relatively straightforward expression of interest, followed by an invitation for selected applicants to submit a full proposal. Both Project and Programme pathways would include a fast-track process for 'quick win' proposals that may have been validated by alternate processes (eg. IFF) and align very strongly with the criteria of the Fund and the requirements for quid pro quo from applicants.
- d. For final **decision-making** on investments and key conditions to rest with Ministers on the advice of an advisory group. The Cabinet paper presents several options for who the Ministers and advisors could be:

Ministers	Advisory body
The Minister of Housing and the Minister of Finance	A cross-government senior officials group;
A group of the following Ministers: The Minister of Finance (and Infrastructure), the Minister of Housing, the Minister of Local Government, and the Minister of Transport	An independent advisory group (possibly including agency representation) with independent members appointed by the Cabinet Appointment and Honours Committee;
The Urban Development Ministers	A committee of the Kāinga Ora Board
Any of the above including the Prime Minister	A hybrid model of the above options

**You have been leading discussions with other Ministers on a specific Māori housing component of the infrastructure fund**

10. In line with the advice we provided in the 15 April aide memoire *19 April Ministerial Housing Workshop: Supporting Māori housing through the infrastructure fund [AMI20/21040502]*, the draft Cabinet paper is based on the assumption that some portion of the Infrastructure Fund may be specifically set aside to deliver Māori Housing outcomes, aligned closely with the Investing in Māori Housing Budget Initiative. Further detail (or change) is subject to your direction on Ministers' intent.

**Cabinet specifically sought a report-back on the alignment of the infrastructure fund with other infrastructure processes**

11. Cabinet requested a report-back on alignment with existing infrastructure processes (in particular three waters and transport) and ongoing collective ministerial oversight across alignment with the Treasury, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, Department of Internal Affairs and Kāinga Ora.

12. The Cabinet paper proposes that a number of operational and administrative steps are put in place to ensure alignment, including:

---

<sup>1</sup> **Auckland Council, Smart Growth** (Tauranga City Council and Western Bay of Plenty District Council), **Future Proof** (Waikato Regional Council, Waipā District Council, Waikato District Council, and Hamilton City Council), **Wellington Regional Growth Framework** (Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Kāpiti Coast District Council, Horowhenua District Council, South Wairarapa District Council, Carterton District Council, and Masterton District Council), the **Greater Christchurch Partnership** (Christchurch City Council, Selwyn District Council and Waimakariri District Council) and **Queenstown-Lakes District Council**.

- a. requiring applications to the Fund to identify historical central government funding, current funding processes, key dependencies and complementary non-financial powers of central government (eg. RMA fast-track),
- b. using interagency review and participation of senior officials in the advisory group for final decision-making on proposals submitted to the Fund,
- c. having Ministerial oversight of final funding decisions.

13. Officials have discussed the scope of infrastructure funding negotiations with councils across multiple government programmes, particularly for Auckland. s 9(2)(f)(iv)

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

15. Further consideration of the relationship between the Fund and land transport funding is required. The paper seeks a delegation on this issue and we are engaging with the Ministry of Transport and Waka Kotahi on their role in the Fund.

**We are seeking delegations from Cabinet on several matters related to the competitive fund for which we have not yet provided advice to you**

16. There has been insufficient time to resolve several matters which will require Cabinet approval once decisions have been made. The draft Cabinet paper therefore seeks delegation on the following:

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

b.

c.

d. **Minor issues** (Minister of Housing). We have sought a general delegation for you on further minor decision issues and technical changes.

**The Kāinga Ora Large Scale Projects**

17. s 9(2)(j)

## Co-funding Arrangements

18. The infrastructure deficit for large scale projects includes some aspects normally expected to be funded by Councils.

19. [REDACTED] s 9(2)(j)

20. [REDACTED]

21. [REDACTED]

22. [REDACTED]

23. [REDACTED]

24. [REDACTED]

25. [REDACTED]

## Funding Certainty

26. As previously advised [BRF20/21030904 refers], the LSPs are inherently complex projects, which seek to deliver at pace and scale, resulting in multiple operational and funding processes and interdependencies. This includes alignment between five infrastructure types and asset owners and the need to relocate and rehouse thousands of public housing tenants. Based on this, [REDACTED] s 9(2)(f)(iv) with this timeframe identified as the minimum required to allow sufficient planning and lead in time to deliver effectively.

27. [REDACTED] s 9(2)(f)(iv)

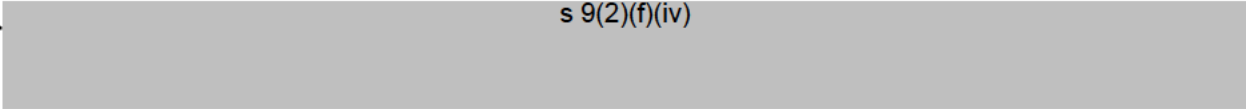
28. [REDACTED]

## Options available for the first tranche of funding for the Large Scale Projects

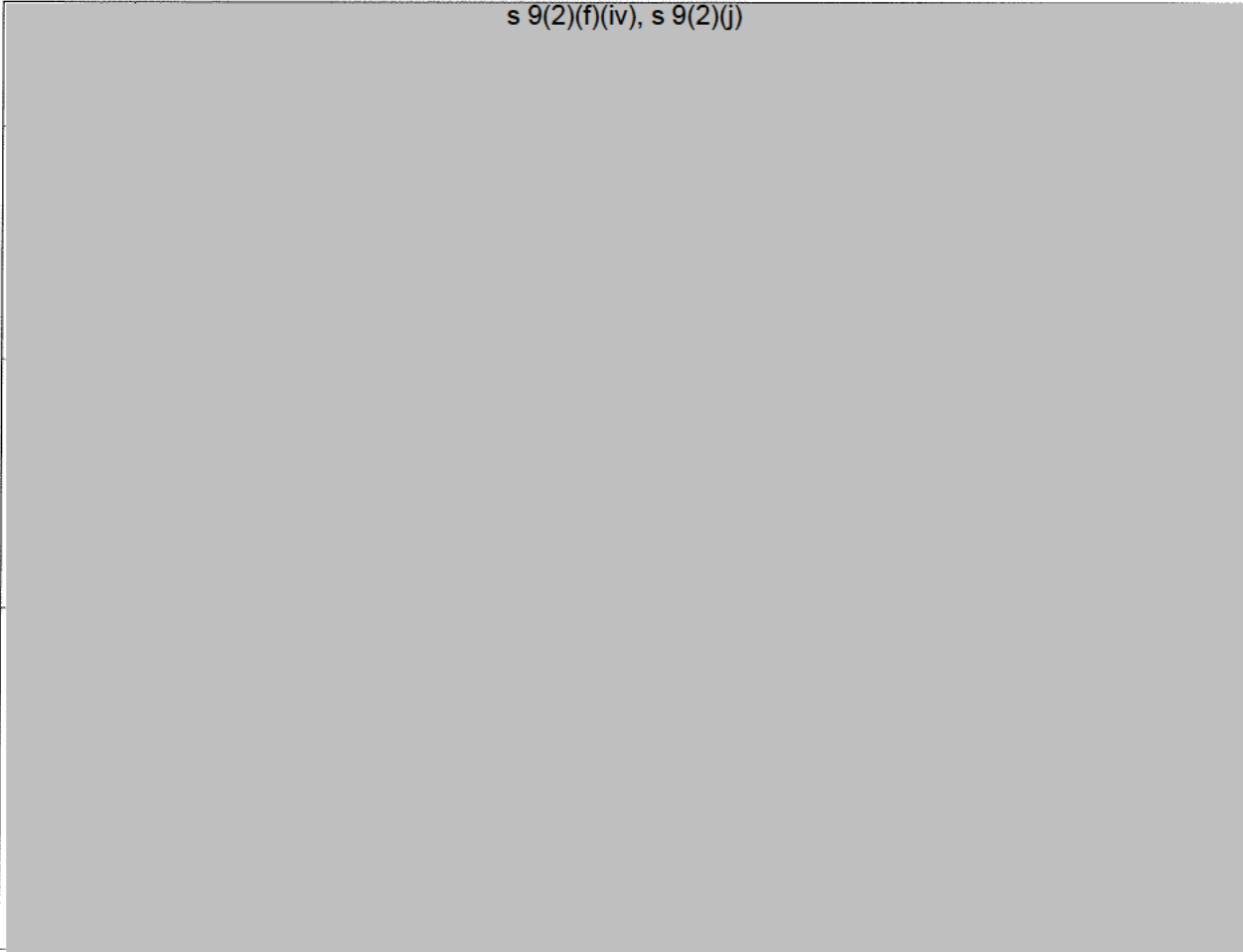
29. Cabinet agreed a first tranche of funding be considered to retain momentum across the LSPs until 2022 [Cab-21-Min-0061 refers], with decision making delegated to you and the Minister of Finance.

30.

s 9(2)(f)(iv)



s 9(2)(f)(iv), s 9(2)(j)



31. In considering the above options:

s 9(2)(f)(iv)



32.

s 9(2)(f)(iv)

33.

**The draft Cabinet paper also provides an update, but seeks no decisions, on the Land for Housing Programme, Kāinga Ora Land Programme, and Residential Development Response Fund**

*Land for Housing*

34. The new \$50 million Land for Housing Programme funding will expand the amount of land able to be acquired by the Programme for housing, and the range of public good outcomes able to be achieved on that land (such as increasing the pace of development, or the extent of affordable housing or purpose-built rentals able to be delivered).

35.

s 9(2)(f)(iv)

*Kāinga Ora Land Programme*

36. The Kāinga Ora Land Programme will provide Kāinga Ora with the financial resources to fulfil its mandate to deliver urban development projects catering to diverse housing needs and aspirations, including through taking advantage of the unique land acquisition and development powers available to it under the Urban Development Act where appropriate.

37. We are currently preparing advice for the end of May for you and the Minister of Finance seeking agreement to the detailed parameters of the Programme. The scope of this advice includes:

- a. Programme objectives and investment principles
- b. The site assessment and prioritisation framework
- c. Governance and decision making
- d. Monitoring, reporting and evaluation
- e. Mechanisms to protect Māori interests and support Māori aspirations in relation to housing and urban development.

*Residential Development Response Fund*

38.

s 9(2)(f)(iv)

39. The draft Cabinet paper notes that the requirement to return the \$250 million of funding from the KiwiBuild appropriation introduces some challenges for delivering rental housing that is below current market rents.

s 9(2)(f)(iv)


There is a trade-off between supporting fewer low-income households versus delivering more market affordable housing that is affordable to moderate income households.

s 9(2)(f)(iv)

40.

s 9(2)(f)(iv)

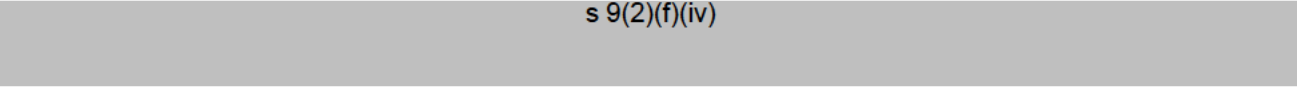




## Supporting purpose-built rentals

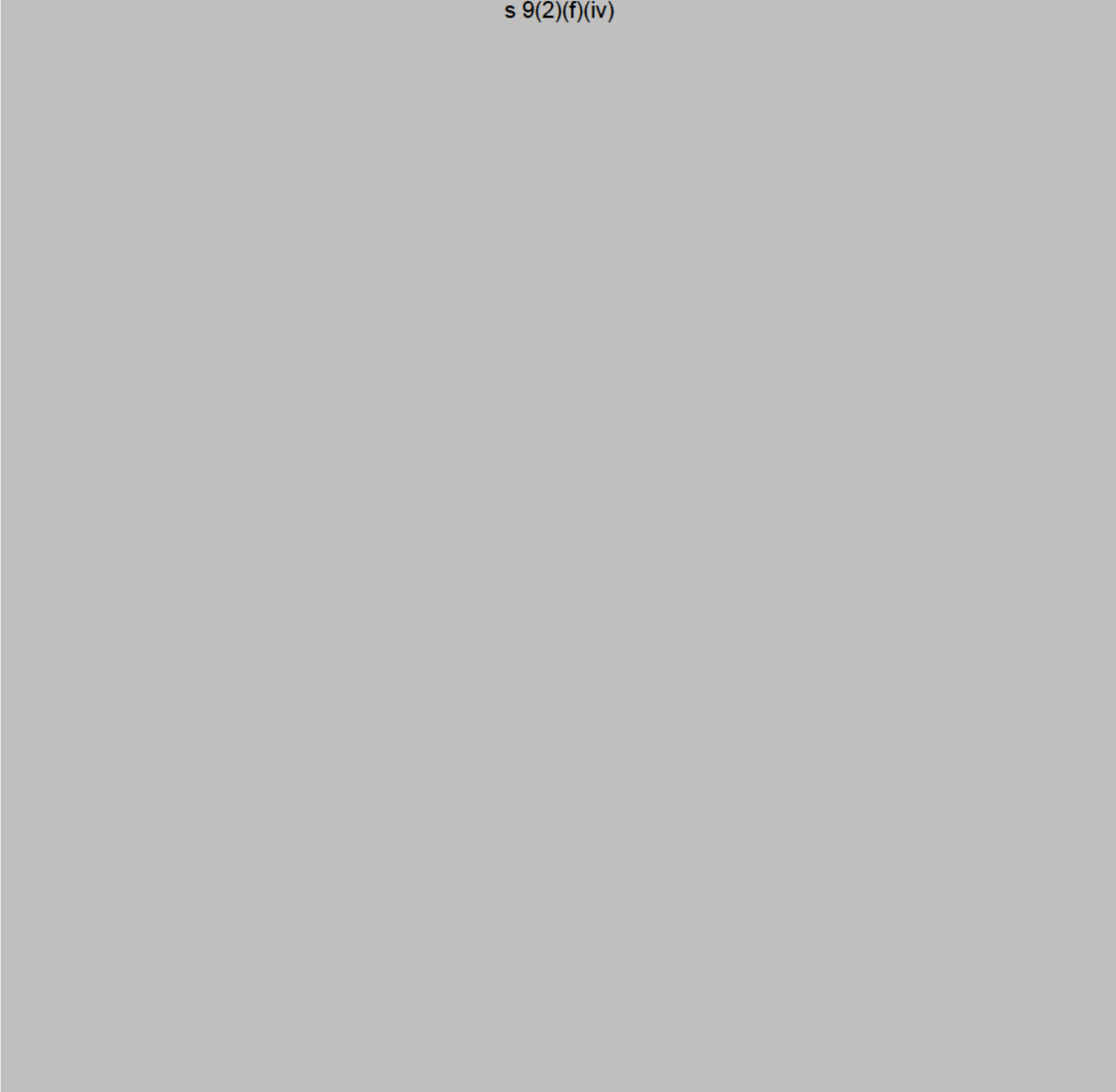
---

s 9(2)(f)(iv)



41. The draft Cabinet paper provides an update on the work commissioned by Cabinet in March to investigate options to support purpose-built rentals. A report-back is on-track to be delivered to Cabinet in mid-2021.

s 9(2)(f)(iv)



## Consultation

---

49. Treasury, Kāinga Ora, the Ministry of Transport, the Department of Internal Affairs, and Waka Kotahi New Zealand Transport Agency were consulted on the policy content of the draft Cabinet paper relating to the areas of the Infrastructure Fund that were relevant to them. DPMC were informed.

50. Kāinga Ora was consulted on the draft Cabinet paper.

- 51. Due to time constraints we were only able to provide the draft Cabinet paper to other agencies at the same time as we provided it to you. We will incorporate their feedback alongside your feedback to develop an updated draft by 6 May.
- 52. We have also had a meeting with Local Government New Zealand (LGNZ) to discuss settings for the competitive component of the Infrastructure Fund and have begun meeting with some councils. LGNZ was supportive of the approach as currently proposed.
- 53. We intend to undertake targeted engagement with selected local authorities through our existing place-based partnerships.

**Next steps**

- 54. We remain on track to provide the paper to the Cabinet Development Committee on 19 May. We propose the following timeline.

Date	Briefing/update
29 April	HUD provides draft to other agencies for comment
4 May	You provide feedback to officials on the draft provided
6 May	Updated draft to you addressing your feedback and comment by other agencies
7-11 May	Ministerial Consultation
12 May	Updated draft to you reflecting feedback from Ministerial consultation
13 May	Final review by you and lodgement
19 May	Cabinet Development Committee
24 May	Cabinet

- 55. The following table sets out upcoming briefings and Cabinet papers for the rest of the supply package:

s 9(2)(f)(iv)

**Annexes**

Annex A: Draft Cabinet paper: Advancing the housing supply and affordability package

## Annex A: Draft Cabinet paper: Advancing the housing supply and affordability package

---