



# Cabinet

## Minute of Decision

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### Resetting the Government Build Programme

**Portfolio**                      **Housing**

On 2 September 2019, following the Cabinet Social Wellbeing Committee (SWC), Cabinet:

#### Background

- 1        **noted** that the government is intervening in a broken housing market to get more New Zealanders into warm, safe dry affordable homes;
- 2        **noted** that the government has made significant progress in the short-term, but still faces significant challenges in meeting the needs of its most vulnerable households and shifting the system to be more sustainable;
- 3        **agreed** that the Government Build Programme be reset to:
  - 3.1      increase the supply of affordable housing across the spectrum of housing need including for homeownership, secure rentals, and public housing; and
  - 3.2      make affordable housing more widely available through additional support to households;

#### The right home in the right place....

- 4        **noted** that the Government Build Programme must be better informed by the underlying demand and housing need in an area and may involve a different mix of public, affordable and market housing across the country;
- 5        **agreed** that the key areas of focus for KiwiBuild homes will be in the main centres including Auckland, Tauranga, Hamilton, Wellington and Queenstown where KiwiBuild price caps are comparable with the lower quartile price and or the average price paid by first home buyers;
- 6        **noted** that the Ministry of Housing and Urban Development is developing a place-based approach which will over time inform and ensure the government's interventions, including the Government Build Programme is well targeted underlying demand and need;

#### ....at the right price point

- 7        **noted** that the existing KiwiBuild price caps have been an effective stretch target to get developers to redesign developments to amend the mix and price points of homes they build;

- 8 **agreed** that the current KiwiBuild price caps apply to the affordable homes delivered through the Government Build Programme;
- 9 **agreed** to increase the price cap for the Wellington Region to \$550,000 for homes that are three bedrooms or larger;
- 10 **authorised** the Minister of Finance and the Minister of Housing to approve up to 10 per cent of the affordable homes in a development procured by Kāinga Ora or the Ministry of Housing and Urban Development that are four bedrooms or above be delivered above the price caps;
- 11 **noted** that Kāinga Ora and Ministry of Housing and Urban Development will exercise operational discretion to set lower target price points for particular developments than the home price caps referred to in paragraphs 9 and 10;

### **Kāinga Ora will co-ordinate and deliver the Government Build Programme**

- 12 **noted** that Kāinga Ora will adopt a number of approaches to co-ordinate and deliver the Government Build Programme:
- 12.1 in its capacity as landowner;
  - 12.2 through getting land build ready; or
  - 12.3 where it does not own all the land as a partner with others;
- 13 **noted** that Kāinga Ora will develop long term partnerships with builders, developers, the community housing sector, local government and iwi;
- 14 **noted** that the Minister of Housing intends to work with institutional investors, the community housing sector, iwi and philanthropic investors to identify opportunities to deliver a social dividend by supporting the supply of affordable rentals in return for land made available as part of the Government Build Programme;

### **Extending home buyer support**

- 15 **noted** that in the past the government has played an important role in supporting people into homeownership through low interest mortgages and capitalisation of the universal family tax credit;
- 16 **noted** that the Minister of Housing intends to consider a range of different ways to improve the buyer experience for first home buyers, including bringing together government products and working with banks and developers to improve the understanding of KiwiBuild and Crown support products so they can better inform their customers;
- 17 **agreed** that the current government support products be brought together under a First Home brand through:
- 17.1 renaming the KiwiSaver HomeStart Grant, the First Home Grant;
  - 17.2 renaming the Welcome Home Loan, the First Home Loan;

18 **agreed** to establish the following new appropriation to give effect to the policy decision in paragraph 17.1 above:

Vote	Appropriation Minister	Title	Type	Scope
Housing and Urban Development	Minister of Housing	First Home Grants	Benefit or Related Expense	This appropriation is limited to First Home Grants for people who meet the required eligibility criteria.

19 **approved** the following fiscally neutral adjustment to give effect to the policy decision in paragraph 17.1 above, with no impact on the operating balance and/or net core Crown debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Benefits or Related Expenses:					
KiwiSaver HomeStart Grants	(70.746)	(106.120)	(106.120)	(106.120)	(106.120)
First Home Grants	70.746	106.120	106.120	106.120	106.120

20 **noted** that no change to Non-departmental Output Expense: Housing New Zealand Corporation Support Services appropriation is necessary to give effect to the policy decision in paragraph 17.2 above;

21 **agreed** that the First Home Grant be paid to all buyers who are eligible for the grant where there are three or more buyers by removing the current cap of \$10,000 for an existing home and \$20,000 for a new home;

22 **agreed** that to enable households who have been saving in KiwiSaver for three years to meet the minimum deposit requirement the following changes be made to the First Home Grant and First Home Loan:

22.1 reduce the First Home Grant deposit requirement from 10 per cent to 5 per cent for new and existing homes;

22.2 reduce the deposit requirement for the First Home Loan from 10 per cent to 5 per cent for new and existing homes;

23 **noted** that the cost of the policy decisions in paragraphs 21 and 22.1 above is \$18.700 million over five years;

24 **noted** that a \$20 million underspend in the Benefits or Related Expenses: First Home Grants appropriation is projected in 2019/20 that could be repurposed to fund the cost of the policy decisions in paragraphs 21 and 22.1;

25 **noted** that while the Fiscal Management Approach requires that changes to policy settings underpinning Benefits or Related Expense appropriations be funded from the Budget or the Between Budget Contingency, Cabinet has discretion to decide otherwise;

- 26 **agreed** to repurpose the underspend to fund the costs of the policy decisions in paragraphs 21 and 22.1 above rather than draw from the Between Budget Contingency established through Budget 2019 or pre-commit against Budget 2020;
- 27 **approved** the following changes in appropriation to reflect the repurposing of the projected underspend to fund the cost of the policy changes in paragraphs 21 and 22.1 above with a corresponding impact on the operating balance and net core Crown debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Benefits or Related Expenses: First Home Grant	(16.100)	3.600	3.900	4.200	4.400

- 28 **noted** that underspends in the Benefits or Related Expenses: First Home Grants appropriation are also projected in future years but are unlikely to be available to reprioritise given expected revisions to the forecast at the Half Year Economic and Fiscal Update;
- 29 **noted** that the cost of the policy decision in paragraph 22.2 can be absorbed within the current Non-departmental Output Expense: Housing New Zealand Corporate Support Services appropriation;

### Expanding opportunities for homeownership through progressive homeownership

- 30 **noted** that as part of Budget 2019 Cabinet agreed that \$400 million in operating funding from the KiwiBuild Housing Multi Year appropriation be set aside to support the delivery of affordable rental homes and homes to be sold through progressive homeownership programmes;
- 31 **agreed** that the funding set aside in Budget 2019 be made available through a progressive homeownership fund:
- 31.1 to support the expansion of progressive homeownership schemes currently offered by community housing providers, iwi and Māori organisations and financial institutions; and
- 31.2 for the direct provision of progressive homeownership schemes by the Crown;
- 32 **noted** that the progressive homeownership fund will be designed in a way that funds are recycled to the Crown within ten years so that spending is fiscally neutral under the fiscal management approach;
- 33 **noted** that a progressive homeownership fund will require operating funding and that these costs remain uncertain and dependent on final scheme design;
- 34 **invited** the Minister of Housing to report to SWC by the end of 2019 setting out:
- 34.1 target households for the progressive homeownership fund;
- 34.2 the high level approach and design features including:
- 34.2.1 the process for a call for proposals from community housing providers, iwi and Māori organisation and financial institutions to deliver progressive homeownership schemes;
- 34.2.2 the process to establish a Crown shared equity scheme;

34.3 the establishment, administrative and other operating costs for the and how these will be funded;

34.4 with the Minister for Pacific Peoples, how this fund could improve homeownership for Pacific peoples;

35 **agreed** that the Ministry of Housing and Urban Development commence targeted engagement with potential providers and investors to inform the report back in paragraph 34;

36 s 9(2)(f)(iv)

### Divesting unsold properties

37 **noted** that as part of resetting the Government Build Programme the government needs to divest itself of certain properties that it underwrote in the early days of the Programme for which sufficient eligible purchasers have not been identified;

38 **noted** that the government has improved its demand analysis, made a number of changes to the terms of the underwrite and improvements to the way in which the Programme operationalises the underwrites entered into that will ensure a better match of KiwiBuild supply to eligible purchaser demand;

39 **agreed that, subject to** meeting the underwrite price and identifying any Housing New Zealand demand in Wanaka, the completed and future homes in the following developments can be sold on the open market to any buyer without restriction on the buyer:

39.1 Northlake in Wanaka where KiwiBuild has underwritten 211 homes;

39.2 Lakeside in Te Kauwhata where KiwiBuild has underwritten 175 homes;

39.3 Canterbury, where KiwiBuild has underwritten 75 homes across 12 locations;

40 **noted** that where the underwrite price cannot be met, the Minister of Housing will report back to Cabinet with further proposals;

41 **agreed** that homes that can now be sold on the open market listed in paragraph 39 above should not be counted as KiwiBuild Homes;

42 **noted** that even with the best analysis some homes will not be purchased by eligible purchasers;

43 **agreed** that Kāinga Ora and the Ministry of Housing and Urban Development be enabled, or provide approval for developers, to sell KiwiBuild homes to other buyers where fewer than 15 per cent of the KiwiBuild homes within a development remain on the market and unsold to eligible purchasers;

44 **agreed** that the sale to other buyers of more than 15 per cent of the KiwiBuild homes within a development require approval from Cabinet;

45 **agreed** that for homes approved for sale on the open market through paragraphs 43 and 44 that buyer restrictions are removed, and the homes should not be counted as KiwiBuild homes.



### Widening the pool of buyers

- 46 **noted** that while previous homeowners are included within the group of eligible purchasers who can purchase a KiwiBuild home, the criteria is not well understood and the asset test may exclude many potential buyers;
- 47 **agreed** to remove the asset test that applies to previous homeowners from the criteria for persons to be eligible to purchase a KiwiBuild home;
- 48 **noted** that the three-year occupation requirement for KiwiBuild homes has deterred some potential buyers for one bedroom and studio homes;
- 49 **agreed** that to be eligible to purchase a one bedroom or studio KiwiBuild home a person must intend to occupy the home for at least twelve months;
- 50 s 9(2)(f)(iv) [REDACTED]

### Other technical amendments

- 51 **noted** that Cabinet previously agreed that one of the definitions for a completed newly built dwelling was defined as a dwelling of any type that received its building code compliance certificate less than six months before the date of the first home buyer's application;
- 52 **agreed** to amend the definition of a completed newly built dwelling described in paragraph 51 to be any type of dwelling that received its building code compliance certificate less than twelve months before the date of the first home buyer's application;

### Measuring progress

- 53 **noted** that while the KiwiBuild programme has led to an increase in the supply of affordable homes, the target of 100,000 homes itself has created unintended behaviours where not enough focus was given to underlying demand in specific locations or of typologies and price points;
- 54 **agreed** to remove the target of 100,000 KiwiBuild homes;
- 55 **noted** that the Ministry of Housing and Urban Development has developed a dashboard of indicators to track the government's progress in assisting more New Zealanders into affordable homes, including:
- 55.1 key outputs, such as the supply of public and affordable homes;
- 55.2 increased momentum through movement in building and resource consents granted;
- 56 **noted** that the dashboard will be a public facing set of indicators and will be updated on a monthly basis from mid October 2019;

### Technical change to appropriations for establishment of Kāinga Ora – Homes and Communities

- 57 **noted** that the nature of the work towards establishing Kāinga Ora – Homes and Communities will soon shift from providing policy advice to broader establishment activity, and that a new appropriation is required for the Ministry of Housing and Urban Development to undertake this activity;

58 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Housing and Urban Development	Minister of Housing	Establishment of Kāinga-Ora – Homes and Communities	Departmental Output Expense	This appropriation is limited to the establishment of the new housing and urban development authority: Kāinga Ora – Homes and Communities.

59 **approved** the following fiscally neutral adjustment to provide for the cost to establish the new housing and urban development authority, Kāinga Ora – Homes and Communities, with no impact on the operating balance and net core Crown debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Departmental Output Expenses: KiwiBuild Unit (funded by revenue Crown)	(3.100)	-	-	-	-
Establishment of Kāinga Ora – Homes and Communities (funded by revenue Crown)	3.100	-	-	-	-

60 **agreed** that the changes to appropriations proposed in paragraphs 19, 27 and 59 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

Prime Minister  
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Minister of Finance  
Minister of Housing  
Associate Minister of Housing (Māori Housing)  
Associate Minister of Housing (Public Housing)