

In Confidence

Office of the Minister of Finance

Office of the Minister of Housing

Cabinet Economic Development Committee

Government Policy Statement on Housing and Urban Development

Proposal

1. This paper seeks agreement to publicly release a discussion document containing draft content for the Government Policy Statement on Housing and Urban Development (GPS-HUD).

Relation to government priorities

2. Our Government's priority is to improve wellbeing, with a focus on addressing housing, tackling climate change and alleviating child poverty.
3. The GPS-HUD will help with all of these connected goals. It focuses on the long-term system changes needed to address the causes of the housing crisis and reset the system to better ensure everyone can access healthy, secure and affordable housing, within thriving, sustainable communities. We won't succeed in addressing child poverty until all children have secure, healthy homes to live in, and we won't succeed in our climate change objectives until we significantly reduce the emissions generated by the way we build and use our homes, towns, and cities. More than this, our economic future, and our transition towards a productive, inclusive, and low-carbon economy, will be contingent on the performance of our towns and cities as affordable, accessible, and safe places to live and work.
4. Our Government also has a priority to keep New Zealanders safe from COVID-19. The economic fallout from COVID-19 has brought into stark relief the housing and urban-related inequality that already existed in our country. In prioritising our recovery from COVID-19 we need to build back better, and that means addressing the long-term systemic barriers that have constrained our housing and urban development. The GPS-HUD can help us to do this and to build resilience in our communities that will allow us to respond better and faster to future unexpected shocks.

Executive Summary

5. The Kāinga Ora-Homes and Communities Act 2019 (the Kāinga Ora Act) requires the Government to prepare and issue a GPS-HUD that states the Government's overall direction and priorities for housing and urban development, and that informs and guides the actions of agencies involved in housing and urban development. This includes setting expectations for how Kāinga Ora-Homes and Communities (Kāinga Ora) manages its functions and operations to meet the priorities and direction in the GPS-HUD.
6. The GPS-HUD provides an opportunity to build consensus with all of the sectors and players in the system about how we reset the long-term strategic direction for the housing and urban development system to achieve our shared objectives.
7. The GPS-HUD discussion document proposes a strategic direction focussed on ensuring that everyone in Aotearoa lives in a healthy, secure and affordable home that meets their needs, within a thriving, inclusive and sustainable community. It suggests actions that focus on the system-level changes needed to address the causes of the housing crisis and our urban under-performance.
8. We have significant system-shaping reforms underway in the resource management system, three waters and local government, and more. We have also made recent decisions to establish a \$3.8bn infrastructure fund, and make changes to support for first home buyers, extend the bright-line test and amend interest deductibility rules for investors. The GPS-HUD helps give shape to this work programme, enabling us to make good decisions within the context of clear long-term objectives.
9. Under the Kāinga Ora Act, Kāinga Ora must give effect to the GPS-HUD when performing its functions. However, successful delivery of the proposed strategic direction will rely on collective action across a range of Government agencies and other actors across the system.
10. We are seeking Cabinet's approval to release a discussion document containing draft content for the GPS-HUD for public consultation and to undertake targeted engagement with key partners and stakeholders, in line with the requirements in the Kāinga Ora Act. This will give us an opportunity to build further consensus about the long-term strategic direction for housing and urban development.
11. Following the consultation and engagement, we propose to bring a final draft GPS-HUD back to Cabinet for approval in September 2021.

Background

12. On 20 November 2019, we brought an oral item to the Cabinet Economic Development Committee, proposing an approach to developing the GPS-HUD. The Committee discussed the proposed approach and noted that

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further papers will be submitted in due course [DEV-19-MIN-0307]. Since this time, officials have undertaken engagement across the housing and urban development sector and developed content for a draft GPS-HUD.

13. The Kāinga Ora Act requires the Ministers to issue a GPS-HUD by 1 October 2021. The purpose of the GPS-HUD is to:
 - 13.1. state the Government's overall direction and priorities for housing and urban development; and
 - 13.2. inform and guide the decisions and actions of agencies involved in and the activities necessary or desirable for housing and urban development.
14. The GPS-HUD must include the following (as well as any other matters the Ministers may consider relevant):
 - 14.1. the Government's overall direction for housing and urban development, which must include a multi-decade outlook
 - 14.2. the Government's priorities for housing and urban development
 - 14.3. how the Government expects Kāinga Ora to manage its functions and operations to meet the Government's direction and priorities for housing and urban development
 - 14.4. how the Government expects other agencies to support that direction and those priorities
 - 14.5. the Government's expectations in relation to Māori interests, partnering with Māori, and protections for Māori interests
 - 14.6. how the Government expects Kāinga Ora to recognise the need to mitigate and adapt to the effects of climate change.
15. The GPS-HUD may be reviewed at any time but must be reviewed every three years.
16. When preparing the GPS-HUD, the Ministers must—
 - 16.1. be satisfied that the GPS-HUD promotes a housing and urban development system that contributes to the current and future well-being of New Zealanders; and
 - 16.2. consult Kāinga Ora and persons, and representative groups of persons who have an interest in housing and urban development in New Zealand.

Analysis

The content in the draft GPS-HUD discussion document focuses on the system level changes needed to address the causes of the housing crisis

17. Our Government has a comprehensive work programme aimed at making housing more secure, healthy and affordable for all, and investing in infrastructure to get our cities moving, keep New Zealanders safe, unlock housing supply, boost productivity, and transition to an inclusive, low-carbon economy.
18. We recently announced the establishment of a \$3.8b infrastructure fund to accelerate housing supply in the short to medium term, including in our place-shaping Kāinga Ora-led large-scale projects. We have increased the income and house price caps for first home grants and loans, and introduced a progressive home ownership scheme to make home ownership a reality for more families. We have extended the bright line test and removed interest deductibility for property investors in order to reduce the damaging speculation that has fuelled house price growth. In Budget 2020 we committed to the delivery of an additional 8,000 public and transitional housing places, further expanding on the substantial government build programme that we have underway. In Budget 2021 we announced an additional \$380m investment in Māori housing.
19. We are making it easier to build more housing to meet demand, by unlocking land and development capacity. In the short- to medium term we are implementing the National Policy Statement on Urban Development and have put in place fast-track consenting processes and a new Urban Development Act to support large-scale developments. Over the longer-term we are reforming the resource management system, and the way local authorities provide three waters infrastructure and services. We are improving the tools available to fund and finance infrastructure across the system.
20. Through the Aotearoa New Zealand Homelessness Action Plan, Public Housing Plan, Te Maihi o te Whare Māori (MAIHI) Framework for Action, and through our urban growth partnerships and other initiatives, we are finding new ways of working, centred on the Treaty partnership, on the importance of 'place', and focused on building capability and constructive relationships across the system.
21. An accompanying paper to this committee proposes that Government commence a review of the 2014 Māori Housing Strategy, He Whare Āhuru He Oranga Tāngata (He Whare Āhuru). This will strengthen MAIHI and continue the momentum to achieve significant and enduring housing outcomes with, for and by Māori. Undertaking this review now will enable us to align strategic direction across the GPS-HUD, MAIHI and the Māori housing strategy.
22. These actions, and more, are critical, but ongoing action and vigilance will be needed in order fully address a set of challenges that is decades in the making. The GPS-HUD provides us with an opportunity to bring this broad

work programme together and link it to a common strategic direction that is easily understood, and then ensure that strategic direction is enduring long into the future.

23. The Government declared a climate change emergency in December 2020, the Cabinet Business Committee agreeing that climate change “demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge” [CBC-20-MIN-0097 refers]. This includes ensuring our housing and urban development system supports our emission reduction goals and enables our communities to adapt well to the impacts of a changing climate.

The GPS-HUD can build much needed agreement over strategic direction for New Zealand’s housing and urban development

24. An ongoing problem for our housing and urban development system is lack of an agreed strategic direction and outcomes we are collectively seeking to achieve, which could guide government investment, policy and regulation, and help to align the decisions of the broad range of actors in the system. There are many different groups, organisations and agencies involved in the housing and urban development system, and it is only by aligning our actions that we will solve our housing crisis. We see the GPS-HUD as an important tool for building consensus around a shared, long-term vision and outcomes for the system.
25. Because the GPS-HUD is a tool to build consensus about what we want for the future of housing and for our towns and cities, input from iwi and Māori partners, local government, and the broad range of groups and organisations which play a part in the housing and urban system has been crucial to the development of draft content for the GPS-HUD. Further engagement is also essential to ensure the GPS-HUD has a broad level of support. This is critical because implementing the GPS-HUD cannot rely on government action alone.
26. A good amount of engagement has already taken place, to build a greater understanding of what our partners and stakeholders want for the future and how we might get there. For example, HUD officials held a series of online workshops with around 120 stakeholders and iwi and Māori partners throughout August and September 2020, including specific workshops focused on matters relevant to iwi and Māori. The input from iwi and Māori partners and stakeholders is reflected throughout the GPS-HUD discussion document, including in the description of the issues facing the system, the proposed vision and the proposed priority focus areas.
27. Officials have also gained insights from other processes that have occurred or are underway, for example, the MAIHI framework for action, claims made under the Waitangi Tribunal’s Wai 2750 kaupapa inquiry into housing policy and services, the Aotearoa New Zealand Homelessness Action Plan, the development of the National Policy Statement on Urban Development, the Public Housing Plan, and the work on the Emissions Reduction Plan and National Adaptation Plan.

How the GPS-HUD works

28. Under the Kāinga Ora Act, Kāinga Ora must give effect to the GPS-HUD when performing its functions. The draft proposes a number of priority focus areas that should help Kāinga Ora to prioritise its efforts. In addition, the draft document includes a section setting out potential expectations relating to how Kāinga Ora manages its functions and operations to meet the direction and priority focus areas.
29. However, successful delivery across the vision and priority focus areas will also rely on action across a range of Government portfolios. We are seeking your support for the strategic direction proposed in the GPS-HUD discussion document, including ensuring your agencies give effect to any aspects that are relevant to your portfolios, once the GPS-HUD is finalised. Over time we envisage the GPS-HUD could be a tool that informs changes to other portfolio strategies, including investment strategies. It could also create expectations that a wider range of agencies will be involved in place-based planning to ensure the Government gives effect to the outcomes and priorities in the GPS-HUD. The discussion document has been developed with input from agencies across Government.
30. The GPS-HUD discussion document also contains strategic direction and priority focus areas that could be actioned and supported by organisations from across the housing and urban development sector, such as iwi and Māori organisations, local government, the development, infrastructure and building and construction sectors, and community housing providers and other NGOs. As part of the engagement, we will seek feedback from these agencies as to whether and how they might support these actions.

The GPS-HUD discussion document proposes a shared strategic direction

31. The GPS-HUD discussion document sets out a vision for the housing and urban development system, being: “Everyone in Aotearoa lives in a healthy, secure and affordable home that meets their needs, within a thriving, inclusive and sustainable community.”
32. It articulates the outcomes we are seeking from housing and urban development, which in the final version will likely be supported by key indicators that can help us track whether we are achieving our vision. These outcomes are:
 - 32.1. *Thriving communities* - Everyone is living in homes and communities that meet their employment, education, social and cultural wellbeing needs and aspirations — places that are affordable, connected, environmentally sustainable, safe and inclusive.
 - 32.2. *Wellbeing through housing* - All New Zealanders own or rent a home that is affordable, healthy, accessible, secure, and which meets their needs and aspirations.

- 32.3. *Partnering for Māori housing and urban solutions* - Māori determine their housing needs and aspirations, supporting whānau prosperity and inter-generational wellbeing, and decide the means to achieve those aspirations.
- 32.4. *An adaptive and responsive system* - The system is integrated, self-adjusting, and responsive to emerging challenges and opportunities.
33. The GPS-HUD discussion document proposes six focus areas, which are inter-dependent and will help give shape to, and align, the Government's work programme and the actions of other organisations we work with:
 - 33.1. Ensure that more affordable homes are being built
 - 33.2. Provide homes that meet people's needs
 - 33.3. Support resilient, sustainable, inclusive and prosperous communities
 - 33.4. Invest in Māori-driven housing and urban solutions
 - 33.5. Prevent and reduce homelessness
 - 33.6. Re-establish housing's primary role as a home rather than a financial asset
34. These focus areas include and expand on the three objectives which Cabinet agreed to for the housing market on 8 March 2021 [CAB-21-MIN-0045 refers], and which were also communicated by the Minister of Finance to the Reserve Bank in February. These were:
 - 34.1. ensure that every New Zealander has a safe, warm, dry, and affordable home to call their own – whether they are renters or owners (this is reflected in the focus area *provide homes that meet people's needs*).
 - 34.2. support more sustainable house prices, including by dampening investor demand for existing housing stock, which would improve affordability for first-home buyers (this is reflected in the focus area *re-establish housing's primary role as a home rather than a financial asset*).
 - 34.3. create a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners, and is well-planned and well-regulated (this is reflected in the focus area *ensure that more affordable homes are being built*).
35. In response to sector engagement, and taking a broader focus that incorporates urban development as well as the housing market, the content in the GPS-HUD discussion document expands on these objectives with the addition of priority focus areas on meeting the needs of the most vulnerable,

enabling Māori-driven solutions, and creating sustainable, inclusive and prosperous communities.

36. Housing and urban development are complex areas and interact with several other portfolios. Therefore, the GPS-HUD discussion document proposes to shift the ways that government and others in the system work to achieve better outcomes in the following ways:
 - 36.1. *Te Maihi o te Whare Māori* – government, iwi and Māori work collaboratively to drive tailored and enduring solutions to meet Māori housing and urban development aspirations, engage early and often, and build capacity and capability to provide for tino rangatiratanga.
 - 36.2. *Place-based approaches* – communities need solutions that work for them, and solutions will need to be developed collaboratively in each place.
 - 36.3. *Genuine and enduring partnerships* – effective relationships, and coordinated planning, investment and decision-making delivers outcomes and supports capability and capacity building across the system.
 - 36.4. *Sustainable and reliable funding* – the system can rely on long-term, sustainable sources of funding and financing (both private and public) to support and incentivise housing and urban development outcomes.
37. The GPS-HUD discussion document presents a range of actions that can support the achievement of the outcomes as well as the priority focus areas. At present, this is based on the Government's already-agreed work programme, and existing tools and investments, but ideas for further actions will be sought through the consultation on this discussion document.

Next steps

We propose to consult on the GPS-HUD discussion document in June and July and bring a final draft GPS-HUD back to Cabinet in September

38. Following Cabinet agreement, we will continue to finalise the design and make any minor amendments required to the GPS-HUD discussion document prior to publication. This will include:
 - 38.1. Incorporating te reo Māori translations of the vision, outcomes and focus areas, and the consultation questions.
 - 38.2. Incorporating a 'state of the system' infographic dashboard, which will complement and strengthen the section of the document titled '*Action is Needed Today*'. This is still under development, and will include key statistics encompassing housing affordability, supply, quality, as well as urban accessibility and sustainability (i.e. key transport and emissions metrics), drawing on existing sources.

- 39. We propose to release the GPS-HUD discussion document on the HUD website for public consultation in mid-June, and consultation will run through to the end of July.
- 40. We intend to direct officials to undertake additional targeted engagement with iwi and Māori partners and with stakeholders involved in the housing and urban development system during this period, to ensure we hear a range of views and to help build consensus for the long-term strategic direction with the sector.
- 41. In addition, the Minister of Housing intends to use scheduled engagement opportunities over the consultation period to invite views on the draft GPS-HUD.
- 42. The following presents the high-level timeframe:

Activity	Timeframe
Consultation period	Mid-June – End of July 2021
Summary of submissions and feedback prepared	August 2021
Report-back to Cabinet with final GPS-HUD	September 2021
GPS-HUD finalised and publicly available	1 October 2021

Financial Implications

- 43. The GPS-HUD is being prepared within HUD’s baseline funding.
- 44. While there are no immediate financial impacts, over time, we would expect the GPS-HUD to influence the shape and size of future Budget decisions and the allocation of investment towards housing, infrastructure and urban development.

Legislative Implications

- 45. The GPS-HUD discussion document does not directly propose any legislative changes. It will set the strategic direction for the development of future policies that may require legislation.

Impact Analysis

Regulatory Impact Statement

- 46. There are no regulatory proposals in this paper, and therefore Cabinet’s regulatory impact analysis requirements do not apply.

Climate Implications of Policy Assessment

47. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply as the GPS-HUD does not have a direct impact on emissions. However, we expect that the GPS-HUD could have a significant indirect impact on emissions over the long term, by setting expectations that we will integrate housing with infrastructure provision and use good urban design to achieve integrated, well-located, transit-oriented, human-scale, mixed-use, safe and accessible built environments. These can help to reduce transport emissions by promoting transport mode shift and reducing the need for motorised travel. The discussion document also includes expectations that we lift buildings’ operational efficiency and reduce whole-of-life embodied emissions, while improving buildings’ indoor environmental quality.

Population Implications

48. Development of content for the GPS-HUD discussion document has included consideration of the implications for different population groups, as shown in the table below.

Population group	How the proposal may affect this group
Māori	The discussion document proposes including, as a priority, delivering the MAIHI framework for action so that iwi and Māori drive solutions that are tailored and enduring across the various landscapes (rural and urban) where whānau Māori reside. This will include responding to immediate needs, reviewing existing programmes to identify opportunities to deliver positive change for whānau Māori, as well as resetting the system and processes to support iwi and Māori in line with Te Tiriti obligations, and current and future settlements.
Women	The discussion document proposes direction that would benefit women by improving access to housing. Women are disproportionately affected by the housing crisis. For example, sole parents, especially single mothers, are over-represented in homelessness statistics, and, where homes are solely owned by one person, women are less likely to own them than men.
Disabled people	Proposed policy direction in the discussion document would benefit disabled people, by setting expectations that housing will meet the needs of all people, including those living with disabilities; improving housing affordability and security; and also by supporting accessible built environments in our urban areas.
Children	Children and families suffer significantly from housing deprivation. Poor housing affordability, poor security of tenure and poor access to good quality housing affects our levels of child poverty and the health and wellbeing of children. The policy direction in the discussion document aims to increase housing supply and ensure it meets the needs of all New Zealanders, which will benefit children by lifting the access families have to good quality housing. The independent mobility of children has also reduced significantly in recent decades as a result of built environments that are dominated by cars. The policy direction to deliver human-scale, safe and accessible built environments that are walkable and cyclable will allow for greater independent mobility for children.

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Seniors	The proportion of New Zealanders reaching retirement age without owning their own home has increased, meaning they need an income stream to pay for rent or are reliant on public or community housing. The discussion document proposes policy direction that will assist more New Zealanders into home ownership, to increase support for affordable and public and social housing, and to ensure housing is appropriate for people at all life stages. Seniors who are no longer able to drive will also benefit from policy direction in the discussion document to deliver human-scale, safe and accessible built environments that are walkable.
People who are gender diverse	Gender diverse people are disproportionately likely to face homelessness and to struggle to access housing, due to discrimination in housing and employment. The discussion document proposes work to reduce homelessness, to increase housing supply and to ensure housing supply meets the needs to all New Zealanders, including ensuring housing is more affordable.
Pacific peoples	Nearly forty percent of Pacific peoples are living in overcrowded housing in New Zealand, and Pacific peoples have very low and declining rates of home ownership. Many Pacific peoples have preferences for multi-generational family living, and New Zealand’s housing stock does not tend to easily accommodate this. The discussion document proposes work to increase housing supply, diversity, quality and affordability, which can help to improve the access of Pacific peoples to quality housing that meets their needs and is not overcrowded. It also proposes increased support for home ownership, particularly for Pacific peoples.
Rural communities	The discussion document proposes policy direction that would help to address the needs of rural communities by improving housing quality, affordability and broader housing outcomes in these places and improving the functionality of urban and town centre environments in these areas.

Human Rights

49. This proposal is not inconsistent with either the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.
50. The International Bill of Rights and the Convention on the Rights of the Child include the right to a decent home. The United Nations Declaration on the Rights of Indigenous Peoples includes numerous provisions that highlight the critical importance of home (kāinga) and land (whenua) to tangata whenua. Successive New Zealand governments have promised to comply with these agreements.
51. The policy direction in the discussion document supports the right to a decent home, for example, by including policy direction to meet Te Tiriti obligations by resetting the system to support iwi and Māori in their housing aspirations, as well as direction to reduce homelessness, support housing affordability, support access to housing that meets all people’s needs (including the most disadvantaged), and reinforcing the role of the house as a home rather than a financial asset for wealth creation.

Consultation

52. The Kāinga Ora Act requires that, when preparing the GPS-HUD, Ministers must consult Kāinga Ora and persons, and representative groups of persons, who have an interest in housing and urban development in New Zealand.
53. The following departments have had opportunities to input to the development of the discussion document and were consulted on this Cabinet Paper: Climate Change Commission, Department of Conservation, Department of Internal Affairs, Infrastructure Commission, Kāinga Ora, Ministry for the Environment, Ministry of Business, Innovation and Employment, Ministry of Culture and Heritage, Ministry of Education, Ministry of Health, Ministry of Pacific Peoples, Ministry of Social Development, Ministry of Transport, Statistics New Zealand, Te Arawhiti, Te Puni Kōkiri, Waka Kotahi New Zealand Transport Agency. The Department of Prime Minister and Cabinet has been informed.
54. A range of partners and stakeholders involved in the housing and urban development system were also engaged in the development of the GPS-HUD discussion document, as outlined in paragraph 26. The planned public consultation on the discussion document will meet the consultation requirements in the Kāinga Ora Act.

Communications

55. Subject to Cabinet agreement, the GPS-HUD discussion document will be released on the HUD website in mid-June. We propose to issue a press release to ensure that New Zealanders know there is an opportunity to submit on the document. HUD will engage with key partners and stakeholders via workshops and meetings held in person and online, and the Minister of Housing will also use any scheduled engagements to share the discussion document and invite views.

Proactive Release

56. We intend to proactively release this paper by publishing it on HUD's website.

Recommendations

The Minister of Finance and Minister of Housing recommend that the Committee:

- 1 **note** that the Kainga Ora – Homes and Communities Act 2019 requires the Minister to issue a Government Policy Statement on Housing and Urban development (GPS-HUD) by 1 October 2021
- 2 **note** that the purpose of the GPS-HUD is to state the Government's overall direction and priorities for housing and urban development; and inform and guide the decisions and actions of agencies involved in, and the activities necessary or desirable for, housing and urban development

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- 3 **note** that an accompanying paper to this committee proposes a review of the 2014 Māori Housing Strategy, He Whare Āhuru He Oranga Tāngata which will complement strategic direction provided in the GPS-HUD and continue the momentum to achieve significant and enduring housing outcomes with, for and by Māori
- 4 **note** that a discussion document setting out draft content for the GPS-HUD has been prepared by the Ministry of Housing and Urban Development, with input from other government agencies as well as partners and stakeholders from across the housing and urban development system
- 5 **note** that, once the final GPS-HUD is agreed and published, it will create expectations and obligations for all government agencies that play a role in housing and urban development to act consistently with its direction, and that we will seek Cabinet agreement to these expectations and obligations as part of the approval process for the final draft GPS-HUD
- 6 **note** that we propose to publicly consult on the GPS-HUD discussion document from mid-June, for at least six weeks
- 7 **note** that in addition to the public having an opportunity to submit on the GPS-HUD discussion document, we have directed officials to undertake further targeted engagement with partners and stakeholders in the housing and urban development system as an opportunity to receive more detailed feedback.
- 8 **approve** the release of the GPS-HUD discussion document for public consultation
- 9 **authorise** the Minister of Housing to approve any further minor and technical changes and additions to the GPS-HUD discussion document prior to its release for public consultation
- 10 **note** that we will report back to Committee in September 2021 with a final draft of the GPS-HUD for approval

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Minister of Housing

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Appendices

Discussion Document: Government Policy Statement on Housing and Urban Development