



Cabinet

Minute of Decision

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Design of the Progressive Home Ownership Fund

Portfolio **Housing**

On 6 July 2020, following reference from the Cabinet Social Wellbeing Committee (SWC), Cabinet:

Background

- 1 **noted** that \$400 million was made available by Cabinet for a Progressive Home Ownership (PHO) Fund [SWC-19-MIN-0206];
- 2 **noted** that the objective of the PHO Fund is to increase opportunities for people to access home ownership who would not have otherwise been able to;
- 3 **noted** that the PHO Fund has three key priorities, to support:
 - 3.1 a range of places across New Zealand with severe housing affordability issues;
 - 3.2 people whose aspirations are to own their own home but for whom either the size of the deposit and/or the full ongoing cost of mortgage repayments is a barrier preventing them from doing so, particularly for:
 - 3.2.1 Cohort A: lower to median income households that are unlikely to buy a home without a reasonable level of financial and non-financial support;
 - 3.2.2 Cohort B: at or above median income households 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;
 - 3.3 the priority groups (including Māori, Pacific peoples, and families with children);

Pathway design

- 4 **agreed** that the common features that will be applied to each pathway be:
 - 4.1 that homes must be affordably priced, preferably new builds, and easily resaleable;
 - 4.2 that households should generally earn less than \$130,000 (with an exception for multi-generational households), be a first home buyer or second chancer, and be able to buy a home in New Zealand;

- 5 **agreed** that the iwi and Māori pathway and provider pathway take a supported approach, which will have common features of:
- 5.1 delivery of wraparound support alongside the PHO scheme;
 - 5.2 a wide range of different PHO products able to be used;
 - 5.3 delivery entirely by the PHO provider, from finding suitable homes to supporting households to graduation;
- 6 **agreed** that the iwi and Māori pathway applies a more flexible outcome-based approach, identifying the outcomes that organisations wish to deliver, and tailoring the approach to achieve these;
- 7 **agreed** that the provider pathway largely applies the process from the first phase, including the place-based approach, with the addition of a panel approach that is open to new providers;
- 8 **agreed** that the direct-to-household pathway takes a lighter touch approach to delivering PHO schemes, targeted towards those closer to home ownership than through the provider pathway and iwi and Māori pathway;
- 9 **agreed** that the government shared ownership product used in the direct-to-household pathway be designed by Kāinga Ora – Homes and Communities (Kāinga Ora) as the service provider applying Cabinet’s agreed design of the pathway, and that it will be:
- 9.1 a shared ownership product through tenants in common;
 - 9.2 designed around households graduating from the scheme within 15 years, to align with the capital recycling requirement;
 - 9.3 interest-free for households, but with the flexibility to potentially charge reasonable fees needed to operate the product as intended;
 - 9.4 designed so that households are responsible for the costs of home ownership, including rates, insurance, and maintenance;
 - 9.5 designed to have any capital gains shared with the home owner;
 - 9.6 available to an individual once only;
- 10 **agreed** to delegate detailed operational and legal design parameters for the government shared ownership product to the board of Kāinga Ora;
- 11 **invited** the Minister of Housing to report back to SWC on the final design of the government shared ownership product by December 2020, following the Kāinga Ora board’s agreement to its design;

Funding approach

- 12 **agreed** that the Minister of Housing set and regularly review an investment framework, which sets out the objective and priorities of the PHO Fund and guides the approach taken;
- 13 **agreed** that the funding approach for providers and iwi and Māori organisations largely follow the approach from the first phase in that:

- 13.1 loans will be interest free that must be repaid within 15 years of the initial drawdown;
- 13.2 any capital gains that a household would normally receive through the design of a PHO scheme could be kept by the household;
- 13.3 any capital gains that a provider or iwi and Māori organisation receives can be retained so long as they are used to deliver PHO schemes to more households;

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Roles and functions

- 15 **noted** that to successfully deliver PHO schemes to households through the PHO Fund, it is important that the different roles and functions are performed by organisations well suited and equipped to perform them;
- 16 **agreed** to the following allocation of functions and roles:
 - 16.1 that the Ministry of Housing and Urban Development (HUD) hold two separate functions:
 - 16.1.1 the policy function responsible for the overarching policy and the investment framework;
 - 16.1.2 the PHO function - a contract management, monitoring and assurance function that will give effect to the PHO Fund;
 - 16.2 that Kāinga Ora be the service provider for the direct-to-household pathway as it is the delivery arm of the government’s priorities for housing and urban development;
 - 16.3 that other PHO providers and iwi and Māori organisations deliver PHO schemes under the two other pathways;

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Interaction between the PHO Fund and other support products

- 19 **noted** that HUD officials will further explore opportunities with Kāinga Ora and Land for Housing for how the government’s supply initiatives could interact with the PHO Fund across the three pathways;
- 20 **noted** that KiwiBuild homes are complementary to the PHO Fund in that they deliver affordably priced new builds for sale to first home buyers and second chancers;
- 21 **agreed** that Kāinga Ora and the Crown be allowed co-purchase KiwiBuild homes with eligible KiwiBuild buyers where this is done under the direct-to-household pathway;

- 22 **noted** that HUD and Te Puni Kōkiri will explore opportunities for how programmes administered by Te Puni Kōkiri could interact with the PHO Fund across the three pathways, particularly for papakāinga developments of around ten homes;
- 23 **noted** that HUD and the Ministry for Pacific Peoples will explore what opportunities are available for the PHO Fund to support and be supported by the Budget 2020 initiative, Improving Housing for Pacific Families and Communities;

Implementation and timing

- 24 **agreed** that the provider pathway and iwi and Māori pathway be opened up to further organisations in late 2020;
- 25 **agreed** that the direct-to-household pathway be implemented in early 2021 to allow more time for it to be designed and developed.

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces SWC-10-MIN-0087. Cabinet amended paragraph 10 and added a new paragraph 11..