



Briefing

Draft Cabinet Paper for CBC - Advancing the housing supply and affordability package			
Date:	19 May 2021	Security level:	In Confidence
Priority:	Urgent	Report number:	BRF20/21050962

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Approve the attached draft Cabinet Paper for lodging, subject to any feedback	20 May 2021
Hon Peeni Henare Associate Minister of Housing (Māori housing)		

Contact for discussion				
Name	Position	Telephone	1st 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		
Joey Shannon	Lead, Infrastructure Fund Policy			

Other agencies consulted
Kāinga Ora has been consulted on the key issues raised in this briefing.

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/>	Comments
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Date returned to MHUD:



Briefing

Draft Cabinet Paper for CBC - Advancing the housing supply and affordability package

For: Hon Dr Megan Woods, Minister of Housing
 Hon Peeni Henare Associate Minister of Housing (Māori Housing)

Date: 19 May 2021 Security level: In Confidence

Priority: Urgent Report number: BRF20/21050962

Purpose

- The briefing provides an updated draft Cabinet Paper, *Advancing the housing supply and affordability package*, following Ministerial consultation for your approval and provides advice on related issues.

Recommended actions

- It is recommended that you:
 - Note** that we received no required changes on the draft Cabinet paper from the Minister of Housing’s office following Ministerial consultation; *Noted*
 - Note** that the draft has been amended to be a joint paper from the Minister of Housing and the Associate Minister of Housing (Māori housing); *Noted*
 - Note** the following minor changes to the settings for the competitive fund reflected in the draft Cabinet paper:
 - ‘Flood control infrastructure’ is included within eligible projects (provided it meets other requirements, such as being primarily for the purpose of enabling housing development);
 - Clarification that infrastructure projects that enable significant non-residential (e.g. commercial) development are eligible, but funding may only be sought for the proportion that is reasonably attributable to enabling housing development;
 - Clarifying that second opinion advice on investments is only necessary when Kāinga Ora’s interest is *material*, and allowing Ministers to identify entities in addition to HUD to provide that advice; *Noted*
 - [Redacted]** s 9(2)(f)(iv) *Noted*

Developer applying directly to the competitive fund

 - Note** that you previously agreed that developers be able to apply directly to the competitive fund; *Noted*

- 6. **Note** that through engagement, some local government officials have expressed strong concerns about developers being able to apply directly to the competitive infrastructure fund and that Kāinga Ora considers it will be a greater operational challenge than it had previously; *Noted*
 - 7. **Note** that HUD officials consider the risks of allowing developers to apply directly manageable, and this remains an important part of ensuring all opportunities are identified; *Noted*
 - 8. **Confirm** that developers be able to apply directly to the competitive fund as previously agreed (recommended by HUD and preferred by the Treasury); *Confirmed*
- OR**
- Agree** to one of the following options:
- 8.1 Do not allow developers to apply directly to the fund at any stage (with the exception of iwi which would still be able to apply) *Agree/disagree*
 - 8.2 Allow developers to apply directly only to the initial expression of interest stage with a Territorial Authority needing to take any project to the full proposal stage (with the exception of iwi which would still be able submit a full proposal) (preferred by Kāinga Ora); *Agree/disagree*
- 9. **Note** if you decide that developers not be able to apply directly to the fund, we recommend that iwi are still able to apply directly if they prefer; *Noted*
 - 10. **Approve** the attached draft Cabinet Paper for lodging for consideration by the Cabinet Business Committee on 24 May 2021; *Approved*

s 9(2)(f)(iv)

[Redacted]

Noted



Hilary Eade
Kaiaki

19 / 05 / 2021

Hon Dr Megan Woods
Minister of Housing

..... / /

Hon Peeni Henare
**Associate Minister of Housing
(Māori Housing)**

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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. We provided you a draft of the Cabinet Paper for Ministerial consultation on 11 May [BRF20/21050955] which was circulated to Ministers following some feedback being addressed.
5. You recently requested advice on issues relating to use of development contributions in relation to the infrastructure fund. Initial advice is also provided in this briefing.

Changes to draft Cabinet paper

6. Your office indicated that no feedback has been received by Ministers requiring changes to the Cabinet paper.
7. The draft paper has been amended to now being a joint paper from the Minister of Housing and the Minister of Housing (Māori housing).

Minor adjustments to competitive fund settings

8. We have made some minor changes to the draft Cabinet paper with regard to the competitive fund. These are described below.

Adding 'flood control infrastructure'

9. We have added 'flood control infrastructure' to the eligible infrastructure projects (alongside transport and three waters). Engagement with local government identified this as a potential gap with flood control infrastructure being a necessary investment for some land to be unlocked. This is funded by regional councils and not recoverable through development contributions. It's unclear whether any project requiring such infrastructure would receive funding due to climate change risk, but we recommend not ruling it out.

Adjustments to second opinion advice role

10. You previously agreed that where the Kāinga Ora Board committee proposes a project in which it has an interest to Ministers for consideration, Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) will provide second opinion advice. We have made two minor changes to this provision:
 - a. The recommendation now refers to a '*material* interest' to account for the fact that Kāinga Ora's wide ranging land holdings may lead to situations where it owns a very small amount of land immaterial to the overall investment.
 - b. The recommendation now refers to second opinion advice from '*HUD and any other entities as directed by Ministers.*' This accounts for the possibility that Ministers may wish to draw on other agencies for expertise in receiving second opinion advice.

Clarification on commercial (non-residential) development

11. The paper now clarifies that, 'Infrastructure investments that would enable significant commercial development are eligible, but funding could only be sought in relation to the parts of the project reasonably attributable to enabling housing development.'
12. This addition was in response to engagement with local government where there was concern that the requirements excluded investments that would enable commercially-zoned land to be developed. Local government officials were in favour of the fund supporting these investments as well.
13. In contrast, we consider that this funding should be targeted specifically at enabling housing, but recognise that that some infrastructure projects will, by their very nature, also enable commercial development and that these shouldn't be ineligible. The approach described above provides for this balance.

Changes to advice on large scale projects

14. [REDACTED] s 9(2)(j)
15. The current paper proposes that decisions on further funding be subject to individual programme business cases for each large scale project (five in Auckland – Mount Roskill, Mangere, Tāmaki, Oranga and Northcote, and one in Porirua). This adjustment responds to feedback from the Prime Minister's office.
16. Considering funding at the programme business case level for each large scale project provides more Ministerial oversight and a finer level of consideration against the objectives and criteria of the Infrastructure Fund. In order to provide funding certainty, it is expected that the individual programme business cases will be completed within the 2021/22 financial year.
17. [REDACTED] s 9(2)(f)(iv)

Developers applying directly to the competitive fund

18. HUD previously recommended, and the Minister of Housing agreed that:
 - a. Developers are eligible to apply directly to the Fund through the project path, but are encouraged to work through Territorial Authorities (TAs) where possible;
 - b. Proposals from developers would need to demonstrate the degree of engagement and support from local government (and Waka Kotahi if the proposal related to State Highway improvements);
 - c. Whilst developers can apply directly through the project path, proposals located in TAs covered by the Programme Path will be considered alongside broader investment decisions for those TAs.
19. Kāinga Ora had previously indicated that it did not consider allowing developers to apply directly to be problematic from an operational perspective [refer BRF20/21040912].
20. There are two factors that have subsequently emerged. First, in our [REDACTED] s 9(2)(b)(ii) [REDACTED] (at least with respect to the Urban Growth Partnerships). They considered that making applications open to private sector developers could lead to "lots of wasted time on sites not strategically aligned and raise unrealistic expectations."
21. Additionally, Kāinga Ora has reconsidered its view on this issue in light of local government feedback and further internal operational analysis. They consider that it would not be advisable to provide funding to construct infrastructure that the TAs will own and operate to

enable a housing development which the TA does not support. Kāinga Ora is also concerned that developers expectations will be high and developers may be publicly very vocal. It is also concerned that consideration of the numerous proposals will demand significant resource and could have timing implications.

22. Treasury officials remain strongly in favour of allowing developers to apply directly to the fund.
23. We continue to recommend that developers be able to apply directly to the Fund. We recognise that it is significantly less likely that a proposal would get funded if it was strongly objected to by the TA. However, allowing developers to apply directly increases the ability to consider projects that are relatively lower priority from the local authority's perspective, but which align closely with the objectives of the fund.
24. Allowing developers to apply directly will place a greater operational burden on Kāinga Ora, but we consider this appropriately mitigated by:
 - a. Employing a two-stage process;
 - b. Having a minimum number of dwellings enabled requirement;
 - c. Encouraging developers to work with TAs where possible.
25. There are further options available to manage this such as shorter expression-of-interest for developer-led proposals. It will also need to be considered with respect to KO resourcing requirements.
26. An alternative middle-ground approach we have identified is to have developers able to submit expressions of interest, but these needing to be 'adopted' by a TA to be taken to a full proposal. This would provide visibility to central government of the opportunities and allow Kāinga Ora to encourage relevant TAs to take strong proposals forward, while largely addressing local government concerns about proposals that are poorly-aligned with their own infrastructure planning. However it would give TAs an effective 'veto' on proposals from this fund.
27. This is Kāinga Ora's preferred option.
28. We are seeking your confirmation that developers be able to apply directly to the fund as per your previous agreement (HUD's recommended approach). Alternatively, we seek your agreement to:
 - a. Not allowing developers to apply directly to the fund; or
 - b. Allowing developers to submit expressions of interest, which if recommended for advancement to a full proposal by Kāinga Ora, would need to be led by the relevant TA at that stage.
29. Across all options, we propose that iwi are able to apply directly to the fund (even if other developers may not). We consider that it is appropriate that the Crown's Treaty partners are able to engage directly with the Government if they prefer (although Kāinga Ora will still encourage alignment with TAs to the greatest extent possible).
30. The draft Cabinet paper reflects our advice to continue to allow developers to apply directly, if you agree to an alternative option, we can provide an updated draft quickly.

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

[Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

Next steps

39. Subject to your feedback the attached Cabinet Paper will be lodged on 20 May 2021, for consideration by the Cabinet Business Committee (CBC) on 24 May 2021.

Annexes

40. Annex 1: Draft Cabinet Paper, *Advancing the housing supply and affordability package*