

In Confidence

Office of the Minister of Housing

Chair, Cabinet Economic Development Committee

Increasing the uptake of the Progressive Home Ownership programme

Proposal

- 1 The Government's Progressive Home Ownership (PHO) programme aims to assist between 1,500 and 4,000 households into home ownership, s 9(2)(f)(iv)

This paper proposes changes to PHO to increase its uptake and to support more Māori, Pacific Peoples, and whānau with tamariki (the programme's priority groups) into home ownership.

Relation to government priorities

- 2 Our Government has three overarching objectives: to keep New Zealanders safe from COVID-19, to accelerate our recovery, and to lay the foundations for a better future through reducing inequality and addressing child poverty, reducing carbon emissions, and improving housing affordability [CAB-20-MIN0525].
- 3 The PHO programme is part of a suite of targeted initiatives that increase access to home ownership for people who might otherwise not be able to afford a home.

Executive Summary

- 4 The \$400 million PHO programme aims to help people into home ownership, focusing on whānau with tamariki, Māori, and Pacific peoples. The programme has a target of 1,500 to 4,000 households contracted by June 2024. In order to ensure we provide homes for as many whānau as possible I am suggesting five key changes which will give us the best chance of supporting 1,500 households into home ownership by June 2024. The changes will go some way to mitigate the current challenging economic conditions.
- 5 First, I propose allowing buyers to purchase existing homes through the PHO programme. For the First Home Partner pathway delivered by Kāinga Ora I propose that the option to purchase an existing home is provided to all eligible buyers. However, as the Provider and Te Au Taketake pathways provide a greater level of assistance to buyers, I propose that the ability to purchase an existing home through these pathways is more targeted and limited to our priority groups (Māori, Pacific, and whānau with tamariki) and disabled people and people with physical accessibility needs. I believe this change balances the need to improve choice and affordability for buyers while ensuring assistance remains targeted.

- 6 Second, I am also recommending that we increase the PHO income cap from \$130,000 to \$150,000. Raising the income cap recognises the general increase in peoples' incomes since the PHO programme was established and increased interest rates. I consider \$150,000 a good balance between reflecting increases in peoples' incomes and staying aligned with PHO objectives including targeting support to those who need it. This also aligns PHO with the First Home Product settings.
- 7 Third, I propose that additional flexibility is provided in the application of the income cap in the Te Au Taketake pathway. I propose that Cabinet delegates to me the authority to approve delivery plans for Te Au Taketake providers where less than 50 percent of applicants exceed standard income caps. Such an approach recognises that Te Au Taketake providers face particular challenges finding enough eligible applicants to participate in PHO programmes they offer, due to both the locations they operate in and because of the characteristics of the community they serve.
- 8 Fourth, I recommend we agree to increase the flexibility of the timing of funding applications. Increasing flexibility around the timing of funding applications would allow PHO providers to proceed at a faster pace and enable more flexibility in the final year of programme funding.
- 9 Fifth, I am also proposing to extend the recyclability of funding under PHO from 15 to 20 years for rent-to buy and shared equity schemes. This will allow for longer loan periods for applicants, decreasing mortgage cost, and giving more time to staircase whānau into home ownership. In the longer term, extending the recycling period would potentially support more PHO properties as it would allow for additional uses of the funding.
- 10 I believe implementing these changes will deliver a significant increase in uptake of the PHO programme, whilst maintaining the objectives of the scheme. As of April 2023, 761 homes have been contracted under the PHO programme.
- 11 There are a number of other changes to the PHO programme that are being considered. These are changes I can approve, Whai Kāinga Whai Oranga and Māori Infrastructure Fund Ministers can approve, or are operational decisions for Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD), Te Puni Kōkiri, or Kāinga Ora – Homes and Communities.
- 12 Changing market conditions are continuing to impact developers and buyers across the system, with both rising interest rates and construction costs posing difficulties for the PHO programme. Due to these market conditions and uncertainties around cost I have asked officials to report back to me on delivery progress by the end of 2023.
- 13 I propose to announce the changes to the programme within 30 days of Cabinet agreement, with implementation of the changes to follow shortly afterwards.

Background

PHO aims to support 1,500 – 4,000 households into home ownership ^{s 9(2)(f)}

- 14 PHO is a \$400 million programme with a particular focus on increasing home ownership for three priority groups: Māori, Pacific peoples, and whānau with tamariki. PHO aims to improve the affordability of home ownership for a range of households.¹ Homes delivered through PHO need to be contracted by June 2024, but families can be found and placed in these homes after that date.
- 15 PHO has three different pathways that make up the programme, which are aimed at different households. These are the Provider pathway, First Home Partner run by Kāinga Ora, and the Te Au Taketake pathway supporting iwi/Māori providers. PHO currently focuses on new builds. More details about each pathway are found at Annex A.

PHO has contracted 761 households as at April 2023

- 16 When PHO was launched, officials estimated that the programme could support between 1,500 and 4,000 households. ^{s 9(2)(f)(iv)}
- Table 1 below shows the breakdown of contracted homes and funding as at May 2023.

Table 1: PHO Funding as at May 2023

PATHWAY	HOMES CONTRACTED	FUNDING COMMITTED	REMAINING FUNDING TO BE ALLOCATED
First Home Partner	409	\$67.7m	\$19.3m
Provider	385	\$117m ²	\$31.1m
Te Au Taketake	30	\$7.2m	\$87m
Totals	824	\$191.9m	\$138.1m

The changing market conditions are continuing to impact the housing system, including for PHO

- 17 Rising interest rates mean that servicing a mortgage is becoming increasingly unaffordable. As PHO targets lower to median income families, including households eligible for the Accommodation Supplement, we have heard from

¹ PHO is aimed at assisting:

- lower-to-median income households who are unlikely to be able to buy a home without a reasonable level of financial and non-financial support (e.g. budgeting advice)
- first-home buyers who can service a mortgage but don't have a sufficient deposit
- households that have median or above-median incomes but don't earn enough to service a low-deposit home loan at current house prices.

² This figure includes an amount of funding that has been approved but not yet contracted.

providers that people wanting to access the scheme are finding it more difficult at current rates. Rising interest rates have also caused a decrease in buying power of \$50,000 - \$120,000 since this time last year, depending on household income.

- 18 There are other barriers that may be reducing the viability of home ownership. For example, whānau will also have to pay local authority rates and insurance premiums, which have been rising in excess of inflation.
- 19 The increasing costs of construction may also impact PHO delivery. While the cost of construction materials has now stabilised, inflation is still high, and the impacts of recent extreme weather events could create additional demand for construction materials, leading to further shortages and price increases.
- 20 Recently there have been examples of PHO providers submitting delivery plans including the purchase of turnkey properties. But before these could be approved, the developers received more favourable offers, which they accepted due to the need for quick sales.

s 9(2)(f)(iv)

- 21 The chart below is made up of delivered homes, contracted places, the pipeline of applications⁴ and estimated future delivery.⁵
- 22 The projections based on the currently unspent funding in the Provider and Te Au Taketake pathways have been calculated using the average Crown Contribution sought in the most recent funding rounds. This shows what could be achieved with the available funding.


³ s 9(2)(f)(iv)

⁴ The pipeline of applications may not all translate into homes being available to eligible households and is weighted on the basis of the stage an application is at, with applications at later stages receiving greater weightings. In Te Au Taketake there are a number of providers with applications at very early stages of the process.

⁵ The estimated future delivery is a forecast based on current Crown contribution rates and the funding currently available in the relevant pathway.

Chart 1: Pipeline of PHO delivery

s 9(2)(f)(iv)



There is a risk that currently contracted places may not be delivered given the impact of the current market conditions

- 23 There are 194 contracted homes which are not yet under construction. We are not aware of any situations which are likely to result in cancellation of a project, however this is more likely with current conditions.⁶
- 24 We will continue to work closely with providers to monitor the progress of developments. If any loans are cancelled, that funding would become available for other providers/pathways, however there is a risk that it occurs too late for alternative projects to be contracted. However, our recommendation to reassess by the end of 2023 helps to mitigate this risk.

I am proposing four key changes to give PHO the best chance of meeting its delivery target by 2024

- 25 I have considered a number of options to increase the uptake of the PHO programme. Individually, none of these changes are likely to be sufficient to allow PHO to reach its delivery target by 2024. I am asking you to agree five key changes. This will help to deliver a significant increase in uptake of the PHO programme, whilst maintaining the objectives of the scheme. It will also give us the best chance of supporting 1,500 households into home ownership and go some way to mitigate the challenging economic conditions.
 - 25.1 I recommend allowing buyers to purchase existing homes through the PHO programme with some limits:
 - 25.1.1 For the First Home Partner pathway, I propose that this option be available to all eligible buyers.

⁶ There has been one case in which a provider had to cancel a mixed tenure development which would have included nine PHO homes, due to an unexpectedly sharp increase in the construction costs of the project which would have made the homes unaffordable.

- 25.1.2 For the Provider pathway and Te Au Taketake I propose that this option be available to our priority groups (Māori, Pacific, and whānau with tamariki), disabled people and people with physical accessibility needs.⁷
- 25.2 I recommend that we increase the PHO income cap from \$130,000 to \$150,000, reflecting the recent wage growth for many while retaining the focus on supporting those who need it.
- 25.3 I recommend that a more flexible income cap approach be established for the Te Au Taketake pathway meaning that I am given the authority to approve delivery plans from Te Au Taketake providers where less than 50 percent of applicants may exceed those standard income caps.
- 25.4 I recommend we agree to increase the flexibility of the timing of funding applications.
- 25.5 I also recommend extending the recyclability of funding under PHO from 15 to 20 years for rent-to buy and shared equity schemes.
- 26 As well as these five changes, which require Cabinet approval, there are six further changes, which I can approve as the Minister of Housing, or are operational decisions for agencies. All 10 of changes are discussed in more detail below.
- 27 I have asked officials to report back to me on delivery progress by the end of 2023.

I propose that eligible buyers be given the opportunity to purchase existing homes, in addition to new builds, through the PHO programme

- 28 Officials estimate that between s 9(2)(f)(iv) households may take up this option over time. When the PHO scheme was established, Cabinet agreed that the programme should be for homes that are “affordably priced, preferably new builds and easily resalable” [CAB-20-MIN-0323.01 refers].
- 29 The programme initially emphasised new builds in the first instance as “places where new and existing homes are similarly priced indicates systemic housing affordability issues that could be addressed by PHO schemes”. However, the emphasis on new builds can severely limit the number of homes which can be purchased through the scheme (particularly in areas where few new builds are being built). It also reduces affordability as existing homes are on average cheaper than new build homes.
- 30 In addition, there are some extra risks for buyers associated with purchasing new builds, such as the risk that a home being built under contract will be delayed or not completed. This risk is elevated by current market conditions but the Government is working to cushion the impact of the current market downturn.
- 31 I propose to reduce the emphasis on new builds by extending PHO to include existing homes. This will increase access to the programme for eligible households, giving them a greater choice of homes, reducing development

⁷ Note that as the Te Au Taketake pathway is only open to Māori, all buyers eligible for this pathway would be able to purchase an existing home.

risks associated with building, access to cheaper homes, and in more locations. I propose that this applies differently across the respective pathways for PHO delivery.

- 32 I propose that all eligible buyers be able to purchase an existing home through the First Home Partner Pathway. However, as the Provider pathway and Te Au Taketake are designed to provide additional assistance to buyers, I recommend that this assistance is prioritised to those who need it most.
- 33 As such, I propose that the ability to purchase an existing home through the Provider pathway and Te Au Taketake pathway is given only to Māori, Pacific people, whānau with tamariki, disabled people and people with physical accessibility needs. This approach:
 - 33.1 recognises that it is more difficult for larger families, disabled people and people with physical accessibility needs to find a home which meets their needs.
 - 33.2 increases uptake among priority groups, disabled people and people with physical accessibility needs by expanding the range of homes they could buy through these pathways.
- 34 When compared with new build homes there is a greater risk that an existing home may have some quality issues which could increase repair and maintenance costs. This could be a risk to buyers who have fully committed themselves financially when purchasing the home and to providers who are usually co-investors in the property.
- 35 In order for a provider to be happy to take on an existing home they will need to assess it as an acceptable risk. This means it is likely providers will require existing homes to pass some basic quality tests to lower their own risk, and that of the buyer. This would be in addition to the standard due diligence the purchaser would do when buying the property⁸. These basic tests would aim to ensure that any home purchased through the programme could be easily resold, and to reduce unexpected ownership risks or costs⁹ for buyers, PHO providers, and the Government.
- 36 Providers already have established processes for determining whether households qualify as a priority group (Māori, Pacific people, or a family with children). Disabled people and people with physical accessibility needs would be expected to explain what their needs are, and how the home they intend to buy meets those needs.
- 37 While I considered other options for including existing homes in PHO, I consider that the recommended approach best maintains the original principles of the programme while expanding home ownership opportunities, particularly for those who need assistance most.

⁸ The basic quality tests would cover: legal review – title, restrictions, liabilities, obligations; land – hazards, insurability risk; local authority - planning, property file, LIM; buildings – condition report, deferred maintenance, structural issues, potential methamphetamine contamination – by licensed building practitioner [Find an Inspector | NZ Institute of Building Inspectors \(nzibi.co.nz\)](#); valuation, by registered valuer [Find a Property Professional: Property Institute of New Zealand](#).

⁹ These risks and costs could include but are not limited to natural hazard, legal and insurability risks; and costs associated with deferred maintenance and requirements for repair.

38

s 9(2)(h)

I am seeking agreement to increase the PHO income cap from \$130,000 to \$150,000...

39 Officials estimate that an additional 225 to 575 households could apply for PHO if this option is implemented.¹¹

40 Statistics New Zealand data shows that median weekly incomes rose 28 percent between 2020 (when the PHO programme was established) and 2022¹² and this change reflects that increase. I consider that \$150,000 is a good balance between recognising people's increased incomes and staying aligned with PHO objectives as it would keep the support targeted to those who need it.

... and make the income cap for the Te Au Taketake pathway more flexible ...

41 Te Au Taketake providers face particular challenges finding enough eligible applicants to participate in the PHO programmes they offer. There are a number of reasons for this. This includes the need for some iwi providers to ensure that households are eligible iwi members so that the land is retained by the iwi. Also, commercial lending requirements pose significant barriers to home ownership for many Māori, including those who have sufficient income but not the required deposit.

42 To help maximise the number of Māori who are eligible for PHO, I propose that a more flexible income cap approach be established for the Te Au Taketake pathway. In practice, I propose that Māori earning below the standard income caps be the primary target for PHO programmes offered through the Te Au Taketake pathway but that I am given the authority to approve delivery plans from Te Au Taketake providers where less than 50 percent of applicants may exceed those standard income caps. This measure will help ensure there is demand for programmes offered through the Te Au Taketake pathway. I have asked officials to monitor this provision and include an update on how often it has been used and whether a higher income cap for Māori may be required in their planned report back to me by the end of 2023.

¹⁰ The specified groups are Māori, Pacific people, whānau with tamariki, people with disabilities and people with physical accessibility needs.

¹¹ This estimate is based on an assessment that a further 900 to 2,300 people per year could be eligible to access PHO at an income cap of \$150,000 based on the uptake of the First Home Grant. We also know that one in four eligible households in the First Home Partner pathway go on to purchase a PHO home.

¹² Statistics New Zealand's Household Labour Force Survey shows that national median weekly incomes from all sources increased from \$665 in 2020 to \$848 in 2022.

...alongside increasing flexibility around the timing of funding applications...

- 43 I recommend that Cabinet revisit the requirement for the Provider pathway to operate funding rounds and instead be open to applications at any time. This will better accommodate the needs of providers for funding approvals to proceed at a faster pace, and to enable more flexibility in the final year of funding being available.
- 44 While I do not consider that this change will have a substantial impact on the uptake of PHO, it will allow us to more quickly identify and progress opportunities with providers. Cabinet agreement to remove funding rounds would enable the best use of remaining time and funding.
- 45 Cabinet initially agreed that the Provider pathway would operate with funding rounds, while applications by providers in Te Au Taketake could be made at any time. To date, the Provider pathway has operated four funding rounds each year. In some cases, this has caused delays in approving developments.

... and extending the recyclability of funding from 15 to 20 years for rent-to buy and shared equity schemes

- 46 In the short-term, extending the term of the loan will increase uptake by providers as longer loan terms will decrease the cost of servicing a mortgage for participants. However, the total interest paid would be higher due to the longer loan period. It would also allow a lead-in time that Te Au Taketake providers need to staircase whānau into home ownership. Up to 5 years is required to get whānau ready to take on a mortgage, and 15 years is required for them to buy out the provider's share. There has been feedback from families wanting to access PHO that a longer loan period would be helpful.
- 47 In the long-term, extending the recycling timeframe may add an additional 100 homes to the programme. For rent-to-buy and shared equity schemes, extending the period to 20 years could potentially support more PHO properties as this would allow a second use of the funding. I do not recommend extending the recycling period for leasehold developments as they would not deliver the additional benefit as the contribution is not recycled.
- 48 The PHO fund has not yet been running long enough to have accurate data on the rate at which providers may be able to recycle the funding. However, I estimate that up to a third of shared equity and rent-to-buy households may staircase out of the scheme before the end of the current 15-year loan period.
- 49 There is a risk that uptake could reduce as a result of increasing the recycling period if providers begin taking on more households that take longer than the current average time to staircase out of the scheme. Such an outcome could also reflect the fact that the change had increased uptake among the priority groups (many of which have lower average incomes). Providers also work closely with households to ensure they staircase out of the programme in an appropriate timeframe.
- 50 I do not recommend extending the recycling period for more than 20 years. This is due to the risk of non-payment or change in circumstance of the homeowner or provider over the extended period. I consider that extending

the period by 5 years balances this risk with the benefits of allowing greater access to the scheme.

Other changes to increase the uptake of PHO are being considered that do not need Cabinet approval.

I have agreed to broaden the intergenerational whānau income cap exemption to include larger whānau

51 I expect that between s 9(2)(f)(iv) whānau may take up this widened income cap exemption. Currently less than 4 percent of PHO homes are owned by intergenerational whānau, and less than 3 percent of homes are owned by families made up of at least six people. While these numbers are low, we know that availability of suitable homes has been an issue, so allowing existing homes into the programme would likely increase the percentage of income cap-exempt whānau.

52 I have agreed to broaden the income cap exemption for intergenerational whānau¹³ to include larger whānau made up of at least six people who normally live together. The Statistics New Zealand Pacific Housing Report shows that 53 percent of Pacific people live in a household with 5 or more people. This change supports the PHO priority groups as a whole, and an action in Fale mo Aiga – the Pacific Housing Strategy and Action Plan 2030.

53 s 9(2)(h)

s 9(2)(h)

54 s 9(2)(f)(iv)

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¹³ If a family qualifies for the exemption then the income cap is set as 170 percent of the regional median household income. In Auckland for example, this would equate to a household income of \$205,000. Currently, only intergenerational whānau qualify and this is defined as a household that normally lives together and is made up of either three or more generations (e.g., grandchildren, parents and grandparents living together) or two generations with multiple related family units (or cousins living together with their families).

Agencies are also making other operational improvements...

s 9(2)(f)(iv)

56 s 9(2)(f)(iv)

Relaxing grant funding settings for providers

- 57 There is potential to increase the amount of the grant providers receive to assist them in placing people eligible for PHO. This would better support providers to work with households to get them ready to enter into home ownership and provide effective post-occupancy support.¹⁴ HUD will monitor and review this against the existing appropriation on an ongoing basis and will assign additional funding where possible.

Continuing to explore more ways of supporting uptake of Māori and Pacific peoples through First Home Partner

- 58 Kāinga Ora is trialling new methods of First Home Partner service delivery to increase the proportion of Māori and Pacific peoples' uptake of the scheme. This includes face-to-face options, multilingual language assistance and referral to partner and support agencies. Initial data is showing small but positive shifts in proportion of Māori and Pacific uptake. Kāinga Ora will monitor uptake and report back by the end of 2023.

... while also continuing to explore other opportunities to improve uptake

- 59 HUD is looking for other opportunities to increase PHO uptake across its delivery programme. Officials have also met with Tāmaki Regeneration Company (TRC) which has a shared homeownership programme follows PHO policy settings and will benefit from the changes I have recommended.¹⁵

- 60 Cabinet has agreed to provide TRC with further equity subscription funding through the Budget. They will report back to me before 30 June 2023 on options for allocating this funding. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 61 Any decisions on TRC will need to be made jointly by the Minister of Housing and the Minister of Finance [CAB-23-MIN-0139 refers].

¹⁴ First Home Partner does not receive grant funding as it supports people who need less support to achieve homeownership.

¹⁵ The Tāmaki Regeneration Company (TRC) is co-owned and funded by Auckland Council and the Government. TRC operates its Shared Home Ownership programme under settings approved by responsible Ministers. It is funded by cashflows from Crown assets and is required to be financially ring-fenced from any Crown equity investment. TRC was supportive of the proposed changes to PHO policy settings, in particular, increasing the income cap and broadening the definition of intergenerational families to include larger whānau.

I am also considering the best use of unallocated PHO funding in order to maximise uptake, including for priority groups

62 PHO is a \$400 million programme. Each pathway was initially allocated \$87 million. In December 2022 the Provider pathway received a further \$30 million from the unallocated balance. I recently agreed to provide a further \$50 million of this unallocated balance to the First Home Partner pathway, as its initial allocation is likely to be fully committed by August 2023. This \$50 million allocation will enable the pathway to operate until around the end of June (our delivery target deadline) or July 2024 at current rates of progress. There is now a remaining \$20 million of unallocated balance in the fund.

63 s 9(2)(f)(iv)

Treasury comment

64 The Treasury recognises the use of existing homes for priority populations who may not be best served by new builds. However, it considers that one of the key initial aims of the PHO programme was to support additionality in areas with an under supply of housing and that the programme has been doing a good job at encouraging that to date. The Treasury is concerned about the impact of including existing homes on the wider housing market in some areas, with that additionality reduced. It advises against making existing homes available for purchase through First Home Partner, especially since HUD would have little oversight of the ratio of new builds/existing properties purchased under this scheme.

65 The Treasury also notes that it appears that the proposed change to include existing properties in the PHO programme is driven by s 9(2)(f)(iv)

It seems that the lead-in time to get providers (in all pathways) ready to use PHO products has been the main factor restricting uptake, rather than lack of interest in the programme, or due to it not having the right policy settings in place. Because of this, the Treasury's strong recommendation would be to extend the fund out by one or two years, rather than change the settings to include existing houses.

Risks

66 The uptake of PHO programmes is influenced by several factors including the strength of the housing market and overall economy and, in the case of new builds, construction costs, and construction sector capacity.

67 s 9(2)(f)(iv) even if we implement the changes to PHO which I have recommended. I am mitigating this risk by

asking officials to report back on the delivery under the programme by the end of 2023.

- 68 There is a risk that including existing homes could put upward pressure on house prices. However, this risk is mitigated by eligibility requirements for PHO and the fact that only a small proportion of homes available for purchase will be purchased through the programme. I also note that national house prices are currently decreasing.

Implementation

- 69 Officials are working through how implementation of the changes will occur. Most of the changes are minor and will be relatively simple to implement.
- 70 Including existing homes in PHO is slightly more complicated and may take longer, however officials have already begun work to ensure this option can be implemented as soon as possible after any Cabinet decision is made.

Financial Implications

- 71 Treasury have advised that the proposed change to extend the recycling period of the PHO programme funding is fiscally neutral.

Legislative Implications

- 72 There are no legislative implications in this paper.

Impact Analysis

Regulatory Impact Statement

- 73 The Regulatory Impact Statement requirement does not apply.

Climate Implications of Policy Assessment

- 74 The Climate Implications of Policy Assessment requirement does not apply.

Population Implications

- 75 The changes I propose in this paper will benefit a wide range of New Zealanders but will be of particular benefit to the population groups in the table below:

Population group	How the proposals may affect this group
Māori	On average, Māori are more likely to have larger and/or intergenerational families and have lower incomes. This can make it more difficult for Māori families to find and afford a home which meets their needs. Allowing existing homes to be purchased through PHO, increasing income caps (which can be a barrier to households with multiple income earners), implementing a more flexible income cap approach for the Te Au Taketake pathway,

	<p>increasing the recycling period, and expanding the definition of intergenerational whānau addresses this.</p> <p>Māori benefit from more targeted support to purchase existing homes through the Provider and Te Au Taketake pathways.</p> <p>Māori housing providers also benefit from increasing the recycling period; operational improvements to Whai Kāinga Whai Oranga and its interaction with the PHO; and by maintaining the option to allocate further funding to the Te Au Take Take pathway in the future.</p>
Pacific People	<p>On average, Pacific people are more likely to have larger and/or intergenerational families and have lower incomes. This can make it more difficult for Pacific families to find and afford a home which meets their needs. Allowing existing homes to be purchased through PHO, increasing income caps (which can be a barrier to households with multiple income earners), increasing the recycling period and expanding the definition of intergenerational whānau addresses this.</p> <p>Pacific people benefit from more targeted support to purchase existing homes through the Provider pathway.</p> <p>Pacific housing providers will benefit from increasing the recycling period.</p>
Disabled people and people with physical accessibility needs	<p>There is a shortage of homes in New Zealand which are suitable for disabled people and people with physical accessibility needs. Many disabled people have also had limited opportunities throughout their lives to work and accumulate the deposit required to purchase a home. Disabled people also face particular barriers to choosing where and with whom they live. Allowing these households to purchase existing homes through PHO will give them greater access to the programme and choice in their lives. This makes it more likely that they can find and afford a home that suits their needs.</p> <p>Disabled people and people with physical accessibility issues benefit from more targeted support to purchase existing homes through the Provider pathway.</p>
Whānau with children	<p>Whānau with children benefit from more targeted support to purchase existing homes through the Provider and Te Au Taketake pathways.</p> <p>Broadening the definition of intergenerational whānau for the income cap exemption to include larger whānau will also allow more whānau with children to qualify for PHO.</p>
Low-income households	<p>Low-income households often struggle to meet the deposit and repayment requirements needed to enter into homeownership.</p> <p>The PHO programme directly and significantly addresses these issues. It allows people to purchase existing homes through the</p>

	PHO programme, which are typically cheaper than new build homes and lowers the barrier to entry into the programme.
People living in small towns and rural areas	<p>People living in smaller and/or slower growing towns and rural areas often miss out on the opportunity to purchase a home through PHO as the programme is currently focussed on new builds and relatively few new builds are delivered in these areas.</p> <p>Allowing existing homes to be purchased through PHO addresses this issue.</p>

Human Rights

s 9(2)(h)

76 s 9(2)(h)

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78 The policy proposals are aimed at increasing the number of homes that meet these disadvantaged groups' needs that are available for purchase through the PHO programme. This includes increasing the number of more affordable homes, larger homes, and homes with physical accessibility features.

79 Evidence shows, not only that these groups are disadvantaged in many ways when it comes to housing, but also that the proposed measures directly address particular aspects of disadvantage faced by these groups. For example, the proposed measures are specifically targeted at the following aspects of disadvantage:

- 21 percent of Pacific households and 31 percent of Māori own their home, compared to 60 percent of New Zealand Europeans.¹⁷ 61 percent of disabled people live in owner-occupied homes compared with 67 percent of non-disabled people.¹⁸
- The median income of Pacific People and Māori is \$24,300 compared to \$34,600 for New Zealand Europeans.¹⁹ The median income for disabled adults living in private households is \$20,200 compared to non-disabled adults at \$36,000.²⁰

s 9(2)(h)

¹⁷ Fale mo Aiga – Pacific Housing Strategy 2030.

¹⁸ Statistics New Zealand - Census 2018.

¹⁹ Fale mo Aiga – Pacific Housing Strategy 2030.

²⁰ Statistics New Zealand - Measuring inequality for disabled New Zealanders: 2018.

- 39 percent of Pacific peoples and 21 percent of Māori live in private homes in crowded conditions, compared with 11 percent of New Zealanders.²¹
- Research estimates that less than 2 percent of all New Zealand homes meet basic levels of physical access and usability for disabled New Zealanders.²² Almost 20 percent of disabled people identify “access when moving around inside their home” as a problem compared with just 3.9 percent of non-disabled people.²³
- In most cases, whānau with tamariki and intergenerational families face higher living costs than those without tamariki²⁴ and require larger homes. Official child poverty statistics also show a number of tamariki are in poverty as a direct result of the cost of housing. For example, for the year ended June 2022, 12.0 percent of children lived in households earning less than 50 percent median equivalised disposable household income, before housing costs, but this rose to 15.4 percent after housing costs were deducted.²⁵

80 The evidence above demonstrates that the extent of the disadvantage faced by the target groups is substantial and that the proposed policy changes directly address some of the specific aspects of disadvantage faced by these groups. s 9(2)(h)

s 9(2)(h)

I note that other groups will still be able to access the PHO scheme for new builds and will be able to purchase existing homes through First Home Partner.

81 These policies can be operationalised through current legislative settings through Cabinet’s agreement.

Consistency with New Zealand’s International Human Rights Commitments

82 s 9(2)(h)

83 Homeownership is strongly linked to better educational outcomes, future income prospects for children, more civic engagement, higher trust in others, a positive sense of community, family and social stability, and higher average living standards in retirement.²⁶ The proposals I have recommended will therefore contribute to the realisation of economic, social, and cultural rights by assisting more people. In particular, this will help Māori, Pacific people, whānau with tamariki, disabled people and people with physical accessibility issues into homeownership.

²¹ Fale mo Aiga – Pacific Housing Strategy 2030.

²² Harwood, B.(2019).

²³ Statistics New Zealand – General Social Survey.

²⁴ Ministry of Social Development - Household Incomes Report.

²⁵ Statistics New Zealand – Child Poverty Statistics June 2022.

²⁶ New Zealand Productivity Commission Housing Affordability inquiry report 2012.

Alignment with other measures to address broader structural and market drivers of unequal access to homeownership opportunities

- 84 The proposals in this paper are aligned with other initiatives to address the structural and market drivers of the access issues faced in particular by, **Māori, Pacific People, whānau with children, disabled people and people with accessibility issues.** This includes but is not limited to:
- Measures to increase market incomes (e.g., through changes to minimum wages, main benefits, the accommodation supplement, Fair Pay Agreements, and childcare support payments, etc)
 - Measures to increase wealth accumulation (e.g., through financial literacy programmes, KiwiSaver policy settings and other First Home Buyer support programmes)
 - Measures to increase the supply of housing in general and housing which meets the needs of particular groups (e.g., through Government underwrite programmes like KiwiBuild, Government land programmes, Resource Management Act reform, Whai Kāinga Whai Oranga, and Kāinga Ora's Accessibility Policy).

Te Tiriti o Waitangi

- 85 The proposed changes to the PHO programme support are consistent with the principles of Te Tiriti o Waitangi.

- 86 **Rangatiratanga.** The proposed measures to assist more Māori into homeownership will enhance the mana and rangatiratanga of supported whānau and individuals by giving them greater control over their own lives and increasing their ability to manage their own affairs that aligns with their customs and values. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 87 **Active protection and Equity.** Māori rates of homeownership are significantly lower than those of New Zealand Europeans (see paragraph 77). Many of the proposed changes will disproportionately benefit Māori, for example allowing buyers to purchase existing homes (including on a preferential basis in the Provider and Te Au Taketake pathways) and broadening the definition of intergenerational whānau. This is consistent with the Crown's commitment to active protection and the delivery of equitable outcomes for Māori.
- 88 **Options.** The proposed measures to improve and adequately fund each of the pathways of the PHO programme will ensure Māori have the right to choose the pathway which best suits their individual needs.
- 89 **Partnership.** Measures to improve the operation of Whai Kāinga Whai Oranga and retaining the potential to make a further allocation of funding to the Te Au Taketake pathway deliver on the Crown's commitment to work in partnership with Māori to address housing issues affecting Māori. The changes also support the shared priorities of the MAIHI Kai Ora – the National

Māori Housing Strategy, which was developed in partnership with Māori including by:

- strengthening Māori-Crown Partnerships and Māori-led local solutions
- providing additional housing support to Māori and increasing the supply of quality, affordable houses which they can be accessed through homeownership
- improving the Māori housing system by removing operational barriers to uptake of support programmes.

90 The changes also align with the MAIHI principles and framework contained in MAIHI Kai Ora – the National Māori Housing Strategy and the key principles of He Ara Waiora – The Treasury’s framework for understanding wellbeing from a Māori perspective.²⁷

Consultation

91 The Department of Prime Minister and Cabinet, Kāinga Ora – Homes and Communities, Te Puni Kōkiri, The Office for Māori Crown Relations - Te Arawhiti, the Ministry of Justice, the Ministry of Social Development, the Ministry for Pacific Peoples, the Treasury, and Whaikaha – the Ministry of Disabled People have been consulted on this Cabinet paper.

Communications

92 I will announce the changes to the Progressive Home Ownership programme within 30 days of the Cabinet agreement, with implementation of the changes to follow shortly afterwards.

Proactive Release

93 I intend to proactively release this paper on the HUD website within 30 business days of final decisions being made by Cabinet.

Recommendations

The Minister of Housing recommends that the Committee:

- 1 **note** that changing market conditions are continuing to impact across the system, including the Progressive Home Ownership programme, with rising interest rates and construction costs
- 2 **note** that the Minister of Housing recommends a package of options which, together, would help more households into home ownership

²⁷ These frameworks emphasise principles such as tikanga – making decisions in accordance with the right values and processes, including in partnership with the Treaty partner; manaakitanga – enhancing the mana of others through a process of showing proper care and respect; and whanaungatanga – fostering strong relationships through kinship and/or shared experience that provide a shared sense of wellbeing.

- 3 **agree** that all eligible buyers be able to purchase an existing home, in addition to new build homes, through the First Home Partner pathway delivered by Kāinga Ora
- 4 **agree** that only whānau with tamariki, Māori, Pacific peoples, disabled people, and people with physical accessibility needs, be able to purchase an existing home, in addition to new build homes, through the Provider and Te Au Taketake pathways
- 5 **agree** to increase the household income cap for the Progressive Home Ownership programme from \$130,000 to \$150,000
- 6 **agree** to delegate authority to the Minister of Housing to approve delivery plans from Te Au Taketake providers under which less than 50 percent of applicants may exceed income caps that would otherwise apply
- 7 **agree** to increase the flexibility around timing of funding applications for the Progressive Home Ownership programme by removing the funding rounds
- 8 **agree** to extend the recycling period of the Progressive Home Ownership programme funding from 15 to 20 years for rent-to-buy and shared equity schemes
- 9 **note** that other changes to increase the uptake of PHO are being considered at various levels that do not need Cabinet approval, comprising:
 - 9.1 broadening the intergenerational whānau income cap exemption to include larger whānau
 - 9.2 s 9(2)(f)(iv)
 - 9.3
 - 9.4 relaxing grant funding settings for providers
 - 9.5 Kāinga Ora is continuing to explore more ways of supporting uptake of Māori and Pacific peoples through First Home Partner
 - 9.6 Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development is looking for other opportunities to increase PHO uptake across its initiatives.
- 10 s 9(2)(h)
- 11 **note** that Kāinga Ora has been provided \$50 million out of the unallocated balance of the Progressive Home Ownership fund to enable the pathway to operate until around the end of June / July 2024 (our delivery target deadline) at current rates of progress

- 12 **note** officials will report back to the Minister of Housing by the end of 2023 on progress delivering PHO.

Authorised for lodgement

Hon Dr Megan Woods
Minister of Housing

Annex A: Background on the PHO programme

- 1 **The Provider pathway** started in July 2020 and initially focussed on supporting pre-existing providers of PHO schemes to scale them up. This allowed for some quick wins to be delivered while the fund worked to support the establishment and development of new PHO providers.²⁸ Providers under this pathway are generally able to provide a greater level of support to families, meaning they can target people further down the income spectrum. Support is generally to get households 'buy-ready', such as budgeting services. However, its geographic reach is limited as existing PHO providers do not operate in all parts of New Zealand.
- 2 As at the end of March 2023, 91 households had moved into homes through this pathway. A further 281 homes are under construction or in stages of development. Forty-nine of these homes are expected to be completed by June 2023.
- 3 In December 2022, the Provider pathway received \$30 million from the unallocated balance. Six of the eight providers through this pathway have current loan agreements. Of the households that have moved into their homes, 27 percent are Māori, 23 percent are Pacific People and 77 percent are families with children.
- 4 **First Home Partner** started in late 2021 and is an entirely new Government-led shared equity scheme operated through Kāinga Ora. It targets households with median or above median incomes, good credit histories, minimal debt, and a 5 percent deposit. Geographically it covers anywhere in New Zealand where homes are being built.
- 5 At the end of March 2023, First Home Partner had contracted \$56.7 million, with 244 homes settled and a further 102 sale and purchase agreements signed.²⁹
- 6 At current rates of delivery, Kāinga Ora expects that the initial allocation of \$87 million will be fully committed by August 2023. The average Crown contribution through First Home Partner in the last quarter was \$170,000. Of the 244 households who had settled, 3.3 percent were Māori, 5.7 percent were Pacific, and 59 percent were families with children.
- 7 **Te Au Taketake** was established in 2021 and is supporting new iwi/Māori PHO providers. Te Au Taketake has not yet delivered any homes. This is because new providers needed to be established under Te Au Taketake, of which there are now nine of them.³⁰
- 8 While homes are yet to be delivered under this pathway, there is an agreement with a provider for the development of 30 homes. HUD understands that other providers intend to submit plans for approval soon.

²⁸ Five additional providers have been approved since the Pilot Phase.

²⁹ This includes conditional and unconditional agreements.

³⁰ One provider in Te Au Taketake was included in the Pilot Phase.