



21 December 2020

DOIA20/21110505

s 9(2)(a)

Dear s 9(2)(a)

Thank you for your email dated 23 November 2020 requesting the following information under the Official Information Act 1982 (the Act):

I would like to see briefings and options presented to Ministers (and also Ministers' responses / preferred options) for ameliorating the current house price explosion / intervening in the housing market.

I would also like to read Ministers' directives for what solutions they would like the public service to investigate, whether given in writing or orally requested.

I'm requesting material since the 2017 election.

Please could I receive these electronically by email (scans, word files, pdfs etc. are all fine).

I'm looking for the high-level requests, thinking, and decisions from Ministers & government, so please focus on that to provide the most pertinent information and keep it down to a quantity that's reasonable to collate.

I can advise you that the topics within scope of your request include the following:

- Government Build Programme
- National Policy Statement on Urban Development
- Urban Growth Agenda
- Progressive Home Ownership
- Creation of Kāinga Ora.

The documents that relate to high level decisions and are therefore within scope of your request are published on the Ministry's website at: www.hud.govt.nz/news-and-resources/proactive-releases/.

You will find relevant papers using the "filter by topics" function, and selecting the following topics:

- Kiwibuild
- National Policy Statement on Urban Development Capacity
- Urban Growth Agenda
- Urban Development
- Progressive Home Ownership
- Kāinga Ora – Homes and Communities

In addition to visiting our website, you may find it useful to visit the Ministry for the Environment's website for information regarding the National Policy Statement on Urban Development. Specifically, you can find:

- a Cabinet paper and major analysis docs at: www.mfe.govt.nz/about-national-policy-statement-urban-development
- briefings at: www.mfe.govt.nz/briefings-search?field_portfolio_value=1&field_to_ministers_tid=360&field_cc_ministers_tid=All&field_legislation_type_tid=284&title&field_date_of_briefing_value%5Bvalue%5D%5Bdate%5D=&field_publication_date_legistrat_value%5Bvalue%5D%5Bdate%5D=September%202020
- and other relevant documents at: www.mfe.govt.nz/consultations/nps-urbandevelopment

A Cabinet paper, released by the Prime Minister's Office on 9 October 2020, may also interest you. The paper is titled KiwiBuild Response to COVID-19 and you can view it at: covid19.govt.nz/assets/resources/proactive-release-2020-october/H02-CABINET-PAPER-AND-MINUTE-KIWIBUILD-RESPONSE-TO-COVID-19-20-JULY-2020.pdf

In addition to the published documents, I am releasing one document to you with some information withheld under section 9(2)(f)(iv) of the Act to maintain the constitutional convention which protects the confidentiality of advice tendered by Ministers of the Crown and officials. The document is titled "Responses to the impacts of COVID-19 on New Zealand's Rental Markets – Initial discussion with Minister Woods – April 2019". (Please note the error in the document's title: it should read April 2020.)

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Thank you for taking the time to write.

Yours sincerely



Caleb Johnstone
Manager, Market & Supply Responses



**MINISTRY OF HOUSING
AND URBAN DEVELOPMENT**

Responses to the impacts of COVID-19 on New Zealand's Rental Markets

Initial discussion with Minister Woods – April 2019

Overview

This slide pack sets out an early view of the potential effects of COVID-19 on the rental market, and a range of interventions which could be considered to remedy those effects. It does not cover existing measures that were put in place immediately.

Prior to lockdown there was already significant stress on renters in New Zealand. The ongoing economic impacts of COVID-19 are likely to increase the numbers of people who are financially unable to sustain a private tenancy (“stressed renters”). This will play out differently across regions, and may affect some groups more than others e.g. Māori and Pacific households.

We seek your agreement that HUD develop a package of options to support the rental market. This advice will draw on data about how the situation is developing and evidence about what will deliver the best outcomes for New Zealanders, and consider the value of any changes against the longer term shifts we want to see in the rental market.

Given there are few affordable rentals available for stressed renters and the predicted increase in numbers, we suggest that interventions for this group be an important part of the package of advice developed. This group had already been identified by HUD as requiring further support prior to COVID-19.

You are also receiving or have already received advice from a range of agencies on the following areas:

- Income support, further advice on extending the current Wage Subsidy Scheme, advice on the demand for motels as emergency housing, demand for public housing, demand for the Accommodation Supplement from MSD and Treasury
- Advice on rental arrears assistance from HUD
- Advice on the residential construction sector in the context of the Construction Sector Accord from MBIE and HUD
- Upcoming advice on the government build settings from HUD

Prior to COVID-19 outbreak there was already significant pressure in many rental markets.

Territorial Authority	Significant housing need	Unaffordability of rentals	Unresponsive rental supply	New development unviable
	Public housing register and SNGs per capita	Lower quartile rents relative to 20th percentile income of renting households	Shortage of rental supply relative to recent population growth	Construction cost of new builds relative to sales prices
Napier City	Very high	Very high	Very high	Medium
Porirua City	High	Very high	Very high	Medium
Whangarei District	High	Very high	High	Medium
Hastings District	Very high	High	High	Medium
Tauranga City	High	Very high	High	Low
Auckland	Very high	High	High	Low
Upper Hutt City	High	Very high	High	N/A
Lower Hutt City	Very high	High	Medium	Medium
Buller District	Very high	Medium	Very high	Very high
Manawatu District	Medium	Very high	Very high	Medium
Matamata-Piako District	Medium	Very high	Very high	Medium
Rotorua District	Very high	Medium	Very high	Medium
Thames-Coromandel District	Medium	Very high	Very high	Low
Western Bay of Plenty District	Medium	Very high	Very high	Low
Kaipara District	Medium	Very high	High	Medium
Kapiti Coast District	Medium	Very high	High	Medium
Kawerau District	Very high	Medium	High	N/A
Gisborne District	Very high	Medium	Medium	High
Masterton District	Medium	Very high	Medium	Medium
Palmerston North City	Very high	Medium	Medium	Medium
Hamilton City	Very high	Medium	Medium	Low
Grey District	Very high	Medium	Low	Very high

There are also specific pressures within markets that need to be addressed

- An overall picture of market pressure won't always highlight certain specific problems, or poor outcomes for particular groups, such as Māori
- An effective mix of responses needs to be able to take a broad approach to problems in our most pressured markets, while also targeting responses to specific issues or groups

*NB – only the most pressured markets are shown here

High rental costs, relative to incomes, mean that some households need to spend an unsustainably high proportion of their income on rent, while others are forced out of market rental entirely, increasing demand for public, transitional and emergency housing

Pressure increases where the market is not providing enough properties – due to lack of overall supply, or insufficient 'filtering' of supply into rental market

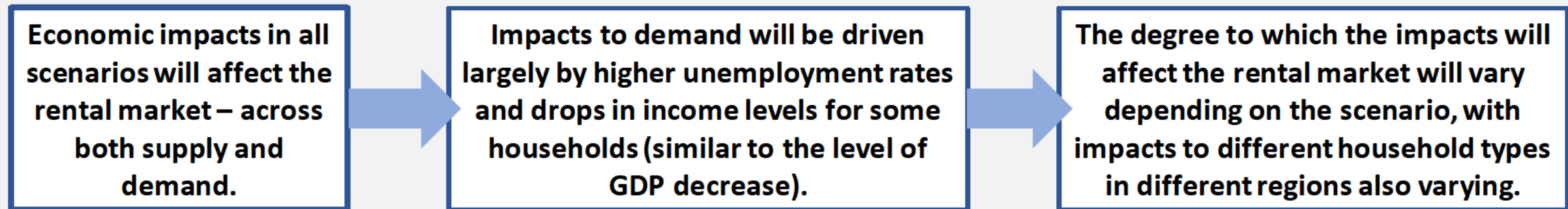
A lack of supply is driven by underlying development economics. Where new housing is less viable, markets are unlikely to provide enough new development to meet demand

We do not know exactly how the economic impacts of COVID-19 will play out, but Treasury has produced scenarios and analysis which can inform our thinking.

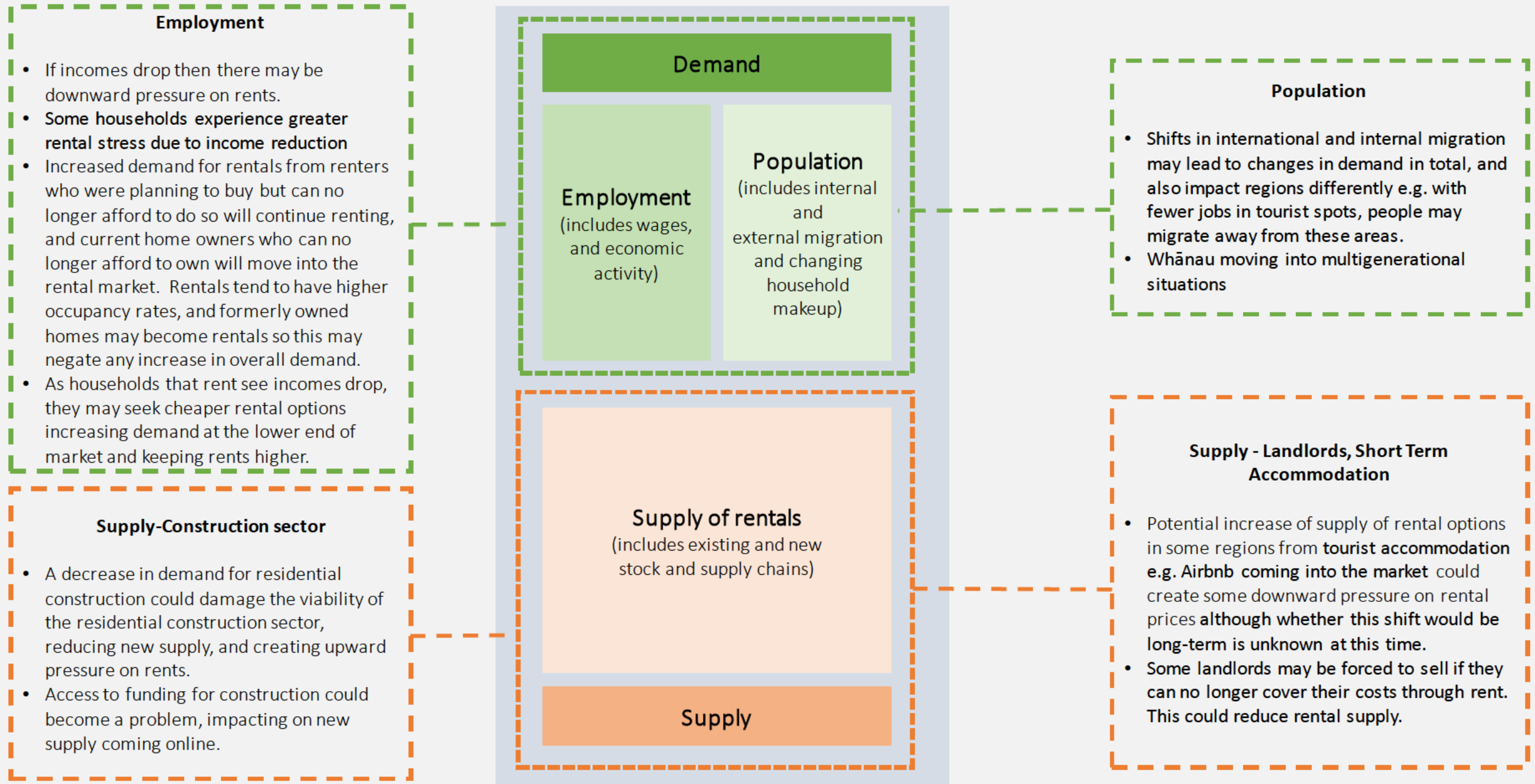
Each scenario assesses the impacts of different responses to COVID-19 (application of alert levels 1-4). A number of Treasury's scenarios assume no additional fiscal support measures beyond the approximate \$20 billion of direct support that has already been announced, while others assume additional fiscal support.

Given the broad nature of the scenarios, they show a range of economic impacts, which include:

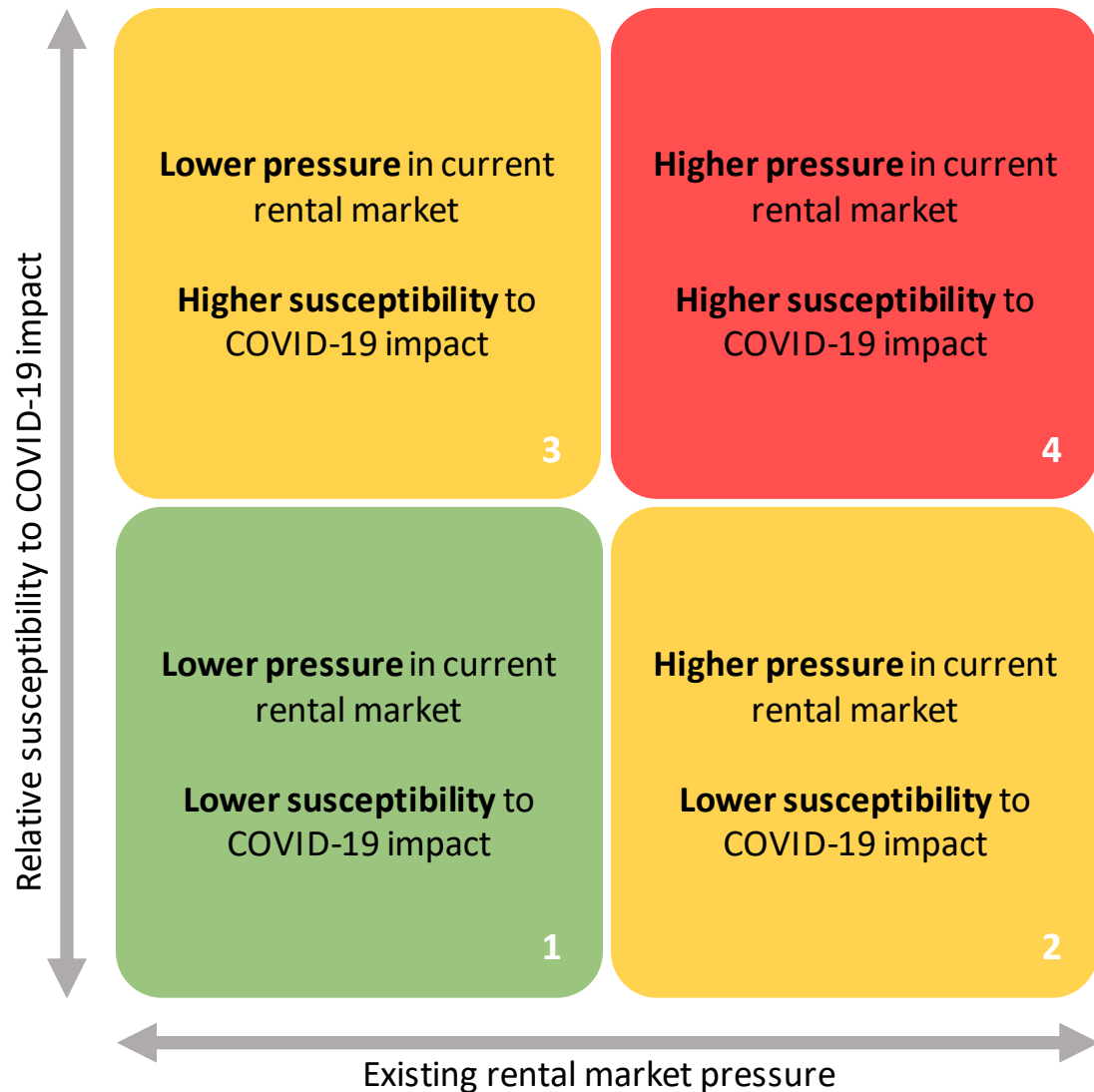
- **Falls in annual GDP**, which vary from a decline of around 5%, the least restrictive of the scenarios considered, to closer to one third which involves tight restrictions throughout the year.
- **Increases in the unemployment rate**, which vary from around 8.5% to nearly 26%.
- **Inflation remains below the 2%** mid-point of the target range throughout the forecast period, and monetary conditions are supportive throughout.
- If additional fiscal support is put in place, the fall in GDP is predicted to be smaller (around 8.5%), and the predicted increase in the unemployment rate is lower.



Depending on the scale of the economic impact, these are the resulting changes that we expect will influence the rental market.



COVID-19 impacts will accentuate existing rental market pressures, but will play out differently in places – requiring a different mix of responses.



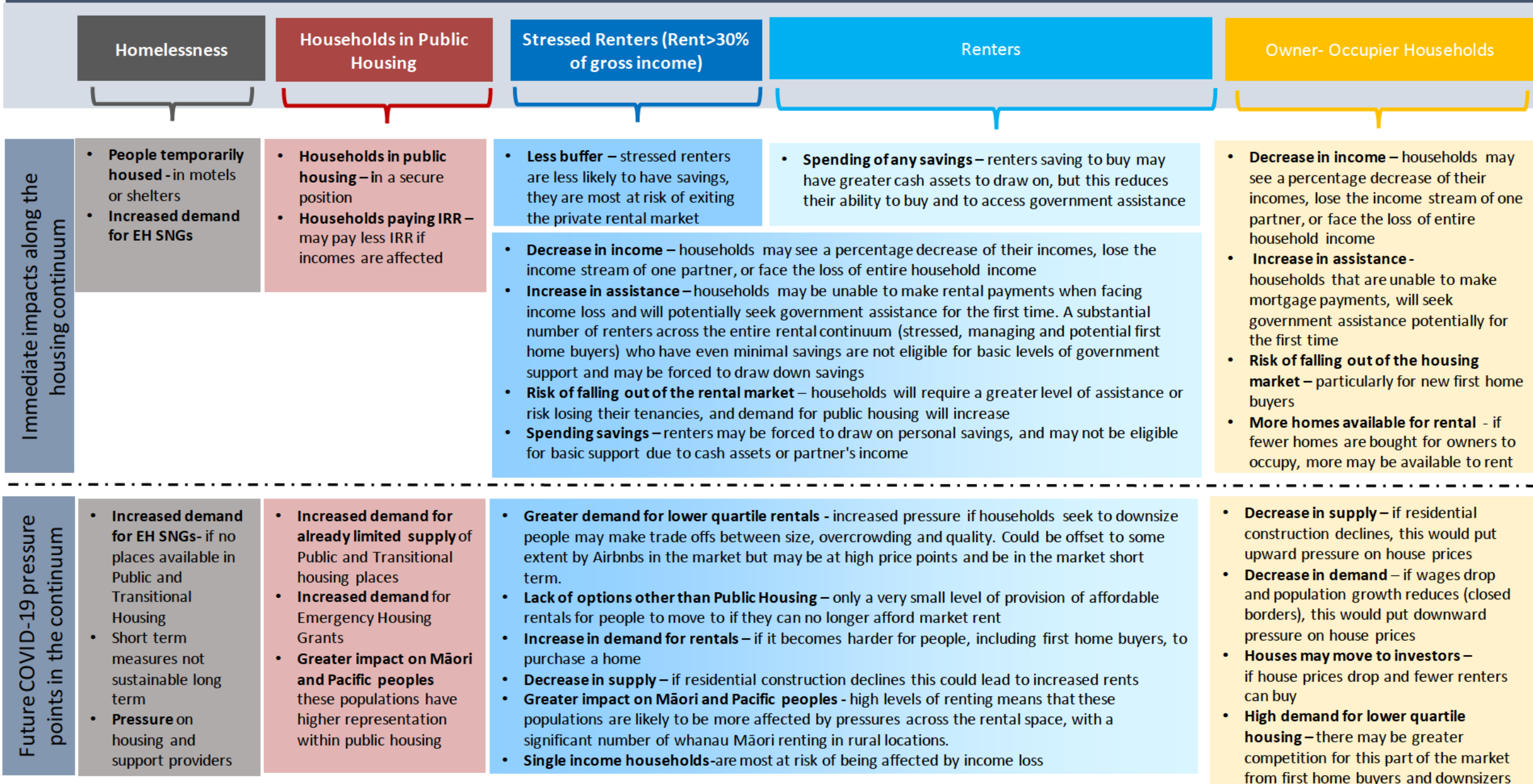
Different rental markets will be impacted differently by COVID-19

- The impact of increased unemployment and lower incomes will vary, depending on the local mix of heavily affected industries such as tourism. For example, in Queenstown as much as 50% of the working population is employed in industries that are likely to be heavily affected, compared to 15-20% in areas that are less reliant on tourism
- Impacts on rental supply will also differ significantly – there may be short-term opportunities to ease rental pressure for areas with significant number of short-term rental accommodation properties (e.g. Airbnb) while disruptions to longer-term supply are also likely to vary, due to the underlying development economics and viability of new development, as well as construction sector constraints
- While we can make some assumptions about how these impacts will play out in places, this is still an emerging picture – it will change and become clearer over time

Interventions to support renters will need to consider the existing pressure in our rental markets in combination with the impact of COVID-19

- In markets that already have higher pressure, medium to long term interventions will be needed to address the underlying drivers of rental stress – this includes continuation of existing work such as our place-based partnerships in Hastings and Rotorua, alongside new interventions to more directly respond to rental stress both in specific markets and at a system level
- In markets which are likely to be more susceptible to the impacts of COVID-19, there will be a need for additional short-term interventions to support renting households and reduce pressure in the market
- In some markets, the existing market pressures will be accentuated by a significant COVID-19 impact – a mix of responses will be required, and we will need to be flexible and adjust our interventions in response to changing market conditions over time.

Regardless of the scenario which occurs, we expect that the group of stressed renters will grow as a result of COVID-19



Stressed renters had already been identified as needing support as part of our wider response to the existing housing crisis

We expect there will be more stressed renters as a result of COVID-19, the number will depend on the size of economic impacts. However the low level of existing affordable rentals available for this group make it a priority to focus on them.

- Māori and Pacific Peoples could be particularly at risk from job loss and rental stress as a result of the crisis.
- Needs will vary by region depending on where each regional rental market was prior to COVID-19 and on the severity and duration of COVID-19 measures.

The role of government also includes ensuring that the rental market functions well, given the issues which we already know existed.

- There is a need to respond proportionately to the economic impacts, whilst not holding up rents artificially.
- Some households will only need temporary support, some however will need it longer term.
- There is a need to in the security of rental housing ensure supply for renters and provide confidence for investors.
- Ensuring that the housing market functions well to bring on new supply as we move out of COVID-19 response and into recovery.
- There remain choices to facilitate affordable rentals to stem flows of people into emergency, transitional and public housing.

Across the rental market, the objectives that we suggest should guide any interventions are:

- **People are supported to maintain stable, affordable rental housing** – this should as much as possible focus on support which allows people to stay in the private market. Māori and Pacific peoples are likely to need tailored responses given they are significantly more likely to be renters.
- **Ensuring continuity of housing supply and enabling delivery of affordable housing** – responding to the existing issues that need to be addressed across the rental market.
- **An integrated approach is taken to the needs of regions with significant rental stress** – the government is agile in its approach based on the insights about how rental pressures are evolving in different places.

The following interventions have been identified by HUD as areas where we could progress further work to assist the rental market shift to the “new normal”, as well as options to assist stressed renters specifically

These options look beyond the existing measures that are already in place to what will be required in the medium and longer term, as these will take time to develop and get up and running. Short term measures will also need to be developed to bridge the gap between existing measures and any medium to longer term ones. While much of the focus is on COVID-19 response, many of the measures span both response and longer term adjustments to the rental market which were already needed.

	Initiative	Options for prioritizing work, expanding existing work or new initiatives	Comment
Specific targeting	Pacific People's housing	As part of the homelessness action plan, develop an action to address overcrowding for Pacific Peoples. (A range of options is being developed to improve Pacific peoples housing outcomes)	Further research and engagement are needed to develop this option. Expected to have high impact for Pacific peoples as they are most impacted by overcrowding.
		Explore provision of greater housing support services and programmes tailored to meet the needs of Pacific people and communities.	Further work and engagement is required to develop this option.
	Māori Housing	Increase access to capital for Māori Community Housing Providers and other providers to build, alter or rent housing. This could be done through suspensory loans or other innovative options.	High impact for Māori; depending on location it can be cost effective; time to implement depends on readiness of housing and land.
		Further support Māori providers and iwi to build their housing capacity and organisational capability (e.g. procurement, housing project management, property management)	High impact for Māori. Capability building could start during Level 3 and continue if New Zealand needs to return to Level 4.
Renters	PHO rent to buy	Explore facilitating development and availability of a rent-to-buy model for households beyond the PHO Fund to target those that would have bought but who are now less certain and may favour rental in the short term	Would take time to develop and engage with parties such as banks and developers.
	Income support	Further income support (following from existing measures) for the transition between COVID-19 levels into what will be a recalibrated rental market with higher levels of unemployment. This should include looking at the interactions of any further support with the Accommodation Supplement.	Income support provides short term relief for many who faced reduced income or job loss. It can be costly and is not a medium or long term solution. Led by MSD and Treasury.
s 9(2)(f)(iv)			

Initiative	Options for prioritizing work, expanding existing work or new initiatives	Comment
	s 9(2)(f)(iv)	
Rental interventions	Advice requesting expansion of Sustaining Tenancies Programme	You will be receiving an update detailing the process to increase ST places available in the short term (through an extension of existing service and through procurement of new ST service).
	Delaying Healthy Homes Standards compliance dates (Level 4 restrictions may delay landlords' ability to comply; Kāinga Ora advise delays are likely; TPK advise some Māori collectives will need support)	Quick to implement through changes to compliance dates.
	Consider the timing of additional regulation for landlords e.g. delaying the passage or implementation of RTA amendments	This reduces the chance of large numbers of landlords exiting the market in a short space of time due to perceived regulatory burden.
	Incentivise landlords to release short term rentals into the long term market (e.g. freeing up holiday rental stock)	Easy to implement, further work required to determine amount of incentive and effectiveness would be linked to the length of time properties stay in the private rental market.
	Rent arrears assistance advice from MSD and HUD (currently under development)	Likely to be considered as part of short term measures to support those struggling to pay rent. Could be recoverable.
	Changes to support renegotiating current rental agreements e.g. temporary rent reductions, mediation/arbitration mechanisms, fund for rental assistance, guidance on how to renegotiate tenancy agreements, support for lower quartile landlords, restrictions on grounds for terminations	Some of these things are already possible under the RTA e.g. temporary rent reductions. Some may require changes to the RTA. Could be linked to rent arrears assistance.

Initiative	Options for prioritizing work, expanding existing work or new initiatives	Comment
Affordable rental (e.g. weekly rent of no more than 30% of gross household income or a weekly rent of 75-80% of market rent)	Government-led or co-investment into affordable rentals, providing housing for stressed renters through funding, underwrite, development agreements, or guarantee in short term (no funding currently available)	May require houses to be built, so will take time to implement. A government-led option would require significant operational funding. "Affordable" would need to be defined in all options.
	s 9(2)(f)(iv)	
	TRC Affordable Housing Fund proposal - expand TRC's pilot affordable housing scheme in Tāmaki to 1500 shared ownership and 500 affordable rentals	Business case needed for build to rent, but has a strong strategic case. Would take some time to have effect as requires houses to be built. Auckland-only impact.
	Changing role of Kāinga Ora, including exploring: <ol style="list-style-type: none"> Options for changing the tenure mix in Kāinga Ora developments Further provision by Kāinga Ora or private market providers of affordable/submarket rentals Options to partner with larger CHPs with a proven track record to manage housing 	Significant impact on availability of affordable rentals, however Kāinga Ora would forego land sale proceeds which is used to fund public housing. Could leverage the experience of CHPs in working with some particular groups to provide landlord services to houses owned by Kāinga Ora.
	Opportunity to partner with Māori landowners / Iwi / hapū / marae to supply rental housing on Māori land. TPK has indicated that they could accelerate rentals that are already in their pipeline.	Requires houses to be built, but existing TPK delivery can be accelerated. Cost effective as utilises Māori land. Support for provider capability/capacity is required, as is capital.

We will be developing our evidence base to understand the impacts of COVID-19 and longer term needs for the rental market, for example:

- Understanding the different groups within stressed renters (e.g. Maori and Pacific peoples, multigenerational whānau, people with disabilities, older people)
- Understanding what is happening for stressed renters over time as the impacts on the economy become clearer
- Understanding the ongoing and differing effects across the regions and use this to inform the targeting interventions

We suggest that HUD lead the development of advice on the effects of COVID-19 on the rental market, with a cohesive package of responses needed.

This advice will take several weeks to develop and will:

- Take into account the wider government support packages for COVID-19, including decisions on wider income support, wage subsidies and rental arrears assistance.
- Consider both interventions needed as existing measures end, alongside the medium to long term interventions. These need to work as a cohesive package and contribute to our wider objectives for a well-functioning rental market.
- Draw on data as it becomes available about the impacts on the rental market on different places and different people, which will differ depending on how the shock and recovery play out in different parts of the country.
- Consider both the need to respond to the COVID-19 situation, but also take a long term view of where we want the rental market to adjust to over the next few years to improve affordability, access and quality.

What we need your agreement on:

- Do you agree with HUD putting together advice on a package support for the rental market, including for stressed renters?
- Do you agree with the objectives outlined above, or are there others you have in mind for the rental market?
- Is there a particular package of these options that you are more interested in?