

**[BUDGET SENSITIVE]**

Office of the Minister of Finance

Office of the Minister of Housing

Cabinet

**Increasing housing supply and improving affordability for first home buyers and renters**

**Proposal**

- 1 This paper sets out the components of, and seeks agreement to, a Housing Acceleration Fund that will, in the short to medium term:
  - 1.1 increase the pace and scale of housing supply by bringing forward land for development and enabling the Government to lead development; and
  - 1.2 increase the number of homes that are affordable to own and rent that are not currently being delivered by the market to support low to moderate income households.
- 2 This paper seeks agreement and funding for changes to First Home Products (First Home Grants and First Home Loans). The measures are:
  - 2.1 increasing the income cap for First Home Products to \$95,000 for a single buyer and to \$150,000 for two or more buyers; and
  - 2.2 increasing the house price caps for First Home Products for both existing and new properties.
- 3 This paper also signals a number of other proposals being developed by the Minister of Housing which will form important components of our rolling supply-side response.
- 4 These proposals complement our demand-side changes that address speculative demand for housing and the extensive urban reforms underway that will change the system over the medium to long term.
- 5 These proposals are subject to Budget 2021 funding to increase the pace and scale of housing supply.

**Relation to government priorities**

- 6 Our Government has three overarching objectives; to keep New Zealanders safe from COVID-19, to accelerate our recovery, and lay the foundations for a better future, through reducing inequality and addressing child poverty, reducing carbon emissions and improving housing affordability [CAB-20-MIN-0525].

## Executive Summary

- 7 The Housing Acceleration Fund outlined in this paper, together with the proposals in the Cabinet paper “Backing first home buyers and encouraging property investment into new housing supply” and the urban reforms that are already underway, form a joined up approach to address housing affordability, support first home buyers and better incentivise investment in new homes.
- 8 Access to affordable housing is one of New Zealand’s persistent long-term challenges, and these issues have been amplified in recent months. We are currently facing unsustainable house price growth, with rents also increasing. This is having very real impacts on New Zealanders, with many families struggling to buy their own home, while others are struggling to find suitable rental accommodation and are facing difficult choices about meeting their rent and meeting their essential needs.
- 9 Low interest rates and increased investor activity have contributed to recent house price growth. Another key structural issue is that the market is not building enough houses in the places we need. Those that are being built are not at prices that low to moderate income households can afford, whether for rent or home ownership.
- 10 There are a number of reasons that the market is not delivering the volume or kind of supply we need. They include limited access to land for development, inadequate infrastructure capacity, and the fact that, in many places, it is not financially viable to build houses – whether for rent or home ownership – at prices that people can afford. The market and local government are not adequately addressing these issues, and certainly not at the pace required. Central government needs to step in and play a stronger role as proposed in this paper to:
  - 10.1 increase the pace and scale of development by bringing forward land for development and enabling the government to lead development in the short- to medium-term; and
  - 10.2 increase the number of homes that are affordable to own and rent that are not being delivered by the market to support low to moderate income households.
- 11 The policies outlined in this paper, alongside the additional initiatives the Minister of Housing is developing, have been developed through officials’ extensive engagement over the last couple of years with iwi, developers and local government through our urban growth and place-based partnerships<sup>1</sup>. Officials have also continually tested their approach with key industry leaders.
- 12 The Housing Acceleration Fund brings together a number of key initiatives that will support new housing supply and deliver more homes that are affordable to own and rent to support low to moderate income households, and assist some first home buyers with affordability.
- 13 Specific initiatives included in the Housing Acceleration Fund include:

---

<sup>1</sup> Auckland, Hamilton Waikato, Tauranga/Western Bay of Plenty, Wellington Region, Christchurch, Queenstown Lakes, Rotorua, Hastings, Tairāwhiti, and Te Tai Tokerau.

- 13.1 a Kāinga Ora Land Programme;
  - 13.2 an Infrastructure Fund; and
  - 13.3 additional funding for the Land for Housing programme.
- 14 The package proposed in this paper puts demand on the current volume of the building and construction workforce. While there are some reports of emerging capacity constraints in the residential construction and infrastructure sectors, we do not see these as an insurmountable barrier. Capacity over the next five years will need to be carefully managed – but this can be done, drawing on expertise across Kāinga Ora, the Ministry of Business Innovation and Employment, Te Waihanga, Waka Kotahi, and local government.
- 15 To this end, we want to support the construction workforce pipeline. There are already a significant number of construction apprentices and the relevant Ministers want to continue to support them and new apprentices through the Apprenticeship Boost Initiative (ABI).
- 16 Officials are currently reviewing uptake across the different initiatives within the Apprenticeship Support Programme, and it may be possible to utilise possible underspends to extend the duration of the ABI from 20 months up to 24 months. Any further funding requirements would be met through the COVID-19 Response and Recovery Fund (CRRF).
- 17 We propose that Cabinet agree in principle to a four-month extension of the end date of the ABI. We propose that financial decisions are delegated jointly to the Ministers of Finance, Social Development and Education once information on underspends is confirmed.
- 18 We also propose changes which will help prospective first home buyers (this includes second chancers)<sup>2</sup>. Our proposal to increase the income caps for First Home Products will expand the cohort of first home buyers that can access the First Home Grants and First Home Loans.
- 19 In many parts of the country the house price cap has begun to limit the number of houses first home buyers can buy using First Home Products. This is because lower quartile house prices in some places have increased above the current house price caps. Our proposal to increase the house price caps for First Home Products will address this. We propose increasing both existing and new property house price caps, lifting the price caps for existing houses by half the amount we propose for new builds.
- 20 The Minister of Housing is developing a number of other proposals that will form important components of our rolling supply-side response, including:

---

<sup>2</sup> Second chancers are also eligible for the First Home Products. However, they must not have previously received the First Home Grant and must also not have realisable assets worth more than 20 percent of the house price cap for existing properties in the area they are buying. Currently second chancers make up 7% to 10% of all grants.

- 20.1 a Residential Development Response Fund that will focus on supporting affordable housing within private residential developments, supporting purpose built rental opportunities where possible;
- 20.2 a strong Māori and iwi and led supply programme as part of the Government's Māori and Iwi Housing Innovation Framework for Action (MAIHI);
- 20.3 a number of changes to settings for existing programmes, such as KiwiBuild  

s 9(2)(f)(iv)
- 20.4 other settings to better facilitate the development of a purpose built rental market in New Zealand,  

s 9(2)(f)(iv)
- 21 Our rolling supply side response complements the more fundamental systems reforms that are underway (including resource management reforms, implementation of the National Policy Statement on Urban Development (NPS-UD), and our existing supply initiatives which are primarily focused on public housing). It is deliberately broad and covers both increasing the supply of housing generally and increasing the number of homes that are affordable to own and rent that are not being delivered by the market.
- 22 To have a meaningful impact, and send a clear signal to the market that this Government is serious about addressing housing supply and affordability, a range of interventions is required now.
- 23 We should expect to see impacts in the next two years where the Government is leading development through delivering a broader mix of affordable housing for ownership and rental alongside our Public Housing build programme. Bringing forward land supply through the Infrastructure Fund will increase housing supply in the medium term. While infrastructure is a medium-to long-term solution to addressing the housing shortfall, it can reduce expectations of future increases in land values and developers' incentives to drip feed land to the market and provide greater certainty to the construction sector to continue to build capacity.
- 24 However, this package is not about the Government doing everything itself. To be effective in the next two years we need to work through our urban growth and place-based partnerships to ensure investment is genuinely additional, is in the right place, and does not displace activity that would have otherwise occurred. To do this we must ensure we are investing alongside local government and that other constraints to development are removed (for example, accelerating other activities that advance the objectives and policies of the NPS-UD).
- 25 To ensure the maximum effect from our supply package the Minister of Housing is seeking through Budget 2021:
  - 25.1 \$3 billion of funding for the Infrastructure Fund and Land for Housing components of the Housing Acceleration Fund  

s 9(2)(f)(iv)

- 25.2 operating funding to support the Kāinga Ora Land Programme (the third component of the Housing Acceleration Fund) of s 9(2)(f)(iv) er annum over the next four years and out years (a total of s 9(2)(f)(iv) ver the next four years). This funding is separate to the \$3 billion and will be sought through Budget 2021. It will:
- 25.2.1 cover land holding and interest costs for the \$2 billion of private Kāinga Ora debt;
  - 25.2.2 support delivery of a range of non-commercial outcomes including homes that are affordable for low to moderate-income households and are not being delivered by the market; and
  - 25.2.3 ensure that public housing is mixed with affordable rental and market housing rather than just larger public housing estates.
- 25.3 \$49.2 million to support changes to income caps and house price caps for First Home Products;
- 25.4 s 9(2)(f)(iv) of funding for progressing Land for Housing Programme outcomes using unallocated KiwiBuild funding, with an additional s 9(2)(f)(iv) to cover costs associated with analysing deals to be met by using unallocated Urban Development Authority set up funding within the KiwiBuild appropriation;
- 25.5 s 9(2)(f)(iv)
- 25.6 s 9(2)(f)(iv)
- 26 We propose to announce the high-level features of the \$3 billion Housing Acceleration Fund alongside out demand side measures in the Cabinet paper “Backing first home buyers and encouraging property investment into new housing supply”.

## **Background**

- 27 This paper, together with the measures outlined in the Cabinet paper “Backing first home buyers and encouraging property investment into new housing supply”, forms a package designed to address housing affordability, support first home buyers and better incentivise investment in new housing supply. It builds on our extensive reform programme already underway.

### *Overarching objectives*

- 28 Both papers have been guided by the overarching Government housing policy objectives, agreed by Cabinet on 15 February 2021 (CAB-21-MIN-0018- refers), to:
- 28.1 ensure every New Zealander has a safe, warm, dry and affordable home to call their own – whether they are renters or owners;

- 28.2 support more sustainable house prices, including by dampening investor demand for existing housing stock, which would improve affordability for first home buyers; and
- 28.3 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.

*The housing market is not delivering for all New Zealanders*

- 29 Access to affordable housing is one of New Zealand's persistent long-term challenges. The OECD's Better Life Index 2020 suggests New Zealanders spend the largest proportion of their disposable income on housing costs in the OECD. From 1991 to 2019, before COVID-19, our house prices had the highest real growth in the OECD at 266 per cent. Over the same period, the proportion of households owning their own home has declined from 75.3 per cent in 1991 to 64.3 per cent in 2018. The decline has been sharper for Māori.
- 30 Increasing housing costs have disproportionately affected low-income renters. *Housing in Aotearoa 2020* shows the proportion of all renting households spending more than 30 per cent of their disposable income on rent increased from 24 per cent in 1990 to 44 per cent in 2019. For renting households, under the age of 65, and in the bottom income quintile, approximately three quarters spend more than 40 per cent of income on rent. By comparison rents for those in public housing are capped at 25 per cent of income, meaning the gap between public and market rents is significant.
- 31 Exacerbating these longer-term trends, we are now facing unsustainable house price growth, with annual house price inflation at 19 per cent in the year to January 2021. Rents are increasing too, with rents for new tenancies increasing by 7 per cent in the year to October 2020 and at faster rates than incomes. Public housing register numbers continue to climb, reaching 22,521 in December 2020 and more than 5700 motels are being funded by government to support homeless whānau. Māori communities have been particularly vulnerable with some of the highest rates of Emergency Housing Special Needs Grants by population in Rotorua, Gisborne and Hawke's Bay.
- 32 These recent and longer-term trends in housing costs have worsened inequality. Rising house prices have increased homeowners' wealth, which is 14 times higher than for those who do not own their home. But for renters, rising prices have meant home ownership is out of reach for a growing number, and have left households exposed to the risk of escalating rents. In some parts of the country rents have increased by more than 50 per cent in the last six years (including Rotorua, Hastings, Napier, Far North, Tauranga, Upper Hutt, Lower Hutt and Porirua).
- 33 These housing outcomes mean that families are struggling to buy their first home, and many renters are facing choices about meeting their rent and meeting their essential needs. More families are facing overcrowding and homelessness. Aside from poorer financial outcomes, insecure housing tenure affects families in many other ways, including poor attendance at school, adverse health outcomes, and impacts on



people's employment opportunities. Ensuring renters have access to a safe, warm, dry and affordable home is fundamental to New Zealanders' wellbeing.

*The underlying reasons are complex and vary by location*

- 34 Low interest rates, and increased investor activity, have contributed to recent house price growth. Another key structural issue is that the market has not built enough houses in the places we need. Those that are built are not at prices low-to-moderate income households can afford, whether for rent or home ownership.
- 35 Although consent levels are at their highest level since 1973, our population has increased significantly in that time. In the year to December 2020, just 7.5 homes were consented per 1000 people, compared with 13.4 in 1973. The value of new build homes is also too high, with the median value homes built in 2020 standing at \$836,000 nationally<sup>3</sup>. This shows a clear need to increase the supply of homes in the right place, of the right type and at the right price.
- 36 There are a number of reasons that the market is not delivering the volume or kind of supply we need. Supply constraints in the form of restrictive zoning and under investment in infrastructure have limited both the amount of land that can be used for residential development, and the density at which that land may be developed. Many councils are unwilling or unable to pay for the infrastructure required to support increased housing supply at the pace needed. Decisions around land use, transport, water and community infrastructure are often not aligned. Together these constraints drive up the cost of new housing, so it is more expensive than it needs to be. This affects both house prices and rents.
- 37 Historic underinvestment in infrastructure and increased expectations around levels of service mean councils are also facing significant costs to renew poorly performing assets in addition to meeting the costs of growth and new housing.

s 9(2)(i)
- 38 In our main centres fragmented land ownership makes it difficult to secure and redevelop brownfield land in an efficient manner that optimises density, improves amenity, and delivers economies of scale. Meanwhile, in greenfield areas when land is scarce and values are rising, landowners can be incentivised to hold onto land in the expectation that it will be worth more in the future.
- 39 Māori face a range of additional challenges to develop their whenua, including difficulty with access to finance, location and securing agreement to build from multiple owners.
- 40 Central government has played a diminished role in directly supporting housing supply and affordability following the central and local government reforms of the

<sup>3</sup> This reflects the current market value of homes built in 2020 as estimated by HUD using indexed ratings valuations and council estimates of year built.

late 1980s and early 1990s, including the introduction of the Resource Management Act.

- 41 Even with the various constraints on development removed there will still be a gap between what the market will deliver and what is affordable for people to own and rent. This means government needs to play a stronger role to ensure delivery of housing in right place, of the right type and at the right price, where the market won't do so, complemented by direct financial support for first home-buyers and renters where necessary.

*These issues impact different places in different ways*

- 42 The housing problems in Auckland and other main centres have been clear for some time. But in recent years we have also seen significant growth in housing costs in the regions. Unlike the main centres where growth in consents has been strong, new supply has been unresponsive to house price growth in many regional centres. For example, in Rotorua the RIENZ house price index rose by 137 per cent in the six years to November 2020. But in the year to December 2020, only 2.2 consents were issued in Rotorua per 1000 people compared to 9.7 in Auckland (and 7.4 nationally).
- 43 A key challenge in regional centres is that, although prices and rents have risen sharply, the cost of new housing is often higher than the value of existing homes. Where existing homes are cheaper, demand for new housing, and therefore supply, is low. The lack of new housing has meant that additional demand for housing from population growth has led to more crowding, rental stress, increased demand for public housing and high use of Emergency Housing Special Needs Grants.
- 44 Reflecting these challenges, most of the priority locations in our Public Housing Plan 2021-24 are regional centres. However, on its own, a significant boost in public housing won't be sufficient and the proposals in this paper are designed to boost the supply of affordable and market housing to complement our Public Housing build programme. Right now, the levels of private development are low which means that boosting supply in the near-term will rely more heavily on government led development.
- 45 In the main centres our focus is different. In Auckland new dwelling consents are equivalent to half of all sales meaning what is built, and where, is critical. We need to maintain momentum through ensuring there is a continued pipeline of development ready land, reducing the cost of land and construction, and delivering a more diverse range of housing types (where the market won't do so) that are affordable to own and rent. The Government can play an important role by leading complex urban development projects.
- 46 As a Government, we have made substantial progress over the last few years that starts to address the structural issues hindering urban development, setting a foundation for a more responsive urban development system that will unlock more housing supply in the right places. This includes establishing new central government institutions to lead system change, reengaging in strategic planning for housing and urban development (including working in partnership with iwi and local government through our Urban Growth and place-based partnerships), starting to address some



planning and infrastructure funding and financing constraints, strengthening the rights of tenants, and establishing our Aotearoa Homelessness Action Plan.

### **Action is required**

- 47 There is not one solution to New Zealand's housing crisis. Instead a mix of longer-term reforms, more direct government action and investment, and targeted demand side measures are needed.
- 48 We are proposing a rolling supply-side response where the Government takes direct action and invests to get results in the short to medium term. This will support the medium-to-long term reforms by:
- 48.1 increasing the pace and scale of development by bringing forward land for development and enabling the Government to lead development in the short to medium term; and
- 48.2 increasing the number of homes that are affordable to own and rent that are not being delivered by the market to support low to moderate income households.
- 49 They will complement the demand-side measures proposed in both this paper and the Cabinet paper "Backing first home buyers and encouraging property investment into new housing supply" which seek to create more opportunities for first home buyers, by dampening investor demand for existing housing stock. They will also complement the other initiatives the Minister of Housing is continuing to progress, particularly those that will underpin a purpose built rental sector in New Zealand.
- 50 As noted we've made substantial progress over the last few years to address some of the structural issues hindering urban development.
- 51 The longer-term reforms underway, detailed in Annex One, will have a significant impact on housing supply and affordability in the medium to long term. Given the urgent need we face now, the Government needs to take action to boost supply in the shorter term and to deliver affordable housing for low to moderate income households, which we know the market will never deliver. Without action we will see a worsening of the housing shortage over the next decade

### **The focus of the rolling supply side response**

- 52 The Housing Acceleration Fund proposed in this paper brings together a number of key initiatives that will support new housing supply and deliver more homes for low to moderate-income households to rent and own.
- 53 Specific initiatives included in the Housing Acceleration Fund include:
- 53.1 a Kāinga Ora Land Programme;
- 53.2 an Infrastructure Fund; and
- 53.3 additional funding for the Land for Housing programme.

54 The Minister of Housing is developing a number of other proposals that will form important components of our rolling supply-side response, including:

54.1 a Residential Development Response Fund that will focus on supporting affordable housing within private residential developments, supporting purpose built rental opportunities where possible;

54.2 s 9(2)(f)(iv)

54.3

54.4 other settings to better facilitate the development of a purpose built rental market in New Zealand

s 9(2)(f)(iv)

55 These measures involve a mix of direct (government purchase of land and subsidies for affordable housing) and indirect support (where we fund infrastructure to open up land to be developed for housing) that will result in housing supply. Together these measures will support the objectives set out below.

*Accelerating the pace and scale of housing supply*

56 The supply of housing has grown strongly following the aftermath of the Global Financial Crisis. Consents in the December quarter 2020 were up by 285 per cent compared to March 2011. However, there is more we can do to maintain and accelerate that rate of growth through directly funding infrastructure to remove constraints to development and ensuring that the Government has the funding to lead development where the market is unable or unwilling to do so. For example:

56.1 in our main centres, we can remove infrastructure constraints slowing down the development of new housing, enable the aggregation of larger sites to facilitate high-quality urban development at scale, and support the provision of new types of housing, like affordable high density housing and purpose built rental developments;

56.2 in regional centres we are likely to place a greater reliance on Kāinga Ora led development of public, affordable and market housing to accelerate the supply of housing where the market is unlikely to do so.

57 In addition to increasing overall supply, we would also look for opportunities to support a broader mix of housing types, price points and with good transport connections that provide access to employment and amenity.

58 Any commitment to fund infrastructure and for the Government to lead development should not displace existing activity or investment. Investment decisions will be made in alignment with our Urban Growth Partnerships and place-based partnerships with

local government, iwi and developers to ensure we are investing alongside local government and that other constraints to development are removed. Despite a focus on these partnerships, the Infrastructure Fund will be contestable to ensure a wide range of projects can be considered, including those outside the major urban centres and beyond those areas that are covered by the above mentioned partnerships.

*Assisting affordability for some first home buyers*

- 59 Increasing the supply of new modest more affordable homes is a key way in which we can back first home buyers into ownership. The value of new homes is having an increasing impact on affordability for first home buyers. According to Core Logic around 23% of new homes in 2020 were purchased by first home buyers, similar to their share of all home purchases.

*Increasing the supply of affordable rentals*

- 60 Even when home ownership was at its highest in 1991, a quarter of New Zealand households did not own their home. Currently, at least 75% of current tenants cannot afford to buy a home and an increasing number of people will likely rent for life. For this reason, improving the quality, supply and affordability of rental homes through different forms of purpose built rental projects will be a key focus of the Government's housing programme.

## Proposed Housing Acceleration Fund

- 61 To achieve these objectives, we are proposing the following interventions and measures. We are developing the Kāinga Ora Land Programme, the Infrastructure Fund, and the expansion of Land for Housing programme separately because of the differing roles for government agencies; however, to ensure effective communication of the overarching objectives, we propose to package them together as the Housing Acceleration Fund.
- 62 We propose that funding of \$3 billion is committed to the Housing Acceleration Fund for the Infrastructure Fund and Land for Housing components. s 9(2)(f)(iv)
- 63 The Housing Acceleration Fund and other measures still to come should be used flexibly to respond to the challenges and opportunities across the country.
- 64 We propose that Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) and Kāinga Ora work closely with our iwi and local government partners through our urban growth and place-based partnerships to identify how the Housing Acceleration Fund and other measures can be best applied. A key focus will be to identify where government action leads to housing that genuinely is additional and does not simply displace activity that would have occurred.

Kāinga Ora Land Programme

*Kāinga Ora has been established to take a more active role in housing and urban development*

- 65 Kāinga Ora was established with an express mandate to be both a world class public landlord and the Government's lead housing developer. Its statutory functions include initiating, facilitating or undertaking a range of urban development projects catering to a diverse range of housing needs and aspirations.
- 66 To this end, the Urban Development Act provides for Kāinga Ora and its development partners to access a broad range of enabling powers to address barriers to development, including:
- 66.1 land acquisition and assembly powers that enable Kāinga Ora to bring together different parcels of land for comprehensive development;
  - 66.2 a toolkit of powers relating to land use planning, consenting, infrastructure provision and reserves that Kāinga Ora and its development partners can access when undertaking Specified Development Projects.

*There are real advantages to Kāinga Ora playing a more active role in land acquisition and development*

- 67 There are real advantages to Kāinga Ora playing a more active role, including its ability to:

- 67.1 **address land banking and fragmentation**, including through use of compulsory acquisition powers where appropriate;
- 67.2 **deliver the public housing programme with a mix of affordable and market housing** through acquiring a greater volume of land;

67.3 s 9(2)(i), s 9(2)(j)

- 67.4 **determine the development pace, scale, density, tenure and price points.** Private developers will naturally look to develop land in the most profitable manner. In contrast, government ownership affords a much greater level of control over how the land is developed – irrespective of whether Kāinga Ora develops the land itself or on-sells it to others on condition that they develop it in accordance with government housing objectives including delivering mixed communities with good access to jobs, transport and amenities, and lower carbon footprints;

- 67.5 **progress development in places and for cohorts that are not commercially attractive.**

s 9(2)(i), s 9(2)(j)



67.6 **maintain momentum through the boom-bust cycle.** Residential development is job rich. However, the sector has typically been quick to shed staff during economic downturns and slow to recover. Through playing a more active role in urban development, Kāinga Ora can provide the pipeline certainty needed to retain staff and support investment in the plant, machinery and training needed for the sector to innovate, lift productivity and ultimately deliver cheaper houses faster.

*But it needs funding to realise these benefits*

68

s 9(2)(i), s 9(2)(j)

69

Through the Housing Acceleration Fund, we propose to establish the Kāinga Ora Land Programme. This involves:

69.1 \$2 billion of new (revolving) Kāinga Ora borrowing for strategic land purchases and development;

69.2 new operating funding of s 9(2)(f)(iv) sought as part of Budget 2021 (and in addition to the \$3 billion sought in this paper for the other components of the Housing Acceleration Fund) that would be used to:

69.2.1 service the debt;

69.2.2 meet other holding costs (e.g. rates) and allow for development risk; and

69.2.3 support delivery of a range of non-commercial outcomes including homes that are affordable for low to moderate income households and are not being delivered by the market, and ensuring that public housing is mixed with affordable and market housing rather than larger public housing estates. This could involve, for example,

s 9(2)(i), s 9(2)(j)

70

The funding for the Kāinga Ora Land Programme will ensure that Kāinga Ora can secure more land in regional centres, and aggregate land in main centres. This funding also provides it with the flexibility to deliver a mix of housing on those sites to increase New Zealand's overall housing supply.

s 9(2)(i), s 9(2)(j)

*The land programme will be informed by and delivered in partnership with local government, the private sector, iwi and not-for-profit organisations*

- 71 Investment decisions will be informed by our urban growth and place-based partnerships (of which Kāinga Ora is a partner), and respond to the particular needs in different places.
- 72 This land programme is not about Kāinga Ora doing everything itself. In most cases, its role will be to acquire land and prepare that land for development (e.g. address any contamination issues and infrastructure needs within the site). It will then work with private developers/builders, local iwi and not-for-profit organisations to develop the land. This is likely to involve on-selling land to development partners on condition that it is developed in accordance with government housing priorities (e.g. include a meaningful proportion of affordable housing).

73

s 9(2)(i), s 9(2)(j)

74

s 9(2)(f)(iv)

*n illustrative example of what this funding could deliver*

- 75 In s 9(2)(f)(iv) Kāinga Ora is investigating a number of land acquisition and development opportunities with the potential to deliver more than s 9(2)(f)(iv) ome comprising a mix of public, affordable and market priced housing. This is particularly important in regional centres where the development economics make it uncommercial for the market to deliver new housing at the volumes needed. Without the Kāinga Ora Land Programme it will be very difficult to get more new supply into places such as Rotorua and Hastings. However, the combination of infrastructure issues and weak demand for new builds at market prices mean many of these projects have marginal feasibility.

#### Infrastructure Fund

- 76 We are proposing a significant Infrastructure Fund to bring forward development ready land and to support government led development. The Fund aims to maintain momentum and growth of housing supply and demonstrate our ongoing commitment to our urban growth and place-based partnerships. While investment will enable housing in the medium term, providing greater certainty of future development can influence developers' decisions now by reducing expectations of future increases to house and land prices and support continued investment in construction sector capacity. The cost of the Infrastructure Fund will be met from the \$3 billion sought for the Housing Acceleration Fund.

- 77 The Infrastructure Fund will work in tandem with the Kāinga Ora Land Programme. If we simply increased investment in infrastructure, without providing Kāinga Ora with the ability to acquire more land, there is still a risk that developers will either be unwilling or unable to deliver housing in the places, and at the density and price points we need (because infrastructure is not the only constraint to doing this). Government has no ability to force developers to deliver housing where it is not commercially viable, and this has been shown through KiwiBuild where the programme incentives are set to encourage developers to build on their own land.
- 78 The Infrastructure Fund will make up the largest component of the Housing Acceleration Fund and the Minister of Housing intends to return to Cabinet with design parameters as soon as possible in the coming months. It is the Minister of Housing's intention that the funding within the Infrastructure Fund will be allocated based on the following high-level principles:
- 78.1 on a contestable basis, to ensure a wide range of infrastructure projects are considered, including those outside the major urban centres, with a degree of priority provided across our urban growth partnerships, place-based partnerships and public housing plan priority areas;
  - 78.2 co-funding (where possible) and commitments from third parties are identified and maximised, to ensure projects are delivered in partnership with local stakeholders, with a particular focus on the implementation of the NPS-UD;
  - 78.3 contribution to housing supply and meeting unmet need. Projects must bring forward or enable additional housing supply in areas where there is high need;
  - 78.4 alignment with wider government objectives, such as ensuring good urban form, partnerships with Iwi, the transition to a net-zero emissions economy, and enabling affordable housing;
  - 78.5 project readiness and pace including capability and capacity to deliver and speed of commencement. Our investment should support the sector to steadily increase its capacity and absorb investment without price escalation. It is anticipated that the Infrastructure Fund will operate over multiple funding rounds, to ensure a sustained pipeline of projects and supply of housing; and
  - 78.6 provide value for money to the Crown and pragmatic and effective allocation of risk.

79

s 9(2)(i), s 9(2)(j)

80



81

s 9(2)(i), s 9(2)(j)

82

83

s 9(2)(i), s 9(2)(j)

84 Kāinga Ora will administer the Infrastructure Fund, on behalf of the Crown. Kāinga Ora will be guided by the priorities identified through this work.

85 s 9(2)(f)(iv)

86 To mitigate the risk that the Infrastructure Fund reinforces an expectation that the Government will continue to fund local government infrastructure in an ad hoc way, investment would be prioritised where we are investing alongside local government and that other constraints to development are removed. Commitments we should be seeking from our local partners include accelerating activities that advance the objectives and policies of the NPS-UD, making surplus council land available and progressing plan changes to enable more land for development. As noted, the Minister of Housing will report back to Cabinet as soon as possible in coming months on design parameters for the Infrastructure Fund and how best to mitigate this risk.

Additional funding for the Land for Housing Programme

87 The Land for Housing Programme purchases vacant and underutilised land from other government agencies, and sometimes also the private sector, at market values. The land is on-sold to private developers and iwi on condition that they use their own capital to develop a mix of public, affordable and market priced housing on that land within agreed timeframes.

88 The programme has remained within HUD following the establishment of Kāinga Ora, to ensure that the Crown can continue to meet its Treaty of Waitangi obligations. This includes specific Treaty settlement obligations in Tāmaki Makaurau under which the Crown is required to offer iwi the first opportunity to develop certain right of first refusal land, prior to involving Kāinga Ora or a private developer. Over 70 percent of the programme's current projects are being delivered in conjunction with iwi.

89 s 9(2)(i), s 9(2)(j)

s 9(2)(i), s 9(2)(j)

90

91

92

93

94

#### Implementing the Housing Acceleration Fund

- 95 To ensure the Housing Acceleration Fund can be effectively established, implemented and monitored, funding for HUD to monitor the complete housing supply and affordability package will be met from the \$3 billion sought for the Housing Acceleration Fund.

### **Changes to First Home Products**

#### We propose to increase the income caps for First Home Products (First Home Grants and First Home Loans)

- 96 The income caps for both First Home Grants and First Home Loans are currently set at \$85,000 for single buyers and \$130,000 for two or more buyers.

---

<sup>4</sup> There is currently approximately \$505 million unallocated within this appropriation.

- 97 First Home Grants are intended to help first home buyers (and second chancers) overcome deposit barriers. The grants are available to first home buyers who have contributed to KiwiSaver for three years or more.
- 98 First Home Loans are issued by participating banks and other lenders and underwritten by Kāinga Ora. This allows the lender to provide loans that would otherwise sit outside their lending standards. These allow a person to only have a 5% deposit rather than what might otherwise be required by their bank.
- 99 Increasing the income caps will expand the cohort of first home buyers that can access First Home Grants and First Home Loans.
- 100 We propose the income cap for single buyers be raised to \$95,000 and the income cap for two or more buyers be raised to \$150,000.
- We propose to increase the house price caps for First Home Products both for existing and new properties
- 101 First Home Product house price caps are set so that support is well targeted at those first home buyers who need help purchasing modestly priced houses. There are different caps for existing and new properties with higher caps for new properties to support demand for new supply and dampen pressure on the prices for existing homes.
- 102 In many parts of the country the house price cap has begun to limit the number of houses first home buyers can buy using First Home Products. This is because lower quartile house prices in some places have increased above the current house price caps.
- 103 We propose increasing both existing and new property house price caps – increasing the price caps for existing properties by half the amount of the proposed increase for new build properties, as shown in the table below.
- 104 This differential rate of increase will expand the opportunities for those who purchase new houses, while providing a fair expansion for those buyers who purchase existing properties. This is particularly important in areas where there is limited new supply.

**SENSITIVE**

	New build properties		Existing properties	
Region	Current Cap	Proposed Cap	Current Cap	New Cap
Auckland	\$650,000	\$700,000	\$600,000	\$625,000
Queenstown-Lakes	\$650,000	\$650,000 (No Change)	\$600,000	\$600,000 (No Change)
Wellington City, Hutt City, Upper Hutt City, Porirua City, Kāpiti Coast District	\$550,000	\$650,000	\$500,000	\$550,000
Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City	\$550,000	\$600,000	\$500,000	\$525,000
Christchurch City, Selwyn District, Waimakariri District	\$550,000	\$550,000 (No Change)	\$500,000	\$500,000 (No Change)
Waipā District, Hastings District, Napier City	\$500,000	\$600,000	\$400,000	\$525,000
Waikato District, Dunedin City	\$500,000	\$550,000	\$400,000	\$425,000
Rest of New Zealand	\$500,000	\$500,000 (No Change)	\$400,000	\$400,000 (No Change)

- 105 Increasing the house price caps for First Home Loans and First Home Grants increases the set of dwellings available to households who qualify for the grant and is likely to increase uptake of the scheme. Increasing price caps may cause some inflation in the market. However, this impact is likely to be mitigated by the fact that demand will increase for only a sub-set of the market – homes priced between the current and proposed price caps.

*The Historic Link Between Income and House Price Caps for First Home Products*

- 106 The predecessor to the First Home Grant (and KiwiSaver HomeStart grant) was developed from 2005 to 2009, alongside the introduction of KiwiSaver. The original income caps of \$100,000 for one or two buyers and \$140,000 for three or more buyers were set to ensure that:
- 106.1 Households had sufficient income to service a mortgage for a lower quartile priced house in 2010 and beyond; and
  - 106.2 Households with sufficient income to service a mortgage without assistance were not eligible for the deposit subsidy.
- 107 These income caps were introduced alongside a house price cap of \$400,000 for higher priced areas, and \$300,000 for all other areas.

## S E N S I T I V E

- 108 The table below compares the level of pre-tax income that a household is required to spend to service a mortgage (with a term of 30 years and a 10% deposit on average) for a household:
- 108.1 Earning at the income cap; and
- 108.2 Purchasing a house at the highest price cap.
- 109 The table compares these factors at historical, current and proposed income and house price caps. Note that this comparison considers the different policy settings for First Home Products and approximate interest rates operating at that time.
- 110 With the proposed increases to the income and price caps set out above, a household buying at the top of both caps would be spending an equivalent percentage, or slightly less, of pre-tax income on servicing their mortgage compared to original caps.

Percentage of (pre-tax) income to service mortgage on house at highest price cap						
	<i>1 Buyer</i>	<i>2 Buyers</i>	<i>3 Buyers+</i>	<i>House price cap</i>	<i>Income cap</i>	<i>Interest rate</i>
<i>2007 – caps first agreed</i>	38%	38%	27%	\$400,000	\$100,000 1-2 buyers	10.1% p.a.
<i>2010 – grant introduced</i>	26%	26%	19%	\$400,000	\$140,000 3+ buyers	6.2% p.a.
<i>2021 – current settings</i>	42%	27%	27%	\$650,000	\$85,000 1 buyer \$130,000 2+ buyers	4.5% p.a.
<i>2021 – proposed increase to income caps and price caps</i>	40%	26%	26%	\$700,000	\$95,000 1 buyer \$150,000 2+ buyers	4.5% p.a.

- 111 When price caps were first implemented a one and two buyer household needed to spend 38% of their pre-tax income to service a mortgage for home at the price cap (above the international benchmark of 30% for housing affordability). By 2010, due to falling interest rates and the availability of low deposit loans, this proportion decreased to 26% for one and two buyer households.
- 112 Currently, one and two buyer households are experiencing different levels of affordability at the price and income caps. At the current and proposed settings two buyer households can service the mortgage for less than 30% of their pre-tax income at the price cap. In contrast, under current caps one buyer households would need to spend 42% of pre-tax income. As such, a modest increase in the income cap for single

households would not constitute a change from the programme's mandate to support those requiring help to service a mortgage.

## Other measures within our rolling supply side response

### Residential Development Response Fund

- 113 The Residential Development Response Fund was established to support residential construction activity during COVID-19, responding to concerns about a potential decline in new house building and construction sector jobs. Given that risk has not materialised, with the pipeline of future work remaining strong, it will now have an increased focus on supporting the sector to deliver affordable housing for purchase and rent within private residential developments.

114

s 9(2)(f)(iv)

### Increasing purpose built rental supply

- 115 The Minister of Housing has begun meeting with stakeholders with an interest in purpose built rental supply and will continue to do so in the coming weeks to better understand the different constraints the sector faces and how the Government might best support this.
- 116 The Minister of Housing will report back to Cabinet in the middle of the year setting out how the Government can best support increased delivery of high-quality rentals at both market and subsidised rents. This report back will include how to best apply different forms of financial support using these funding packages,

s 9(2)(f)(iv)

### KiwiBuild Changes

- 117 In July 2020, Cabinet agreed to temporarily relax some of the KiwiBuild settings to enable the programme to support the residential development sector. One of the changes was to expand the KiwiBuild cohort of eligible buyers to include existing homeowners:

117.1 who seek to relocate due to COVID-19; or

117.2 are selling their home to purchase a KiwiBuild home, provided at the end of the transaction they only own one home.

s 9(2)(f)(iv)



118 In June 2020, Cabinet also agreed to temporary changes to the hierarchy of buyers where developers have made reasonable attempts to sell KiwiBuild homes but no eligible buyer can be found.

119 The Minister of Housing is considering the impact that these changes have had, s 9(2)(f)(iv) and intends to report back to Cabinet by the middle of the year regarding potential changes.

120

121

122

123

124

Creating a sustainable pipeline for the residential construction and infrastructure sectors

125 While there are some reports of emerging capacity constraints in the residential construction and infrastructure sectors, we do not see these as an insurmountable barrier.

- 126 The purpose of providing funding certainty now through these proposals is to clearly signal a sustainable pipeline of projects over the next five-plus years to bring forward land and housing supply in priority locations, rather than generating a sudden spike in activity. A sustainable pipeline is critical to allow the infrastructure and residential construction sectors and central/local government to plan, and to invest in workforce and new technologies which increase productivity. (As we saw through the roll out of Ultra-Fast Broadband with the introduction of new precision drilling technology, similarly with increasing use by Kāinga Ora and other housing providers of housing components manufactured off-site.)
- 127 Capacity in the residential construction and infrastructure sectors over the next five years will need to be carefully managed to achieve housing outcomes – but this can be done, drawing on expertise across Kāinga Ora, the Ministry of Business Innovation and Employment, Te Waihanga | Infrastructure Commission, Waka Kotahi, and local government.
- 128 The sectors have a strong transformation plan through the Construction Sector Accord, including workforce and productivity. Also, a specific function of the new Te Waihanga is to improve central and local government coordination and capability in relation to infrastructure procurement. This should enable government to get better value and outcomes from existing sector capacity. Our Government has a number of policies in place to support the sectors, such as a focus on increasing apprenticeships, to maintain the record high number of consents and allow for further growth, while ensuring we avoid the boom-bust cycle which we have seen, including after the Global Financial Crisis.
- 129 The alternative – of not investing in infrastructure and housing supply – will see little or no change to the current housing crisis.
- 130 The package proposed in this paper puts demand on the current volume of the building and construction workforce. We want to support the development of the pipeline of this workforce. There are already a significant number of building and construction apprentices and we want to continue to support them and new apprentices through the Apprenticeship Boost Initiative (ABI). The most efficient way of doing this would be to extend the ABI across all industries, particularly as construction makes up a considerable amount of total current uptake. This is consistent with the intention of the ABI to help first and second year apprentices across all industries stay connected to work and to training.
- 131 The Apprenticeship Boost Initiative was funded for 20 months from implementation: \$209.907 million in 2020/21 and \$170.647 million in 2021/22. It started on 5 August 2020, with the 20 months ending on 4 April 2022.
- 132 Officials are currently reviewing uptake across the different initiatives within the Apprenticeship Support Programme, and it may be possible to utilise possible underspends to extend the duration of the ABI from 20 months up to 24 months. Any further funding requirements would be met through the COVID-19 Response and Recovery Fund (CRRF).
- 133 We propose that Cabinet agree in principle to a four-month extension of the end date of the ABI. We propose that financial decisions are delegated jointly to the Ministers

of Finance, Social Development and Education once information on underspends is confirmed.

## **Implementation**

- 134 The Minister of Housing will report back to Cabinet as soon as possible in the coming months on the design parameters of the Infrastructure Fund.
- 135 Officials will report back to the Ministers of Finance and Housing at the end of April/early May on the design and implementation of the broader Housing Acceleration Fund (comprising the Kāinga Ora Land Programme, Infrastructure Fund and changes to Land for Housing Programme).
- 136 Kāinga Ora has advised they would require a minimum of 15 working days to implement the First Home Product changes. We therefore propose these take effect from 1 April 2021.
- 137 The Minister of Housing will report back to Cabinet by the middle of the year on other important components of the Government's supply side response, including as appropriate:
- 137.1 changes to settings for existing programmes, such as KiwiBuild, to ensure we continue to support first home buyers and the affordable rental market; and
- 137.2 other settings to better facilitate the development of a purpose built rental market in New Zealand, s 9(2)(f)(iv) and how to best apply different forms of financial support using these funding packages.

138

139

## **Financial Implications**

- 140 The proposals within this paper are seeking investment of \$3 billion for the Infrastructure Fund and Land for Housing components of the Housing Acceleration Fund.
- 141 Operating funding of \$46 million per annum over the next four years and outyears is sought through Budget 2021 for the third critical component of the Housing Acceleration Fund – the Kāinga Ora Land programme – to enable Kāinga Ora to borrow \$2 billion for land acquisitions and deliver non-commercial outcomes.

142 In addition, to implement the First Home Grant price cap increases, an additional \$12.3 million per annum is being sought.

143 Increasing the income caps is likely to increase the cost of the First Home Products. Estimating this cost is complex. One of the main problems is that increasing the income caps does not actually increase the number of homes available below the income caps. Additionally, data suggests that first home buyers are buying houses above the current house price cap.

144 s 9(2)(f)(iv)

145 This paper also seeks delegated authority for the Ministers of Finance, Social Development and Education to jointly approve changes to appropriations up to the amount of underspend within the Apprenticeship Boost in 2020/21, to extend the end-date of the ABI. Any further requirements would be met through CRRF.

## **Legislative Implications**

146 This paper does not have any direct legislative implications.

## **Impact Analysis**

### **Regulatory Impact Statement**

147 The impact analysis requirements do not apply.

### **Climate Implications of Policy Assessment**

148 The Housing Acceleration Fund will support higher density housing and greater public and active transport use, supporting our transition to a net carbon neutral economy.

s 9(2)(i), s 9(2)(j)

## **Population Implications**

149 By taking measures to increase the supply of affordable housing (whether for home ownership or rental), these proposals are likely to positively impact those groups that are currently renting and/or unable to buy a home, in particular they should benefit:

149.1 Māori and Pacific people who are less likely to own their own home. In 2018, the proportion of Māori and Pacific people living in owner-occupied homes were 47.2 per cent and 35.1 per cent respectively, compared to the total population figure of 64.3 per cent. The Government is also taking other

measures to improve housing for Māori and Pacific, including through Progressive Home Ownership, MAIHI partnerships and our Public Housing build programme.

149.2 Younger people where declining home ownership rates have been sharper.

149.3 Disabled people, particularly those with accessibility needs, who often experience more difficulty finding a home. The actions should positively impact on disabled people through increasing the supply of affordable housing for ownership and rent. The extent of specific requirements to meet accessibility needs will be considered as part of the more detailed work on implementation and design.

## **Human Rights**

150 There is no inconsistency with the Bill of Rights or Human Rights Act.

## **Consultation**

151 Consultation has occurred across the Treasury, Inland Revenue, Kāinga Ora, Ministry of Business Innovation and Employment, Ministry of Transport, Ministry of Social Development and the Department of the Prime Minister and Cabinet.

152 Consultation with external stakeholders has not occurred.

153 HUD will work closely with Kāinga Ora on implementation and design issues, including a drawdown framework for funding, objectives, and detailed criteria for non-market housing outcomes to be advanced, and a monitoring framework for tracking progress and reporting.

154 In developing the funds, officials will engage with a range of parties as appropriate, including the Treasury, the Department of Internal Affairs, the Ministry of Transport, Waka Kotahi, the Ministry of Social Development and Crown Infrastructure Partners to ensure the proposed approach supports reforms already underway.

## **Treasury comment**

155 The Treasury's view is that increasing income caps for First Home Products strengthens a regressive redistribution policy and will likely cause inflation in an already heated housing market. Existing income caps (\$85,000 for one-buyer and \$130,000 for two-buyers) are above median household incomes for the same cohorts and target households in the top 10-40% of income earners. As such, this intervention helps high income earners as opposed those on modest or median incomes. Increasing income caps will also have significant inflationary impacts on the lower end of the housing market as demand will increase for all houses under the price caps. This affects potential buyers in the lower end of the market regardless of whether they are using the scheme. This is likely to have a negative impact on first home buyers who are most active in the bottom 30% of the market.

## **Communications**

156 The Minister of Housing intends to announce these measures at a time agreed with the Prime Minister's Office, in conjunction with an announcement by the Minister of Finance on demand-side measures in our paper "Backing first home buyers and encouraging property investment into new housing supply".

157 As housing supply and affordability are of high public concern, announcements will be of considerable media and stakeholder interest.

158 s 9(2)(f)(iv)

### Proactive Release

159 The Minister of Housing intends to proactively release this paper at the time of announcement.

s 9(2)(i), s 9(2)(j)

### Recommendations:

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

- 1 **note** that these measures form part of the Government's broader response to housing supply and affordability;
- 2 **note** this paper sits alongside the papers 'Backing first home buyers and encouraging property investment into new housing supply' and 'Housing Policy and the Reserve Bank', and that together these three papers form a part of the Government's broader package of work to improve housing affordability;

#### *Housing Acceleration Fund to support new housing supply and non-market outcomes, and assist first home buyers*

- 3 **agree** to establish a Housing Acceleration Fund comprising the Kāinga Ora Land Programme, and Infrastructure Fund and changes to Land for Housing to complement work that has been, or is being progressed on housing and urban development more broadly;
- 4 **agree** that \$3 billion be committed to the Infrastructure Fund and Land for Housing components of the Housing Acceleration Fund
- 5 **agree** to a Kāinga Ora Land Programme that would enable it to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing;

6 s 9(2)(f)(iv)

7 **agree** to establish an Infrastructure Fund to provide infrastructure to unlock land for housing developments including existing large scale projects, and directly overcome funding and financing constraints faced by councils and other infrastructure providers;

8 **invite** the Minister of Housing to report back to Cabinet as soon as possible in the coming months to confirm the design parameters for the Infrastructure Fund;

9 **agree** to broaden the Land for Housing programme to enable delivery of a broader range of affordable housing for rental and ownership including non-market outcomes;

10 s 9(2)(i), s 9(2)(j)

11 s 9(2)(f)(iv)

12 **note** that the scale and complexity of the large scale projects, associated land acquisition fund and Land for Housing deals will require additional oversight from the Ministry of Housing and Urban Development;

13 s 9(2)(f)(iv)

14

15 **agree** to increase the income caps for First Home Products to \$95,000 for single buyers and \$150,000 for two or more buyers;

16 **agree** to increase the house price caps for First Home Products for both existing and new properties as shown in the table below:

	New build properties		Existing properties	
Region	Current Cap	Proposed Cap	Current Cap	New Cap
Auckland	\$650,000	\$700,000	\$600,000	\$625,000
Queenstown-Lakes	\$650,000	\$650,000 (No Change)	\$600,000	\$600,000 (No Change)
Wellington City, Hutt City, Upper Hutt City, Porirua City, Kāpiti Coast District	\$550,000	\$650,000	\$500,000	\$550,000
Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City	\$550,000	\$600,000	\$500,000	\$525,000



**SENSITIVE**

Christchurch City, Selwyn District, Waimakariri District	\$550,000	\$550,000 (No Change)	\$500,000	\$500,000 (No Change)
Waipā District, Hastings District, Napier City	\$500,000	\$600,000	\$400,000	\$525,000
Waikato District, Dunedin City	\$500,000	\$550,000	\$400,000	\$425,000
Rest of New Zealand	\$500,000	\$500,000 (No Change)	\$400,000	\$400,000 (No Change)

- 17 **approve** the following change to appropriations to provide for changes in recommendation 16 above with a corresponding impact the operating balance and net core crown debt

	<b>\$m – increase/(decrease)</b>			
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25 and outyears</b>
Benefit or Related Expenses: First Home Grants	12.300	12.300	12.300	12.300

- 18 **agree** that the expenses incurred under recommendation 17 above be a pre commitment against the Budget 2021 Operating Allowance;
- 19 **note** that changes to the income caps in recommendation 15 above may require additional funding in the future but are difficult to quantify at this stage;
- 20 **agree** that recommendations 15 and 16 apply from 1 April 2021;

*Other supply measures being developed as part of the rolling supply-side package*

**Supporting affordable housing outcomes**

21	s 9(2)(f)(iv)
22	
	s 9(2)(f)(iv)

**SENSITIVE**

**Purpose built rentals**

- 24 **invite** the Minister of Housing to report back to Cabinet by the middle of the year setting out how the Government can further support increased delivery of high-quality rentals at both market and subsidised rent, s 9(2)(f)(iv)

**Further changes to Kiwibuild settings**

- 25 **note** the Minister of Housing is considering the impact of the changes made in response to COVID-19, s 9(2)(f)(iv) and intends to report back to Cabinet regarding potential changes.

*Building sector capacity and capability*

- 26 **note** that the Apprenticeship Boost Initiative (ABI) was funded for 20 months from implementation: \$209.907 million in 2020/21 and \$170.647 million in 2021/22,
- 27 **note** that ABI implementation started on 5 August 2020, with the 20 months ending on 4 April 2022
- 28 **note** that officials are currently reviewing uptake across the different initiatives within the Apprenticeship Support Programme, and that it may be possible to utilise any underspend to extend the duration of the ABI from 20 months, potentially up to 24 months, depending on actual volumes) [CAB-20-MIN-0280 refers].
- 29 **agree** in principle to extend duration of ABI to 24 months.
- 30 **agree** in principle to transfer any underspend in Vote Social Development: Non-Departmental Other Expense: COVID-19 Apprentice Support from 2020/21, to the corresponding 2021/22 appropriation, to preserve the option of extending ABI to 24 months.
- 31 **authorise** the Ministers of Finance, Social Development and Education to jointly approve changes to appropriations to extend the end-date of the ABI using underspend within the Apprenticeship Boost in 2020/21 with any balance to come from the Covid-19 Recovery and Response Fund.

Authorised for lodgement

**S E N S I T I V E**

Hon Grant Robertson  
Minister of Finance

Hon Dr Megan Woods  
Minister of Housing

**S E N S I T I V E**

## **Annex One: Long term reforms and impact of supply package**

- 1 Substantial progress has been made over the last few years that starts to address the structural issues hindering urban development, setting a foundation for a more responsive urban development system that will unlock more housing supply in the right places.
- 2 As a Government, we have established new central government institutions to lead system change, including Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD), Kāinga Ora – Homes and Communities (Kāinga Ora), and are developing a Government Policy Statement that sets out the Government’s long-term vision for the housing and urban development system.
- 3 After 30 years of central Government’s absence, we have reengaged in strategic planning for housing and urban development, through our Urban Growth Agenda, Urban Growth partnerships with local government and iwi, and have completed the first joint Crown-iwi-local government spatial plan for the Hamilton to Waikato Metro area.<sup>6</sup>
- 4 Our Aotearoa Homelessness Action Plan sets out an overarching framework and immediate actions to support New Zealanders in need, and Te Maihi o te Whare Māori (MAIHI) Framework for Action drives responses to urgent needs and where the system needs to be reset to enable real and enduring change for Māori. Māori Crown partnerships are expanding and responding to housing affordability for Māori. Alongside this HUD is supporting the Crown response to the WAI2750 Housing Policy and Services kaupapa inquiry.
- 5 We have begun to address planning and infrastructure funding and financing constraints, through the National Policy Statement on Urban Development and the COVID-19 Recovery (Fast-track Consenting) Act 2020, and Infrastructure Funding and Financing Act 2020 respectively. We have also enacted the Urban Development Act 2020 to enable complex urban development projects to proceed.
- 6 This Government has started to address the legacy of decades of under investment in affordable housing provision, starting with the commencing the largest state housing build programme since the 1970s, including through our Large Scale Projects in the Auckland Housing Programme and in Eastern Porirua.
- 7 We have strengthened the rights of tenants through our Healthy Home Standards and modernised our tenancy laws through the passing of the Residential Tenancies Amendment Act 2020. These changes ensure our rental laws are aligned with the present day realities for the around 600,000 households that rent in New Zealand.
- 8 We have significantly invested to:
  - 8.1 support vulnerable people – through additional transitional housing places, funding to prevent and reduce homelessness and support vulnerable people

---

<sup>6</sup> Draft spatial plans have endorsed by Cabinet for Queenstown Lakes, the Wellington Growth Framework and Tauranga Western Bay of Plenty with local government partners now consulting with their communities.

during COVID-19, and scaling up the Housing First programme which provides immediate access to housing and wrap-around tailored support,

- 8.2 support people into home ownership – through programmes to build more affordable homes (like KiwiBuild and the Land for Housing programme), and our Progressive Home Ownership fund which allows families to share the cost of a mortgage with the Government and overcome deposit barriers,
  - 8.3 increase housing supply and enable urban development – through the New Zealand Upgrade Programme, and the Shovel Ready fund.
- 9 We are undertaking other significant pieces of urban reform, such as the reform of the Resource Management Act 1991 (RMA). This should improve the natural environment, enable more development within environmental limits, provide an effective role for Māori, and improve housing supply and affordability. The Strategic Planning Act will integrate functions under the RMA, Local Government Act 2002, Land Transport Management Act 2003 and the Climate Change Response Act 2002 to enable clearer and more efficient decision-making and investment. New spatial strategies will enable regions to plan for the wellbeing of future generations, ensuring development and infrastructure occurs in the right places at the right times.
  - 10 Our Three Waters Reform Programme to reform local government three waters service delivery arrangements is a system-wide reform – which is necessary to achieve lasting benefits for the local government sector, our communities, the environment, and support new housing growth.
  - 11 We have also announced our intent to instruct the Commerce Commission to undertake a market study on the cost of building supplies.
  - 12 How the proposed supply package supports the longer-term reforms underway are set out in the table below:

**Table 1: How Housing Acceleration Fund and measures still to come can support longer term reform underway**

Key supply side reforms	Key milestones	Impact of supply package
Resource Management Reform	<ul style="list-style-type: none"> <li>Natural and Built Environment Act and Spatial Planning Act to be introduced in December 2021</li> <li>Laws will be phased in over three years or more</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure fund and government led development will allow us to act immediately on the spatial plans we have in place.</li> <li>Funds will also allow us to progress other spatial plans faster and in advance of the new spatial planning act</li> </ul>
National Policy Statement – Urban Development	<ul style="list-style-type: none"> <li>Provisions on responsiveness are affecting decisions now</li> <li>Plan changes to enable intensification in place by</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure fund can address constraints to intensification and more responsive development</li> <li>Can use package to encourage councils to accelerate other activities that</li> </ul>

	<p>August 2022 (Tier 1 and 2)</p> <ul style="list-style-type: none"> <li>• Future Development strategies in time to inform 2024 Long Term Plans</li> </ul>	<p>advance the objectives and policies of the NPS-UD</p> <ul style="list-style-type: none"> <li>• Funding for affordable homes for rent and ownership can support mix of housing types and price points required</li> </ul>
Urban Development Act	<ul style="list-style-type: none"> <li>• Engagement underway with local authorities about potential Specified Development Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure fund and government led development could support acceleration of potential SDP projects</li> <li>• Kāinga Ora land programme will enable Kāinga Ora to take advantage of the land acquisition and assembly powers provided in the Act, to bring forward housing developments and increase density</li> </ul>
Infrastructure Funding and Financing Act	<ul style="list-style-type: none"> <li>• Crown Infrastructure Partners is investigating a number of projects with <span style="color: red;">s 9(2)(i), s 9(2)(j)</span></li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure fund could increase incentive to use the IFF Act by covering some of the costs not suitable to recover through an IFF levy</li> <li>• Aggregating parcels of land can accelerate potential IFF projects</li> </ul>
Public Housing Plan	<ul style="list-style-type: none"> <li>• By 2024 will have delivered over 18000 public housing places.</li> <li>• 2021 Public Housing Plan increases priority for regional locations.</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure fund, Kāinga Ora land programme and Land for Housing programme will support delivery of public housing as part of mixed communities that include affordable housing for ownership and rent.</li> <li>• Funding for affordable housing for rent and ownership will enable community housing providers, iwi and Māori to deliver affordable housing for low income households alongside public housing.</li> </ul>