

Cabinet Priorities Committee

Housing and Urban Development: progress and next steps

CPC Tuesday 12 February 2019

We've already achieved a lot

What we said we'd do

What we've achieved

Building more affordable houses

- Build 100,000 affordable KiwiBuild homes over 10 years
 - Establish a UDA to partner with the private sector, iwi and councils; cut through red tape; and fast-track major projects
 - Grow the construction workforce
 - Streamline the resource management system
 - Introduce innovative infrastructure financing mechanisms (e.g. bonds)
- Contracted and committed 341 KiwiBuild homes so far in 2018/19, and have a further 10,014 confirmed for outyears
 - Purchased Unitec for large-scale development of over 3,000 homes, and have Crown-led large-scale developments underway in Mangere, Mt Roskill, Tāmaki, and Eastern Porirua, which will collectively deliver approximately 25,000 to 28,000 new homes – mostly over the next 10 years
 - Finalised the first Crown Infrastructure Partners investment, which will support development of over 4,000 homes at Milldale in North Auckland
 - Establishing the Housing and Urban Development Authority as the Crown's urban developer of scale, with access to special regulatory tools – legislation due to be introduced in June 2019

Supporting those in need

- Focus Housing New Zealand on helping people, not making a profit
 - Take serious action to end homelessness (including boosting Housing First and delivering 6,400 new public houses over four years)
- Delivered 867 public housing places so far in 2018/19, and are on track to meet our delivery target of 1,600 for 2018/19
 - Delivered 328 transitional housing places and 233 additional Housing First households so far in 2018/19
 - Introduced direct leasing model with developers to bring on more public housing
 - Extended the operating supplement to HNZ and CHPs nationally to bring on more public housing
 - Overdelivered on the Winter 2018 target to bring on 1,742 additional places to support those in need
 - Housing New Zealand have implemented a tenant centred approach

We've already achieved a lot

What we said we'd do

What we've achieved

Cracking down on speculators

- Ban foreign speculators from buying existing homes
- Extend the bright-line test to five years
- Ring-fence losses from investment properties to create a level playing field for first home-buyers
- Banned overseas buyers of existing homes, and put in place loss ring-fencing of rental properties
- Legislation to extend the bright-line test is in place and took effect 29 March 2018
- Ring fencing changes have been introduced and will take effect from 1 April 2019

Making life better for renters

- Enact a suite of changes to tenancy laws (e.g. banning letting fees; abolish 'no-cause' terminations; Healthy Homes Guarantee Bill, etc)
- Develop a Rent-to-Own or similar progressive home-ownership scheme
- Passed Health Homes Guarantee Act, and are on track to deliver our new Healthy Homes regulations by April 2019, to take effect in July 2019
- Banned letting fees
- Consulted on changes to the Residential Tenancies Act to make life better for renters

Delivering better homes for Māori

- Partner with hapu, iwi and Māori organisations to develop affordable and public housing
- Establishing a Māori Housing Unit within the new Ministry of Housing and Urban Development
- 11 agreements in partnership with iwi to deliver potentially 2,260 KiwiBuild homes are in place or in progress
- Established long term relationships to support large scale projects with iwi e.g. Porirua and Unitec

We are building more and faster

Build programme	Built or delivered 1/7 - 31/12/18	Activity as at 31 Dec 18		Total activity for 18/19	Out years					
					19/20	20/21	21/22	22/23	23+	Total
<u>Public housing</u>	<i>Delivered</i>	<i>Planned</i>		<i>Delivered and planned as at 31 Dec 18</i>	<i>(Note for outyears planned activity for 19/20 - 21/22 as at 30 June 2018)</i>					
Public Housing	867	1,102	-	1,969	1,563	1,495	1,150	-	-	6,177
State	279	849	-	1,128	1,120	1,120	1,120	-	-	4,488
Community	588	253	-	841	443	375	30	-	-	1,689
<u>KiwiBuild</u>	<i>Built</i>	<i>Under construction</i>	<i>Yet to start (completed by 30 June 2019)</i>	<i>Contracted and committed</i>	<i>Contracted and committed - outyears</i>					
Total KiwiBuild (excluding late stage negotiation)	58	173	110	341	1,081	1,555	1,205	1,329	4,844	10,355
Buying off plans	28	112	6	146	s 9(2)(b)(ii)					1,290
Land for housing	0	3	15	18						493
Housing NZ	30	58	89	177						2,427
HLC	0	0	0	0						6,145

Large Scale Projects will be the main KiwiBuild forward pathway

- Large scale projects are critical to accelerate KiwiBuild supply, in particular from year 3
- 6145 KiwiBuild homes are locked in already for HLC delivery in Mt Roskill, Porirua East, Mangere, Unitec, Northcote and some of Tāmaki
- But more supply will be coming on through other large scale projects once decisions are made, and noting that most of these are at very early stage:

s 9(2)(f)(iv)

- I have asked officials to advise how some of these could be accelerated, including through the special powers of the HUDA

And we're making a positive impact

Building consents and first home buyers

Measure	2018	Change from the previous year	Source
Building consents - Nationwide	32,996	+1,909 (6%)	Stats NZ
Building consents - Auckland	12,862	+1,995 (18%)	Stats NZ
Higher density attached dwellings as a share of building consents	36.0%	+3.6 percentage points	Stats NZ
Number of consents issued to central government builders (including HNZN)	1,999	+638 (up to a 40 year high)	Stats NZ
First home buyer share of purchases (December quarter)	23%	+1 percentage point	CoreLogic

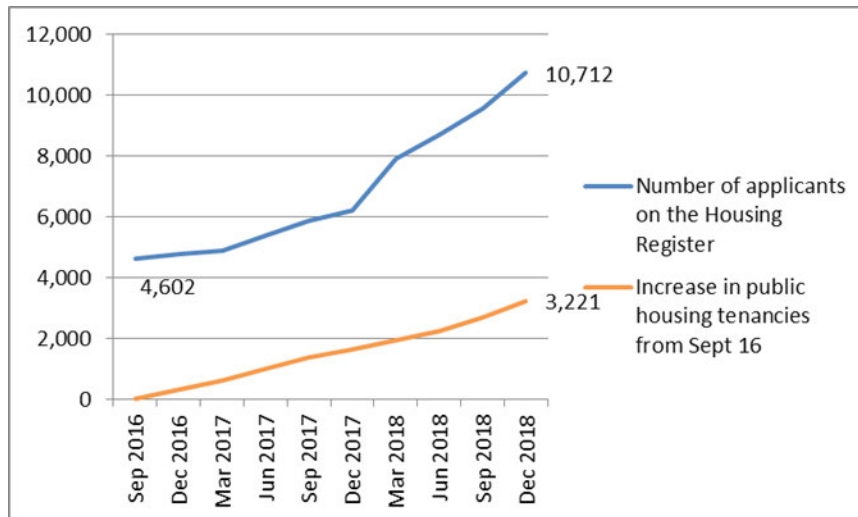
Annual house price increase

Measure	Average over 2012-2017	2018	Source
Auckland	+12%	-1%	REINZ house price index
Rest of New Zealand	+8%	+8%	REINZ house price index

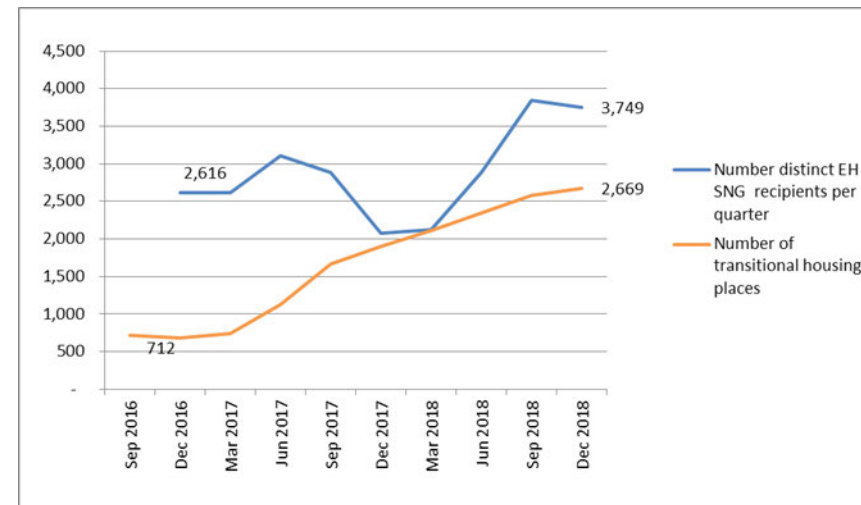
But we need to do more for our most vulnerable until our full programme takes effect

- Emergency Housing Special Needs Grants (EH SNG) continue to increase, the Housing Register has increased by 73% in the year to December 2018, and rents increased approximately 4.5% per year from \$344 in 2014 to \$413 in 2018
- Despite our high levels of spending the Housing Register is still increasing – there aren't enough houses to meet demand
- We're already building more public housing but we're also working to end homelessness and to increase the supply of affordable housing

Demand and Supply of Public Housing

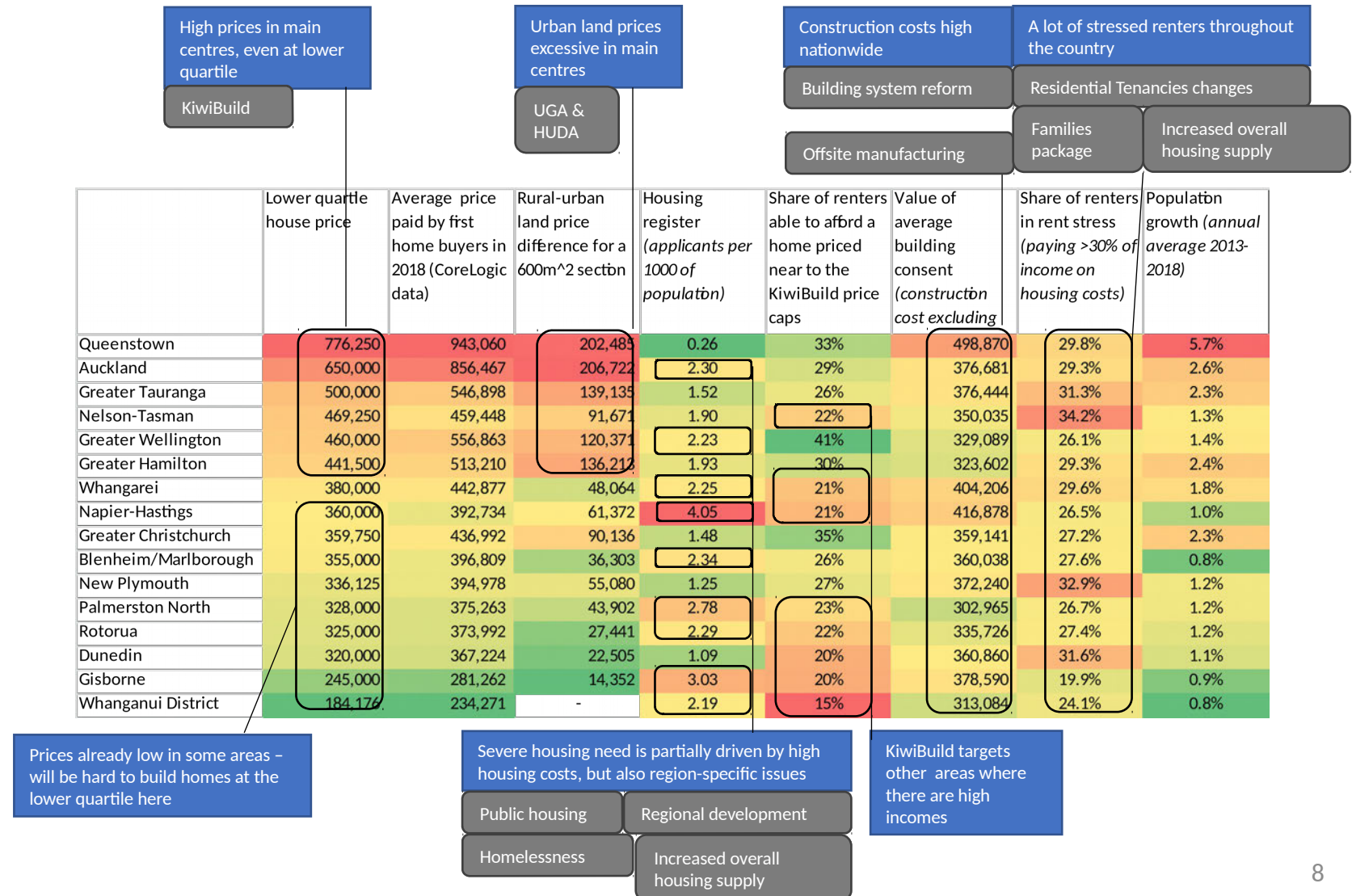


Demand and Supply of Transitional and Emergency Housing



We also need to move to a more regional approach

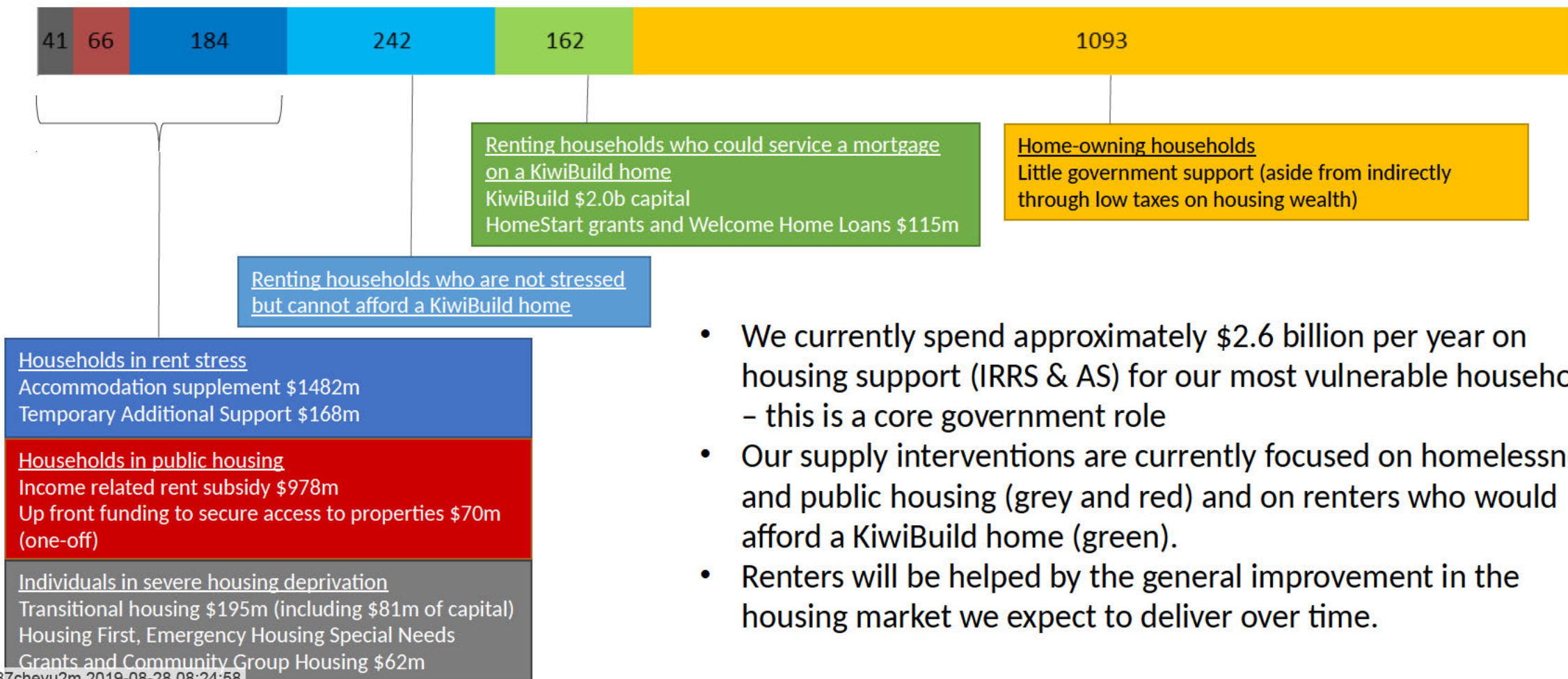
- KiwiBuild is not the answer everywhere or for everyone.
- In **high growth areas** the problem is supply
- In **low growth areas** there are broader issues around poverty, rental supply and incomes
- The **rental market** is a nationwide pressure area



We're spending a lot to support people

Key groups by housing situation and 2018/19 appropriations

(Numbers on chart show thousands of households, severe housing deprivation measures individuals)



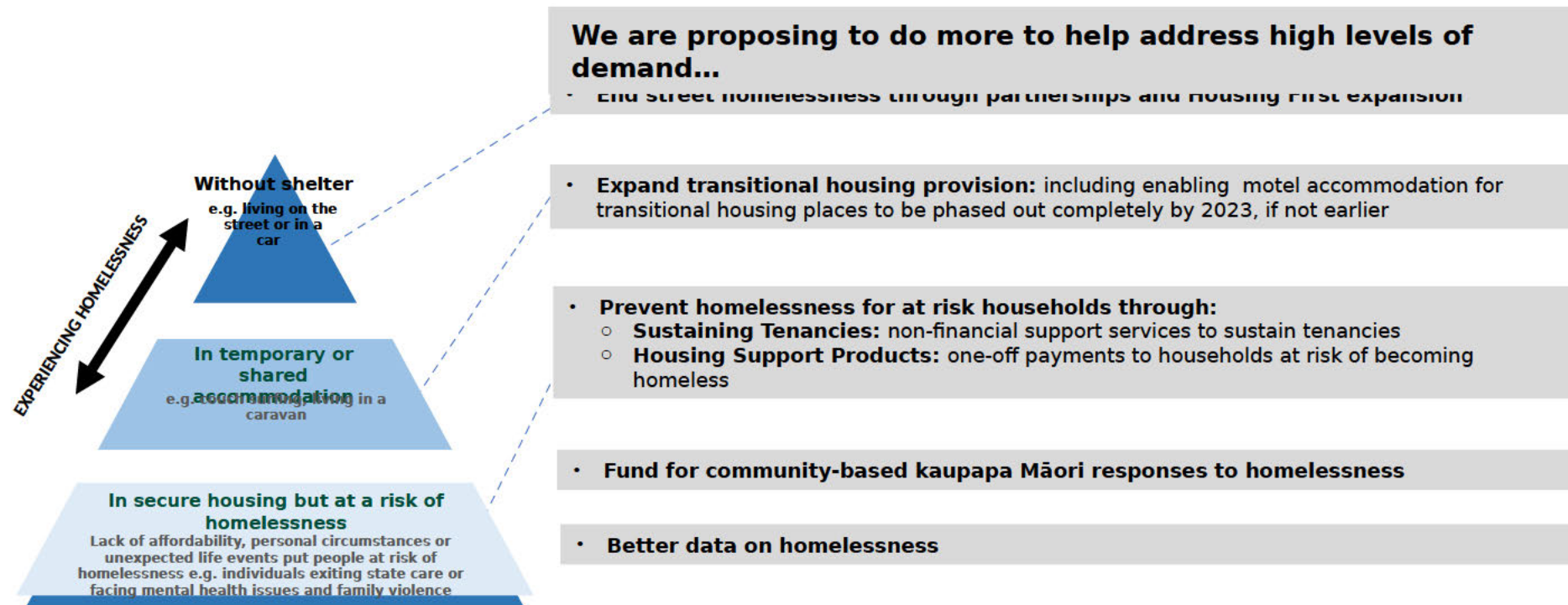
- We currently spend approximately \$2.6 billion per year on housing support (IRRS & AS) for our most vulnerable households – this is a core government role
- Our supply interventions are currently focused on homelessness and public housing (grey and red) and on renters who would afford a KiwiBuild home (green).
- Renters will be helped by the general improvement in the housing market we expect to deliver over time.

We propose to spend more to end homelessness

Despite increased resource for supply and support services, the need for housing support is continuing to increase...

Since 2016, we have added more Housing First, transitional and public housing places

- From 472 Housing First places in 2016 to 1,480 places in 2018
- From 712 transitional housing places in September 2016 to 2,669 places in December 2018
- From 61,392 IRRS places in September 2016 to 65,225 places in December 2018



There is a need to support low income stressed renters

- There is a need to increase the supply of affordable, secure rentals and homes sold under progressive home ownership
- Officials are working on an Affordable Housing Fund that would support low-to-moderate income households to access affordable, high quality, housing with a focus on delivery for whānau Māori and Pacific Peoples, and households with children
- The Fund would complement KiwiBuild by supporting people with low incomes, including assisting some people into KiwiBuild homes through shared equity and rent-to-buy schemes
- It will be delivered by not-for-profit CHPs, iwi and Māori housing organisations, and local authorities, supporting key providers to scale and deliver self-sustaining growth over time
- It will leverage private sector investment – past experience suggests every \$1 invested by the Crown results in equivalent investment from the philanthropic sector
- The original seed funding will be recycled by providers over time, to deliver further affordable rental homes and progressive home-ownership schemes (estimate 7,000 additional households assisted into home ownership over 25 years through recycling of the original investment)

KiwiBuild: What we have learned

- We need to focus Kiwibuild in areas where first home buyer demand at new build price points is likely to be highest (i.e. where we are not competing with cheaper existing stock)
- We also need better information on the buyer pipeline. As KiwiBuild supply grows, buyer support might be required, particularly for lower income households
- The underwrite has not been as effective at this stage as anticipated to support the early years of KiwiBuild
- Some of the settings and customer offerings for KiwiBuild have been off-putting for some developers and buyers (the ballot, the three year restriction)
- The process for acquiring land, both Crown and private, is complex and slow
- The policy and legislative process around HUDA has taken more time than expected
- The underlying drivers of poor housing and urban system performance constrain KiwiBuild, in particular the ability to build modest houses where there is demand

KiwiBuild: options

- We still building the machine – we have learned a lot and can make changes to improve KiwiBuild to get faster progress:
 - Change some of the KiwiBuild incentives and processes to make life easier for both builders and buyers, including the way we contract with builders and developers so that they can deliver faster for us
 - Better demand information to ensure supply matches demand
 - Removing the ballot
 - Re-visiting the three year restriction on buyers
 - The Crown can more actively purchase land and change the way it manages its surplus or under-utilised land, using the Crown balance sheet, or, as a last resort, the Public Works Act
 - HUD, HNZ and HLC are already working together as a virtual UDA, and they will actively look for opportunities to accelerate the large-scale projects
- If we move on these now they will make a difference from years 2 and 3

We must address the underlying system issues to make more progress

- These are necessary enablers of KiwiBuild and public housing and efficiencies across the entire market
- Challenges so far reinforce the importance of the Urban Growth Agenda which addresses land and infrastructure barriers - the system settings work against faster change
 - We need to keep our foot down on the wider reform programme to ensure that KiwiBuild is successful and that even more difficult and expensive government intervention isn't required
- Even where there is significant zoned and serviced land, developers can face financing barriers, consenting hurdles, and are incentivised to drip-feed housing production
- Construction capacity and productivity constraints are affecting the viability of some developments – we can only go so fast in the short-term, until higher-productivity solutions kick in
- Even with a fair regulatory / institutional wind, the physical process of developing land, providing infrastructure and building homes takes *time*

So we need to address the underlying issues

- And I need to work with you to address these – there are some hard choices to make
- We need to discuss these four elements now and agree on which proposals would make the biggest impact for our housing objectives, including KiwiBuild:
 - Accelerate freeing up land through rezoning and land acquisition
 - Accelerate infrastructure support
 - Accelerate private development by addressing planning and consenting hurdles and penalising land banking
 - Ensuring there is the construction capacity to build the houses
- If we move on these now they will make a difference from years 4, 5, 6 and onwards
- We need your feedback and direction now on what further advice you require us to provide you with so we can report back by the end of April