



HUD2022-000043

Craig Innes  
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Dear Mr Innes

**Official Information Act Request for Cabinet Paper: *Advancing the housing supply and affordability package* (DOIA21/22110661)**

The Ombudsman has advised us of your complaint regarding Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development's (the Ministry's) response to your 2 November 2021 Official Information Act 1982 (the Act) request in relation to the above Cabinet paper.

The Ministry's original response withheld parts of the Cabinet Paper under sections 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(i) and 9(2)(j) of the Act. In light of your complaint, we have reviewed our response to ascertain whether the grounds on which the Ministry withheld parts of the Cabinet Paper still remain valid.

Following review, the Ministry considers that most of the information previously withheld can now be released as the relevant policy has now been confirmed and announced. However, some information is still withheld under section 9(2)(f)(iv) of the Act (to maintain the constitutional conventions for the time being which protect confidentiality of advice tendered by officials) and section 9(2)(j) of the Act (to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)).

In terms of section 9(1) of the Act, we are satisfied that, in the circumstances, the decision to withhold the remaining 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.

Can you please advise if you are satisfied with this response to your complaint. In the meantime, we will advise the Ombudsman about our updated response to you.

Yours sincerely

Jenny Cassie  
**Chief Legal Advisor**

**IN CONFIDENCE**

Office of the Minister of Housing

Office of the Associate Minister of Housing (Māori Housing)

Cabinet

**Advancing the housing supply and affordability package**

**Proposal**

- 1 This paper reports back on supply-side initiatives agreed to by Cabinet in March to increase housing supply and improve affordability for first home buyers and renters [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061 refers].
- 2 The paper's primary purpose is to report back on the Housing Acceleration Fund, and seek agreement to the design of the Infrastructure Fund (the key component of the Housing Acceleration Fund).
- 3 It also provides updates on:
  - 3.1 the additional funding for the Land for Housing Programme (which will be provided through the Housing Acceleration Fund);
  - 3.2 the Kāinga Ora Land Programme, including the scope of further design and implementation decisions to be made by the Ministers of Finance and Housing; and
  - 3.3 the refocused Residential Development Response Fund, to be called the Affordable Housing Fund.

**Relation to government priorities**

- 4 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**

- 5 With New Zealanders facing unsustainable house price increases, while rents are also increasing, this Government recently announced a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061 refers].
- 6 The central component of our supply-side response is the \$3.8 billion Housing Acceleration Fund, which both establishes an Infrastructure Fund (\$3.73

billion) to unlock a mix of private-sector and government-led developments and provides \$50 million of additional funding for the Land for Housing Programme. This is complemented by a Kāinga Ora Land Programme for strategic land purchases, and a refocused \$350 million Residential Development Response Fund (to be called the Affordable Housing Fund).

- 7 Cabinet sought a report back on the design of the Infrastructure Fund [CAB-21-MIN-0061 refers], which this paper fulfils.
- 8 We are proposing that the Infrastructure Fund has the following three components:
  - 8.1 Kāinga Ora large scale projects – with funding used to maintain momentum and enable a step-change in housing delivery for Kāinga Ora’s six large scale projects in Auckland and Porirua;
  - 8.2 a competitive fund – to support projects from around the country which have infrastructure constraints and are facing the biggest housing supply and affordability issues;
  - 8.3 infrastructure for Māori housing – to enable Māori-led investments in infrastructure for Māori housing outcomes.
- 9 We are seeking Cabinet’s agreement:
  - 9.1 to the approach for the first tranche of the funding for the Kāinga Ora large scale projects;
  - 9.2 to the design parameters for the competitive component of the Infrastructure Fund; and
  - 9.3 to the high-level settings for the recently agreed \$350 million Māori Infrastructure Fund [CAB-21-MIN 0173 refers].
- 10 Given the pressing nature of our housing issues, it is important that the Infrastructure Fund is up and running as soon as possible. It is my expectation that the competitive component of the Infrastructure Fund will be open for expressions of interest from interested parties by July this year.
- 11 The additional funding for the Land for Housing Programme, the Kāinga Ora Land Programme and the Affordable Housing Fund also form a very important part of our supply-side response. This paper provides updates on those initiatives.

## **Background**

- 12 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. Lower income households are facing increasing challenges to obtain affordable and appropriate long-term rental housing. As a result, the public

housing register is continuing to increase and there is high demand for emergency housing.

- 13 One of the key structural reasons for increasing house prices is that not enough houses are being built in the places they are needed. Those that are being built are not at prices that low- to moderate-income households can afford (whether for rent or home ownership). We're not seeing the volume or kind of supply we need for a number of reasons including 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.
- 14 In March, Cabinet agreed to a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061 refers].
- 15 To increase the pace and scale of housing supply, and increase the number of homes that are affordable for low- to moderate-income households to own or rent, Cabinet agreed [CAB-21-MIN-0061 refers] to establish a Housing Acceleration Fund, which will:
  - 15.1 create 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;
  - 15.2 provide additional funding for the Land for Housing Programme to speed up development on vacant or underutilised Crown-owned land, operate in more regions, and deliver a broader range of affordable housing options for rental and home ownership; and
  - 15.3 establish a Kāinga Ora Land programme for strategic purchases to increase the pace, scale and mix of housing developments, including more affordable housing. In the associated public communications material, the Kāinga Ora Land programme was announced as a separate programme, and is now considered as being complementary to the Housing Acceleration Fund.
- 16 Subsequently, Cabinet agreed to commit \$3.8 billion to the Housing Acceleration Fund, with approximately \$3.75 billion for the Infrastructure Fund<sup>1</sup>, and \$50 million of additional funding for the Land for Housing Programme [CAB-21-MIN-0016.15 refers]. The Kāinga Ora Land Programme will be financed through an additional \$2 billion of Kāinga Ora borrowing for land acquisition and development, complemented by \$46 million per annum of

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<sup>1</sup> This includes \$21 million of staffing costs to monitor and implement the package.

operating funding to be provided through Budget 2021 [CAB-MIN-0116.15 refers].<sup>2</sup>

- 17 Cabinet sought a report back on the design parameters for the Infrastructure Fund, including on alignment with existing infrastructure processes (in particular three waters and transport) and ongoing collective ministerial oversight across alignment with the Treasury, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, Department of Internal Affairs and Kāinga Ora [CAB-21-MIN-0061 refers].
- 18 This paper contains that report back. It also provides updates on complementary supply-side initiatives including additional funding for the Land for Housing Programme, the Kāinga Ora Land Programme and the refocused Residential Development Response Fund, which we now propose to call the Affordable Housing Fund to more accurately identify its refocussed purpose.
- 19 In relation to the Government's supply package, Cabinet also sought a report back on how the government can further support increased delivery of high-quality rentals at both market and subsidised rent, including the impact of the Overseas Investment Act and tax treatment [CAB-21-MIN-0061 refers]. The Minister of Housing intends to come back to Cabinet in the middle of the year to provide the report back on how we can further support purpose-built rentals.

### **The Infrastructure Fund**

- 20 Decades of underinvestment in infrastructure has contributed to limiting both the amount of land that can be used for residential development, and the density at which that land may be developed.
- 21 The Infrastructure Fund (the Fund) forms the key component of the Housing Acceleration Fund. It is intended to directly overcome funding and financing constraints faced by councils and other infrastructure providers to support the provision of infrastructure that unlocks housing development in the short- to medium-term.
- 22 The key purpose of the Infrastructure Fund is to increase the supply of build ready land. To the extent possible, we also want to ensure that it:
  - 22.1 increases the pace, scale and density of housing development;
  - 22.2 increases the proportion of homes that are affordable for low- to moderate-income households (whether to rent or own); and
  - 22.3 supports good access to public transport, jobs, education and amenities.

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<sup>2</sup> This operating funding will be used to service the Kāinga Ora borrowing, meet holdings costs, allow for development risks and expense any land value write-downs (e.g. as a means of subsidising non-market housing outcomes).

- 23 We want to secure the greatest impact from this Fund by prioritising those locations that have infrastructure constraints and are facing the biggest housing supply and affordability issues, while also ensuring that there is an ability for quality projects from anywhere in New Zealand to receive funding.
- 24 This Fund will complement, rather than displace, private (e.g. via the Infrastructure Funding and Financing (IFF) Act) and local government infrastructure investment. We are also expecting that local councils will play their part by opening up land and enabling intensification, particularly through implementation of the National Policy Statement on Urban Development.
- 25 Given the significant and pressing housing challenges that currently exist in our communities, we want to move quickly with some of the investment decisions for well understood and well validated projects through this Fund.
- 26 However, we will need to take longer in other cases so that we can achieve better value for money, secure complementary actions from local councils and other players, and create a pipeline for the construction sector that ramps up sustainably.
- 27 In particular, we need to ensure we are directing infrastructure funding to where we have the highest confidence in the ability of homes to be built. To do this, we will work with those, including local government, developers and mana whenua that have a shared ambition for momentum in making housing more available.
- 28 The design parameters for the Fund set out in this paper reflect and balance what we want this Fund to achieve.
- 29 It is important that this Fund complements other central Government investment in infrastructure. Some specific approaches to alignment are discussed with respect to the components of the Fund below. Additionally, we intend to work closely with the Minister of Local Government and the Minister of Transport as we progress this initiative.
- 30 We also intend that the Urban Development Ministers group include relevant progress as part of the Housing Acceleration Fund as part of their tracking of progress within Urban Growth Partnerships.

#### Objective for the Infrastructure Fund

- 31 We propose that Infrastructure Fund has the following objective:
- 31.1 The purpose of the Infrastructure Fund is to invest in infrastructure that unlocks housing development. This infrastructure investment will:
- 31.1.1 enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity;
- 31.1.2 be limited to investments that would not otherwise be funded, or not funded fast enough to meet demand for housing;

- 31.1.3 maximise value for money including through co-funding, contributions, and commitments from local government and third parties;
- 31.1.4 enable the building of homes that are affordable for low-to moderate- income households;
- 31.1.5 incentivise councils to use non-funding levers that enable housing development;
- 31.1.6 create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation;
- 31.1.7 align with wider government objectives, such as ensuring good urban form, partnerships with iwi and Māori, and the transition to a net-zero emissions economy; and
- 31.1.8 be spread across multiple regions and include both large urban areas and regional centres.

Investment Criteria

- 32 To ensure that we invest in projects that best meet the Fund’s objective, we propose that potential investments are evaluated against the following criteria (each of which include weighting and a set of key factors for assessment) in the table below.
- 33 Where investment includes complementary actions the local authority, developers commit to (e.g. planning changes), or that central Government is able to make alongside the investment, these would be accounted for in the assessment, particularly under the ‘housing benefits’ criterion.

Criteria	Key factors to be assessed
<p><b>Housing benefits of the proposal (40%)</b> – How will the proposals, if delivered, contribute to the housing outcomes that are the purpose of the Fund?</p>	<ul style="list-style-type: none"> <li>• The number of additional dwellings that the funding will enable relative to demand in that area.</li> <li>• The proportion of lower-cost houses expected to be enabled by the infrastructure (primarily informed by typology of housing expected to be built).<sup>3</sup></li> <li>• The extent to which the location where housing will be enabled has unmet demand and provides access to amenity and opportunity.</li> <li>• The extent to which the infrastructure supports intensification, in particular that required to be enabled by councils under the National Policy Statement on Urban Development (i.e. typology and density).</li> </ul>

<sup>3</sup> Where there is an agreed spatial plan for the areas developed through the Urban Growth Partnerships, this is to be used to guide assessment of this factor.

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

	<ul style="list-style-type: none"> <li>• The extent to which the proposal supports housing development on land owned by Māori and to which mana whenua have been involved in developing the proposed solution.</li> <li>• The extent to which the proposal supports housing development that is environmentally sustainable including through reduced private vehicle use, lower risks from climate change (such as coastal inundation), and supporting water quality and biodiversity.</li> </ul>
<p><b>Impact of funding (additionality) (20%)</b> – How critical is this funding to advancing the infrastructure and housing development?</p>	<ul style="list-style-type: none"> <li>• The impact that this funding will have on the housing development advancing, or on the pace and scale at which it will advance compared to what is currently expected.</li> <li>• Demonstration that other means to fund the infrastructure without displacement of investment elsewhere (i.e. rate rises, prudent borrowing, or use of the IFF framework) have been exhausted.</li> </ul>
<p><b>Cost and co-funding (20%)</b> – How cost effective is the proposal and is everyone paying their fair share?</p>	<ul style="list-style-type: none"> <li>• The average whole-of-government cost per dwelling expected to be enabled by the infrastructure.</li> <li>• Alignment with co-funding principles for the Fund (set out below).</li> </ul>
<p><b>Capability and readiness (20%)</b> – If funding is approved, how certain is it that the project will advance, and at what pace?</p>	<ul style="list-style-type: none"> <li>• The extent to which there are other barriers to housing development that the infrastructure will serve (and how they will be removed if funding is approved).</li> <li>• The degree of developer commitment or interest in building housing quickly.</li> <li>• Demonstrated alignment between all parties including Territorial Authorities, Regional Councils, mana whenua and developers needed to advance the housing development.</li> <li>• Confidence in the ability of all parties to deliver the infrastructure and housing as proposed.</li> </ul>

34 We propose that there be three components to the Infrastructure Fund (with the following indicative funding), each discussed below:

34.1 Kainga Ora Large Scale Projects (\$2.3 billion)

34.2 Contestable fund (\$1.08 billion)

34.3 Infrastructure for Māori housing (\$350 million).

35 All three components will have regard to the investment criteria, but will operate within different processes in applying these.



### **Infrastructure Fund Component 1: Large scale projects**

- 36 We are seeking to use the Infrastructure Fund to accelerate the pace and scale of housing delivery for Kāinga Ora's six large scale projects (five in Auckland – Mount Roskill, Mangere, Tāmaki, Oranga and Northcote, and one in Porirua).

*Kāinga Ora is uniquely placed to deliver a step-change in housing and well-being outcomes*

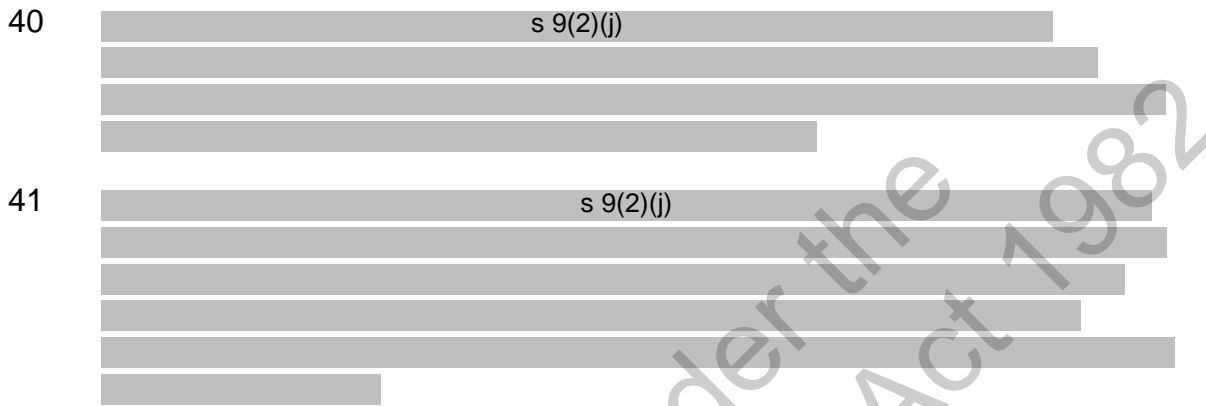
- 37 Kāinga Ora, as the Government's urban development delivery agency, has a unique opportunity through these projects to accelerate the pace and scale of housing delivery and significantly improve well-being outcomes in areas of most need. Large scale projects are the Government's best bet for delivering accelerated housing outcomes. No other agency or council in New Zealand is set up to manage the scale and pace of development proposed.

*Good alignment with objectives and criteria for the Infrastructure Fund*

- 38 The large scale projects have a natural alignment with the objectives and criteria for the Infrastructure Fund proposed above. Specifically, large scale projects:
- 38.1 Will contribute significantly to housing outcomes. With funding certainty over the next five years, the large scale projects are expected to provide build-ready land that will enable the delivery of 14,000 new additional homes and 4,000 replacement public homes on Kāinga Ora land over the next five to ten years. The additional infrastructure capacity provided by the funding has the potential to unlock a further 11,000 homes on surrounding privately owned land.
  - 38.2 Are 'shovel-ready.' The projects are underway and the key infrastructure projects needed for delivery in the early years are well understood and agreed by both councils and Kāinga Ora.
  - 38.3 Require additional central Government funding to advance. Technical assessments by Kāinga Ora have uncovered significant additional water, transport infrastructure and land development costs constraining progress. Without further funding, the large scale projects will stall or need to be significantly rescoped beyond June 2021.
  - 38.4 Will enable the Government to increase the pace and scale of housing development in areas of high social need. Large scale projects are located in areas where existing public homes are reaching the end of their useful lives in communities experiencing high levels of social deprivation. These are significant urban regeneration projects which will improve outcomes in deprived neighbourhoods and provide opportunities for intensification in strategically important areas of Auckland and Porirua.

39 It is important to note that the funding envelope required to progress large scale projects includes land remediation costs, community infrastructure costs and costs incurred to date by Kāinga Ora to maintain momentum. These costs will be considered through the business case process for each large scale project (described below). A more detailed assessment of the Auckland-based large scale projects against the investment criteria is provided as Annex One, further demonstrating the strong alignment with those criteria.

Expectation of council contributions



42 The Auckland draft Long-Term Plan foreshadows up to \$733 million over ten years (including transport funding), however due to existing commitments and pressures, the majority of funding is not expected to be available until the latter part of the decade.

43 Discussions are ongoing with Auckland and Porirua City councils. This includes wider discussion with the Auckland Mayor (alongside other relevant Ministers) about possible ways to more effectively deliver infrastructure and housing outcomes for Auckland across various central and local government programmes and planning instruments.

44 In order to provide certainty and accelerate the delivery of houses, funding for large scale projects has been ring fenced to an amount up to \$2.3 billion, with tranche funding to enable Ministers to make decisions about large drawdowns [CAB-21-MIN-0116.15 refers].

Critical need for funding certainty to maintain momentum

45 Large scale projects are complex projects with multiple operational and funding processes and interdependencies.

46 Large scale projects require significant infrastructure upgrades at both the precinct (network) and neighbourhood level, which have multiple dependencies and can take time to plan and deliver. A neighbourhood infrastructure plan takes a minimum of 12 months to develop and a further six months to consent.

- 47 Individual projects often have multiple dependencies and require significant pre-work before housing delivery can occur. For example, the Tararata Creek stormwater project in Mangere (a \$230 million project) requires three years of modelling, design and consenting work, and three years to build and deliver the infrastructure. The project requires careful coordination with Auckland Council and Auckland Transport on park upgrades and active travel connections. All components need to be in place or agreed to before Kāinga Ora can start constructing new dwellings from year four.
- 48 To manage these challenges and deliver efficiently, large scale projects have been designed on a programme basis. Funding certainty over five years enables Kāinga Ora and councils to not only plan in accordance with the programme but enables the Kāinga Ora board to make financial commitments in reliance that the funding will be made available. Funding certainty is also required to deliver on expectations, including land remediation work to enable build-ready land for the 14,000 new additional homes and 4,000 replacement public homes on Kāinga Ora land.
- 49 The construction sector also requires pipeline certainty to upskill and scale up operations to deliver the programme over the ten years, noting that funding is for five years, but build out is for ten years. The large scale projects aim to deliver 2,000 houses per annum between 2024 and 2029. This pace equates to about 15 percent of the average annual total number of residential consents in Auckland over the last five years.
- 50 Furthermore, any scaling will slow delivery and would likely trigger the need to re-sequence projects, which is critical to achieving multiple outcomes for the community. The current programme is highly integrated and designed to maximise leverage and make the most of win-win situations.

Tranche one funding – proposed approach to allocation

- 51 In line with previous Cabinet advice, and following further advice from officials, the Minister of Finance and myself will be deciding on the first tranche of funding in June 2021 to ensure development continues with large scale projects.
- 52 My expectations are that the first tranche of funding comprises up to \$440 million and focuses on key infrastructure projects and land development work needed to maintain momentum, covering:
- 52.1 funding for design, infrastructure and land remediation work incurred since April 2021 and forecast to June 2022 (up to \$375 million)
- 52.2 a broader funding commitment for Eastern Porirua to deliver key precinct wide trunk water infrastructure currently subject to the fast-track consenting application (\$65 million).
- 53 The first tranche will include some costs that would ordinarily be funded by Auckland and Porirua City councils. Should any council funding emerge in

the interim, this will be allocated as co-funding and not drawn down from the Infrastructure Fund.

Further funding decisions

- 54 We propose that Cabinet decide on funding for each large scale project (five in Auckland – Mount Roskill, Mangere, Tāmaki, Oranga and Northcote, and one in Porirua) individually through programme business cases. The programme business cases will consider funding against the objectives and criteria of the Infrastructure Fund. The programme business cases will also set out how the investment will accelerate housing outcomes.
- 55 Given the need for funding certainty, we propose that funding approvals for large scale projects occur within the first year of the fund. Once agreed by Cabinet, large scale projects can be managed as a portfolio in order to maintain efficiencies across projects and ensure Government commitments are delivered. Further work is also required around the process for drawdown, monitoring and reporting, and we propose to report back to Cabinet on these matters in December 2021.

s 9(2)(j)

56 [Redacted text block]

57 The Porirua large scale project has unique partnership and governance arrangements in place with Ngāti Toa, Porirua City Council and the Te Pae community advisory panel. [Redacted text block]

**Infrastructure Fund Component 2: Infrastructure Acceleration Fund (Competitive Fund)**

- 58 To support investment in a wider range of projects throughout New Zealand that can contribute to the objectives of the Infrastructure Fund, we propose that a competitive fund be the second component with indicative funding of \$1.08 billion.
- 59 The competitive fund will be operated as a distinct public-facing initiative, and therefore requires distinct branding. We propose to name the initiative the Infrastructure Acceleration Fund.
- 60 Outside of the large scale projects, a contestable process is best suited to identifying and selecting most projects. Demand for this fund will almost certainly exceed what is available at this time and it's important that we have

a clear process with proposals evaluated on a common basis. Nevertheless, given the complexity of the investments, negotiation will still play a large role.

- 61 We considered identifying specific maximum funding envelopes at the outset to ensure regional spread, but don't consider this the right approach. We do not consider that we would have a sufficiently sound basis for identifying envelopes and the loss of competitive pressure would significantly reduce our ability to negotiate for the best housing outcomes.
- 62 In order to get greatest value for money from this investment, we propose that funding may be provided across multiple funding rounds if an insufficient number of high-quality proposals are identified in the initial round.
- 63 We are not proposing specific priority areas for the contestable fund. The proposed criteria and evaluation approach reflect the different needs and intended impact of investment across the country. For example, in the main centres, our investment is likely to be targeted to projects that bring forward spending and increase the supply of build ready land. The impact will come through sustaining growth in construction activity.
- 64 In many regions, such as Gisborne and Rotorua, the limited expectations of population growth until quite recently means there is limited available growth capacity. To catch up with past and anticipated growth many are proposing significant increases in renewals and growth capacity. In these locations the Infrastructure Fund could unlock specific projects and bring forward needed investment in network capacity.

#### Eligible projects and expenditure

- 65 Given the overriding purpose of this Fund is to unlock housing development, it's important that that the funding focuses on infrastructure projects that are genuinely critical for enabling housing development and addresses the critical local government funding gap.
- 66 On that basis, we are proposing the scope of eligible projects for the competitive fund be limited to:
- 66.1 new or upgraded enabling infrastructure in the form of transport (including local roading, state highways, public transport infrastructure, footpaths and cycleways), three waters (water supply, wastewater and stormwater) and flood-management infrastructure; and
- 66.2 which are wholly or primarily for the purpose of enabling the building of new or additional dwellings in the short- to medium-term; and
- 66.3 which are expected to enable at least:
- 66.3.1 200 additional dwellings in tier one urban environments (under the National Policy Statement on Urban Development)
- 66.3.2 100 additional dwellings in tier two urban environments (under the National Policy Statement on Urban Development)

66.3.3 30 additional dwellings elsewhere.

- 67 Infrastructure investments that have purposes beyond supporting housing development (e.g. commercial development or improved resilience) are eligible, but funding could only be sought for proportion of the project reasonably attributable to enabling housing development.
- 68 We do not propose that energy transmission infrastructure, telecommunications infrastructure, and social infrastructure (such as libraries, parks or recreation facilities) be eligible for funding. While transmission and telecommunications infrastructure can be essential to enabling some new development, they are funded by utility companies and do not face the same financial constraints. We acknowledge that social infrastructure is important to providing amenity in areas of development. However, it does not represent as critical a factor as the proposed eligible infrastructure set out above<sup>4</sup>.
- 69 The funding provided through this Fund should be limited to one-off costs necessary to enable the types of projects set out above, rather than funding ongoing, business-as-usual activities. We are therefore proposing that the eligible costs include:
- 69.1 costs of feasibility studies and other early-stage development work<sup>5</sup>;
  - 69.2 costs of designing, consenting, tendering and acquiring land (where it is wholly required for eligible infrastructure projects);
  - 69.3 constructing eligible infrastructure projects; and
  - 69.4 in limited situations, non-capital administrative costs where these are necessary to establishing complementary financing.

#### Applicants for the competitive fund

- 70 We propose that, in most cases, Territorial Authorities (TAs) be the lead applicants for funding because TAs:
- 70.1 are typically best placed to bring together multiple parties (for example, iwi and developers) on specific potential infrastructure investments;
  - 70.2 hold most of the critical planning levers (for example, opening up or re-zoning of land) that are needed to align with infrastructure investment in order for developments to proceed at pace; and
  - 70.3 will, in most cases, be the ultimate owners of assets created by this Fund.
- 71 It is my expectation that TAs will work with all relevant parties, including developers and Regional Councils when applying for funding. We also expect

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<sup>4</sup> Additionally, in recent years, the Government has made very significant investments in social infrastructure, particularly through the Provincial Growth Fund and Shovel Ready Projects.

<sup>5</sup> This is not intended to be a significant proportion of funding, but may be a small component of larger projects.

that TAs will respect their statutory obligations for engaging and working with Māori when submitting proposals.

- 72 We are also proposing, however, that iwi and developers (which includes Community Housing Providers) have an ability to apply directly to the Fund (with more detail about how they can do this set out below) for projects that fall within the scope of eligible projects set out above. In the case of iwi, this is to recognise that they are Treaty partners and have a direct relationship with the Crown.
- 73 For developers more broadly, it will provide a pathway to advance developments which would align closely with central government housing objectives, but where the relevant TA has chosen not to prioritise it. However, developers will be encouraged to work through TAs where possible, and it will be important for the developer to demonstrate the degree of engagement and support from local government that the development has.
- 74 Kāinga Ora will not be able to apply directly to the Fund given, as we are proposing below, they will administer the competitive fund. However, there are likely to be cases where applications from TAs relate to Kāinga Ora-owned land and/or relate to areas where they are working in partnership with others.

#### Two-path model

- 75 To allow all regions in New Zealand to apply for investment, while also setting up a process that can appropriately account for the varying levels of complexity in different regions, we are proposing a 'two-path model' for the Fund:
- 75.1 a 'programme path' for main urban areas where infrastructure investment is more complex;
- 75.2 a 'project path' for all other parts of New Zealand with a lower expected scale and complexity of housing infrastructure investment.
- 76 The distinction between the paths is based on complexity of potential infrastructure investment and is not intended to indicate whether regions or places are inherently a high priority for the Fund. The criteria and evaluation approach set out above have been designed to drive investment from both paths towards the areas that have the greatest need for infrastructure to support housing development.
- 77 We propose the programme path will be limited to those areas covered by our current and emerging Urban Growth Partnerships (the Urban Growth Partnership areas also include all Tier 1 Councils under the National Policy Statement on Urban Development). These areas are characterised by complex infrastructure needs across multiple development areas (including greenfield and brownfield), have significant transport investment requirements, and are places where a number of different funding and financing mechanisms are being considered.

- 78 Taking a joined-up programme approach for these places aligns with the Government's broader intent under the Urban Growth Agenda to partner with local governments and iwi to ensure that government investment in infrastructure is aligned to help deliver connected, thriving and sustainable urban communities through Urban Growth Partnerships (progress with our Urban Growth Partnerships is set out in Annex Two).
- 79 Accordingly, we propose the following groups of TAs are invited to participate in the programme path:
- 79.1 Auckland Council<sup>6</sup>;
  - 79.2 Smart Growth: Tauranga City Council and Western Bay of Plenty District Council;
  - 79.3 Future Proof: Waikato Regional Council, Waipa District Council, Waikato District Council, and Hamilton City Council;
  - 79.4 Wellington Regional Growth Framework: Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Kāpiti Coast District Council, Horowhenua District Council, South Wairarapa District Council, Carterton District Council, and Masterton District Council;
  - 79.5 Greater Christchurch Partnership: Christchurch City Council, Selwyn District Council and Waimakariri District Council;
  - 79.6 Queenstown Lakes District Council.
- 80 We expect that these TAs would engage with their relevant UGP partners including iwi and Regional Councils and submit a single proposal to the Fund which would bring together a number of interdependent infrastructure projects, multiple funders, and different potential funding and financing mechanisms, including the key trade-offs involved. We anticipate that proposals through this path will involve greater time for developing proposals, evaluation and negotiation.
- 81 All other TAs would be eligible to apply through the project path, which will have a faster process (given lower levels of complexity, and significantly reduced levels of negotiation). Eligible applicants would be invited to apply for funding contributions towards infrastructure projects required to enable a specific housing development area (although eligible applicants could submit multiple proposals).
- 82 As we have noted above, the programme path TAs are not intended to be prioritised over other TAs. There is no guarantee that any particular TA or group of TAs receive any funding if it is not justified under the investment criteria.

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<sup>6</sup> Includes council-controlled organisations.



- 83 Where iwi and/or developers apply directly to the Fund, they will do so through the project path. However, to the extent the infrastructure project is within a region covered by the programme path, their proposal will typically be considered alongside the broader proposal for that region when funding decisions are made

#### Two-stage process

- 84 To ensure a more efficient overall process for both central government and applicants, while also encouraging a wide range of councils and parties to engage with the process, we propose that both the programme and project paths operate on a two-stage basis. This will involve applicants providing a relatively straightforward initial expression of interest in respect of the infrastructure developments they propose (stage one), following which, a reduced number of full proposals will be sought (stage two) based on indicative alignment with the investment criteria.

#### Fast-track process

- 85 We also want to ensure that there is sufficient flexibility within the Fund to progress decisions quickly where this makes sense and enable investments to be committed to this year. We anticipate that there will be few of these 'quick win' projects, but we want to ensure we can move at pace if and when there are.
- 86 We propose that both the programme and project paths include a fast-track process where some first-stage proposals can progress quickly to decisions, subject to some additional detail being provided. Proposals going through the fast-track process would be subject to the Kāinga Ora committee's<sup>7</sup> satisfaction that:
- 86.1 the quality of the opportunity has already been well validated, typically through a previous central government process; and
- 86.2 the proposal aligns very well to the Fund's criteria.

#### Co-funding requirements and developer commitments

- 87 Through this Fund, we want to maximise value for money through, for example, co-funding, contributions, and non-financial commitments, including incentivising councils to use non-funding levers that enable housing development. We also want to avoid the risk that our investment:
- 87.1 simply leads to increases in land values that manifest as windfall gains for current owners; and
- 87.2 crowds out investment by councils or developers, including disincentivising the use of new financing mechanisms under the IFF Act.

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<sup>7</sup> The role of the committee is discussed further below

88 We therefore propose that the following principles apply to developers and relevant landowners to the greatest extent possible:

88.1 developers and landowners should be paying a similar share of the costs of the infrastructure as would be the case if the infrastructure project was funded by traditional means through the local authority. This is generally the reasonable 'growth' portion of the total infrastructure cost;

88.2 in some cases this contribution can be non-financial (e.g. land or commitments to sub-market housing), but any such contribution should be similar in value to the foregone financial contribution.

89 [Redacted] s 9(2)(j)

90 [Redacted] s 9(2)(j)

91 [Redacted] s 9(2)(j)

92 [Redacted] s 9(2)(j)

93 While developers and landowners will be expected to contribute to infrastructure costs, we propose that the Fund provides for infrastructure traditionally paid for by local authorities and ultimately funded by rates. While it will not be a requirement that this funding be recovered, co-investment from Local Authorities will be sought in many cases.

94 Providing this subsidy to local government will overcome a barrier to those councils unable to fund additional infrastructure investment, and it will also act as an incentive to pro-actively support unlocking housing development.

95 The decision-making criteria will drive applications and our investment choices towards supporting housing outcomes aligned to the objectives of the Fund, including with regard to factors like affordability, pace and confidence in housing outcomes. Kāinga Ora will also seek to secure commitments which are as specific as is possible with respect to housing development following infrastructure investment.

- 96 However, in many cases it will not be possible to secure enforceable commitments from developers, particularly in relation to the pace of development, due to inherent uncertainty about market conditions outside their control. Officials are continuing to explore which legal and other mechanisms we can employ to give greatest possible certainty of housing outcomes before committing funding.

#### Decision-making processes for the Fund

- 97 We propose that Kāinga Ora administers the competitive component of the Infrastructure Fund, a role which the Minister of Housing signalled in the earlier Cabinet paper “Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters”. This role involves Kāinga Ora carrying out the primary analysis and assessment (supported by relevant cross-agency officials), supporting the advisory group, developing detailed agreements and undertaking ongoing contract management and monitoring.
- 98 In light of the scale of investment anticipated, and that this is an investment by the Crown (rather than from Kāinga Ora’s balance sheet), we propose the Minister of Finance and the Minister of Housing be the final decision makers on investments.
- 99 We further propose that those decisions would be informed by advice from a committee of the Kāinga Ora board, subject to the Board establishing a committee that has the following expertise represented (if these cannot be found within current Kāinga Ora Board members then additional independent members may be appointed to achieve this):
- 99.1 Housing development;
  - 99.2 Māori housing
  - 99.3 Infrastructure delivery
  - 99.4 Local government
  - 99.5 Finance and risk management.
- 100 The committee would be supported by Kāinga Ora and independent technical experts when needed. It would also be responsible for agreeing which proposals advance past the initial expressions of interest stage (in the two-stage process).
- 101 In proposing that it is a committee of the Kāinga Ora Board that provides advice to Ministers, we note that this is on the basis that Kāinga Ora is not able to apply directly to the competitive component of the Fund.
- 102 To ensure that the advice from the Kainga Ora Board reflects the intent of the Fund and broader government priorities the Minister of Housing will set out her expectations for the advice in a letter to the Chair of the Board.

- 103 Additionally, we propose that the committee will be required in its advice to identify how input from the cross-agency reference group proposed in paragraph 106.5 has informed its advice, including with respect aligning with other infrastructure funding process such as Three Waters Reform incentives, land transport funding and processes under the Infrastructure Funding Finance Act.
- 104 We further propose that, where the committee recommends Ministers consider proposals in which Kāinga Ora has a material interest, then Ministers also be provided with independent second-opinion advice from HUD, and any other entity as directed by Ministers, in order to manage any conflict of interest risks.

Aligning with other infrastructure funding processes

- 105 Across government, we are investing heavily in different forms of infrastructure (e.g. three waters and transport), and it is important to ensure general alignment across infrastructure processes as far as possible. It is my expectation that a number of practical measures will be put in place at a policy and operational level to align the Fund with other key infrastructure processes.
- 106 We propose that these steps include:
- 106.1 requiring proposals to identify where central government funding has previously been sought or received in relation to the project and dependencies between the proposal and other processes;
  - 106.2 inviting applicants to identify how non-financial powers of local government and central government (e.g. Ministerial RMA powers, RMA fast-track, Urban Development Act powers) could complement funding to maximise the impact. Where these are identified, Kainga Ora will work with relevant agencies and portfolio Ministers to progress;
  - 106.3 using existing cross-agency groups, particularly for the programme path proposals, including the Urban Growth Partnership and place-based partnership structures;
  - 106.4 triaging all proposals for where review by another agency is required; and
  - 106.5 establishing an interagency infrastructure officials reference group to inform the decisions and advice from the Kainga committee (at both the first stage and full proposals) with the following entities represented:
    - 106.5.1 Treasury
    - 106.5.2 Ministry of Housing and Urban Development
    - 106.5.3 Department of Internal Affairs
    - 106.5.4 Ministry of Transport

106.5.5 Waka Kotahi

106.5.6 Infrastructure Commission

106.5.7 Crown Infrastructure Partners.

107 Given this Fund can be used to fund transport infrastructure, it will have a critical interface with the central government land transport funding system. More detailed consideration needs to be given to a number of issues, including:

107.1 how to align with land transport planning and funding processes (noting that the 2021-2024 National Land Transport Programme is soon to be finalised) as well as Government transport objectives;

107.2 financial treatment when funding flows to Waka Kotahi and whether this is more appropriately structured as grants or loans; and

107.3 management of conflicts of interests.

108 We propose that decisions on the alignment with the land transport funding system are delegated to the Minister of Finance, the Minister of Housing and the Minister of Transport with advice provided in June 2021.

109 Negotiations relating to the Three Waters Reform incentive packages for Councils are expected to occur in June 2021, well before proposals for the Fund will be evaluated. Including the competitive fund in the scope of these negotiations would essentially require pre-determining envelopes for various local authorities in advance of assessing specific proposals. This would significantly reduce our ability to drive the highest value for money housing outcomes.

#### Outstanding matters

110 There are two further outstanding matters relating to the competitive fund on which we are seeking delegations from Cabinet to the Minister of Finance and me, because there has been insufficient time to resolve them:

110.1 Whether it is necessary to provide operational funding for Kāinga Ora to administer the competitive fund and, if so, at what level. Ensuring this does not duplicate any funding provided through the Kāinga Ora Sustainable Funding Budget 2021 Initiative agreed by Cabinet will form part of this assessment [CAB-21-MIN-0116.15];

110.2 The monitoring, reporting and evaluation requirements for the competitive fund.

111 We also seek a delegation for any further minor design decisions and technical adjustments to the settings proposed in this paper relating to the competitive fund, and for any further implementation decisions.

**Infrastructure Fund Component 3: Māori Infrastructure Fund**

- 112 In line with the objectives of the Fund, it's important that the Fund enable Māori-led investments in infrastructure for Māori housing outcomes. Achieving this will require that:
- 112.1 Māori have a direct path to receiving investment through the Fund that's consistent with the Te Maihi o te Whare Māori – Māori and Iwi Housing Innovation Framework for Action;
  - 112.2 settings enable smaller and often remote developments, with a wider range of investment needs than will typically be the case elsewhere; and
  - 112.3 the process for considering these smaller Māori-led investments be specifically designed to meet their needs and avoids unrealistic competition with larger commercial developments.
- 113 While the competitive Infrastructure Acceleration Fund described above is well suited to supporting larger Māori-led commercially oriented investments, it is not the right solution for smaller Māori-led investments, including papakāinga developments or rural investment with onsite infrastructure.
- 114 Cabinet has agreed to provide \$380 million toward increasing Māori housing supply through Whai Kāinga Whai Oranga (Māori Housing Budget 2021 initiative). However, this funding is only sufficient for provision of houses, and not infrastructure, which is also required in many cases. Additionally, there are Māori housing opportunities where infrastructure is the primary constraint [CAB- 21 MIN 0116.15 refers].
- 115 On 17 May 2021 Cabinet agreed that the most effective way to provide infrastructure funding to Māori-led housing projects is to make a separate pathway tailored to Māori. To achieve this \$350 million has been made available through the Fund for a Māori Infrastructure Fund [CAB-21-MIN 0173 refers].

High-level settings for Māori infrastructure investment.

- 116 In addition to the objectives of the Fund the Māori Infrastructure Fund will have two additional objectives of:
- 116.1 supporting new iwi led housing delivery models that sustainably increase Māori housing delivery in the medium to long-term; and
  - 116.2 enabling development on whenua Māori (but not be restricted to whenua Māori).
- 117 To give effect to this we propose the Māori Infrastructure Fund operates a 'two path model' similar to the Infrastructure Acceleration Fund:
- 117.1 a 'project path' for small scale developments across Aotearoa; and

117.2 an 'iwi programme path' for multi-year delivery programmes by Regional/Tribal Development Entities.

- 118 The iwi programme path will create an infrastructure pipeline that supports new delivery models being established under Whai Kāinga Whai Oranga. I expect a significant portion of Māori infrastructure funding will support the iwi programme pathway, but do not propose to specify a breakdown in funding between the two paths.
- 119 We consider the investment criteria for the Infrastructure Acceleration Fund to be relevant for the Māori Infrastructure Fund but before confirming these criteria they will need to be aligned to investment criteria being developed for Whai Kāinga Whai Oranga. We therefore request a delegation from Cabinet to the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori housing) to determine the final criteria.

*Project Pathway – Expanding existing Māori housing programmes to address immediate housing need*

- 120 For the project pathway, we propose Māori entities and/or housing providers be the lead applicants (including developers and Regional/Tribal Development Entities). Where projects include trunk infrastructure, Māori entities will be encouraged to work alongside territorial authorities where possible. These projects will closely align with supply projects being progressed under Whai Kāinga Whai Oranga.
- 121 This pathway will be contestable using an on demand model similar to existing Te Puni Kōkiri and Te Tūāpapa Kura Kāinga Māori housing funding models. Proposals will be prioritised based on investment criteria with a particular emphasis on readiness balanced by the place and need. There is no pre-determined target spend for particular places in this model.

*Iwi Programme pathway- Shifting the scale of impact and long-term sustainability of Māori housing delivery*

- 122 This pathway focuses on regional housing delivery co-ordinated by Regional/Tribal Development Entities. The development entities will be made up by one or more iwi and deliver multi-year programmes of housing delivery covering a range of tenures and typologies. In many cases projects will involve multiple funding sources, landowners and other stakeholders.
- 123 Establishing Regional/Tribal Development Entities will be a new approach to partnering with Māori for housing delivery. Iwi governance structures for Regional/Tribal Development entities will be essential to ensure funding is prudently managed. We expect our partnership with these new entities will continue to evolve and shift the scale of impact and long-term sustainability of Māori housing delivery.
- 124 Whai Kāinga Whai Oranga funding will support the establishment of these regional entities through capability and supply funding. Further detail on this approach is being developed as part of Whai Kāinga Whai Oranga.

- 125 In the first instance we intend funding to be allocated to Regional/Tribal Development Entities in the following areas:
- 125.1 Te Tai Tokerau
  - 125.2 Tairāwhiti
  - 125.3 Kahungunu
  - 125.4 Taranaki
  - 125.5 Bay of Plenty/Rotorua
- 126 These areas have a high Māori population, communities with high housing needs and whānau in emergency accommodation (motels, campervans, etc), and where there are concentrations of whenua Māori. In the longer term, we expect further regional development entities will be established across Aotearoa and request delegated authority to add regions based on housing need.
- 127 To focus on these priority regions, we intend to run a closed negotiation model. Under this model the Government first determines maximum investment (envelopes) for each region and then, in partnership with the regional development entity, agrees on a multi-year delivery programme and the infrastructure needs to support that.
- 128 Determining investment envelopes will require discussion with iwi and Māori partners and further analysis on need and readiness. We therefore request delegated authority to the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori housing) to determine final investment envelopes.
- 129 Some regions/tribal areas are establishing regional entities and intend to start negotiations from 1 July 2021. We anticipate the iwi programme pathway to be operational by next year. In the meantime we expect early projects to be progressed under the project delivery pathway while the programme pathway is being developed.

Eligible projects and expenditure

- 130 We propose the same rules for eligible projects applied to the Infrastructure Acceleration Fund be applied to the Māori infrastructure pathway with the following changes to enable smaller and rural developments:
- 130.1 onsite infrastructure (i.e. non-enabling infrastructure), including site remediation, onsite civils and foundations, onsite three waters including septic tanks, is eligible for funding;
  - 130.2 no minimum dwelling requirements for projects, to enable rural and smaller developments; and



130.3 transmission infrastructure and telecommunications infrastructure are eligible for funding where the costs won't be met by utility companies for example rural sites where utility companies provide infrastructure only within 100m of trunk infrastructure.

Co-funding requirements and developer commitments

- 131 The funding proposed in the Māori Infrastructure Fund differs from investment through the Infrastructure Acceleration Fund in the following key ways:
- 131.1 Many developments will be on Whenua Māori under Te Ture Whenua Māori Land Act 1993 which face funding and financing barriers specific to their land status.
  - 131.2 Based on existing proposals made to Te Tūāpapa Kura Kāinga, we expect the majority of Māori infrastructure proposals will not be strictly commercial in nature. The proposals create long-term assets that enhance social and economic wellbeing.
  - 131.3 The Māori Infrastructure Fund will focus on regional locations, particularly rural environments, most of which are unlikely to have significant housing delivery without subsidies because house sale prices are below the cost to build.
  - 131.4 The majority of projects will require onsite infrastructure rather than trunk infrastructure so investment is less likely to displace local authority investment.
- 132 On this basis, we do not expect developers and landowners should be paying a similar share of the costs of the infrastructure as would be the case if the project was funded by traditional means through the local authority. Where proposals have commercial elements, officials will seek to avoid subsidising the commercial activity. We also expect that many larger, commercially-oriented projects backed by Māori will often use the Infrastructure Acceleration Fund.

Decision-making processes for the Māori Infrastructure Fund

- 133 Cabinet agreed that before funds through Whai Kāinga Whai Oranga be spent, key settings be approved by the Minister of Finance, the Minister of Housing, the Minister of Māori Development and the Associate Minister of Housing (Māori Housing) [CAB-21-MIN-0116].
- 134 Following initial approval by the above Ministers, we expect the following Ministers to have ongoing oversight of Whai Kāinga Whai Oranga housing programme (Whai Kāinga Whai Oranga Ministers):
- 134.1 Associate Minister of Housing (Māori housing);
  - 134.2 Minister of Māori Development; and
  - 134.3 Associate Minister of Housing (Homelessness).

- 135 To ensure alignment between the Māori Infrastructure Fund, the Infrastructure Acceleration Fund and Whai Kāinga Whai Oranga housing investment, we will retain final decision making for the Māori Infrastructure Fund among the Minister of Housing, the Minister of Finance and the Associate Minister of Housing (Māori Housing).
- 136 We propose that Te Tūāpapa Kura Kāinga administers the Māori Infrastructure Investment Fund. This role involves Te Tūāpapa Kura Kāinga carrying out the primary analysis and assessment (supported by relevant cross-agency officials), supporting the advisory group, developing detailed agreements and undertaking ongoing contract management and monitoring.
- 137 We expect any Māori infrastructure investment proposals to go through a Chief Executive led MAIHI governance group and for this group to provide advice to decision-making Ministers on investment decisions.
- 138 Additionally, the Whai Kāinga Whai Oranga ministers will provide comment to decision-making Ministers on alignment of infrastructure projects to Whai Kāinga Whai Oranga projects.
- 139 Following initial approval, we expect the Associate Minister of Housing (Māori housing) to be responsible for the ongoing monitoring, reporting and evaluation requirements for the Māori Infrastructure Fund.

#### Outstanding matters

- 140 Outlined above are high-level investment settings for the Māori Infrastructure Fund and details on delegations we are seeking from Cabinet to the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori Housing). In particular:
- 140.1 Final investment criteria
- 140.2 Funding envelopes for the Iwi programme pathway
- 140.3 The monitoring, reporting and evaluation requirements for the Māori Investment Fund.
- 141 We also seek a delegation to the Associate Minister of Housing (Māori Housing) for any further minor design decisions and technical adjustments to the settings proposed in this paper relating to the Māori infrastructure pathway, and for any further implementation decisions.

#### **Update on other funds**

- 142 Updates are provided below on the Kāinga Ora Land Programme, Land for Housing Programme, and refocused Residential Development Response Fund (proposed to be called the Affordable Housing Fund). The emerging Purpose-Built Rentals sector (also known as build to rent) will be supported to some degree by each of these funds. A more comprehensive report back will be provided in mid-2021 on this sector, focused on how the Government can support purpose-built rentals in places experiencing acute rental stress, and

where rental demand is high such as areas close to public transport, amenity, and jobs.

- 143 Increasing rental supply is a key focus of these funds, however there will be trade-offs between volume and affordability. Large scale developments with limited subsidies can increase rental supply but are likely to deliver rental housing at or above median rents. Delivering new rentals that are affordable to low- to moderate-income households will require greater subsidies per dwelling, and therefore reduce the volumes able to be supplied through the funds. The mid-year report back on purpose-built rentals will set out these trade-offs reflecting engagement with the sector and the parameters of the funds.

### ***Kāinga Ora Land Programme***

- 144 Cabinet has agreed to establish a Kāinga Ora Land Programme for strategic land purchases to increase the pace, scale and mix of housing developments, including more affordable housing (both for rental and home ownership). The Programme will be financed through an additional \$2 billion of Kāinga Ora borrowing, and supported by \$46 million of operating funding per annum provided by Government.
- 145 Kāinga Ora was established with an express mandate to be both a world class public housing landlord and to partner with others to deliver a range of urban development projects catering to diverse housing needs and aspirations. The Programme will provide Kāinga Ora with the additional financial resources it needs to fulfil this dual mandate, including through taking advantage of the unique land acquisition and development powers available to it under the Urban Development Act where appropriate.<sup>8</sup>
- 146 The key measure of success will be the extent to which the Programme facilitates housing provision that is genuinely additional to, and more affordable than, what the market might otherwise have delivered. It will need to pursue a mix of smaller, more straightforward developments that can be progressed at pace; and larger, more complex projects that will have longer lead times (e.g. because of more complex planning and infrastructure requirements) but will make a greater difference over the medium- to long-term.
- 147 Officials are currently preparing further advice on the detailed parameters of the Programme, which will be provided to the Ministers of Finance and Housing by mid-June. The scope of this advice includes:

147.1 Programme objectives and investment principles;

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<sup>8</sup> This includes the ability to acquire land by compulsion where necessary (e.g. to assemble fragmented land parcels for comprehensive, integrated development close to jobs, amenities and transport); and 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.

- 147.2 The site assessment and prioritisation framework;
- 147.3 Governance and decision making<sup>9</sup>;
- 147.4 Monitoring, reporting and evaluation;
- 147.5 Mechanisms to protect Māori interests and support Māori aspirations in relation to housing and urban development; and
- 147.6 How the fund could support purpose-built rental housing.

148 Kāinga Ora is already investing in a mix of brownfield and greenfield land acquisition opportunities, which will be assessed against the detailed Programme parameters once finalised. The Programme has been sized on the assumption that, in most cases, Kāinga Ora will purchase and assemble land, install key infrastructure (where necessary), and on-sell the land to development partners on condition they complete the development in accordance with the Government's housing priorities (pace, density, tenure mix, etc). Other approaches may be considered on a case-by-case basis.

**Land for Housing Programme**

- 149 An additional \$50 million of funding from the Housing Acceleration Fund has been added to Land for Housing Programme funding to expand the opportunities for land able to be acquired by the Programme for housing, and the range of public good outcomes able to be achieved on that land (such as by increasing the pace of development, or the extent of affordable housing or purpose-built rentals able to be delivered).
- 150 Cabinet has delegated authority to Ministers to agree new programme level targets and investment principles to broaden the range of non-market outcomes that the Programme can deliver. The funding will complement these new settings, as it will assist the Programme to better tailor its delivery to regional housing demands, supporting both our urban growth partnerships and place-based initiatives. As the Programme acquires land at market value, land price inflation is making the outcomes the Government seeks from the Programme progressively less achievable, particularly in places with more challenging development economics. The funding addresses this difficulty in two key ways, by assisting with the purchase of land that is suitable for development but needs to be discounted for housing to be commercially feasible, and by expanding the range, tenure and types of housing that can be delivered on the land.

151 [Redacted] s 9(2)(j)  
[Redacted]

<sup>9</sup> This will reflect the specific expectations set out in Cabinet Office Circular CO (19) 6 *Investment Management and Asset Performance in the State Services*, along with any specific statutory functions and decision rights set out in relevant legislation.

151.1	[Redacted]	s 9(2)(j)
151.2	[Redacted]	
151.3	[Redacted]	

***Refocused Residential Development Response Fund – the Affordable Housing Fund***

- 152 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 this risk has not materialised, with the pipeline of future work remaining strong, it will now focus on supporting the sector to deliver affordable housing for purchase and rent on private land. We propose that it now be called the Affordable Housing Fund.
- 153 The purpose of the Affordable Housing Fund is to encourage the development of modest housing for both rental and home ownership for low- to moderate-income households. It will achieve this by funding or otherwise supporting the construction of housing that:
- 153.1 is well located to transport infrastructure on both brownfields and greenfields;
  - 153.2 delivers housing for low- to moderate-income households to rent or to purchase, and is in addition to that which would have been developed anyway;
  - 153.3 ensures that the Crown’s investment in affordability is, to the extent possible, retained within the community;
  - 153.4 builds an asset base off which future affordable housing development can be leveraged; and
  - 153.5 aligns with government’s other objectives, such as supporting high-quality denser urban form, and creating a net-zero carbon emissions economy.
- 154 The funding for the Affordable Housing Fund was created through Budget 2020 with \$250 million originally appropriated for KiwiBuild, and with \$100 million of operational funding. The funding from the KiwiBuild appropriation must be returned to the Crown within 10 years.
- 155 The Affordable Housing Fund will seek to stimulate affordable housing development through partnerships with iwi and CHPs. Many CHPs and iwi have traditionally operated in this part of the housing continuum. My officials are engaging closely with not-for-profit organisations, CHPs, iwi and Māori organisations and private developers to identify how we can work together to build more affordable housing, both for rental and for homeownership, whilst

ensuring that the government’s investment in improving housing affordability is retained in the long-term.

- 156 The requirement to return the \$250 million of funding from the KiwiBuild appropriation introduces some challenges for delivering rental housing that is below market rents. Officials are investigating options for how best to use this recyclable funding and the \$100 million non-recyclable funding to achieve the purpose of the Affordable Housing Fund by engaging closely with CHPs that are already providing affordable rental properties.
- 157 Proposals that deliver affordable market housing (typically for more moderate-income earners), rather than rental dwellings affordable to low-income households, may be easier to fund with the recyclable funding. Projects like this are not likely to be affordable for low-income households though would still deliver a needed increase to our housing stock.
- 158 Further detailed design work is required following engagement with CHPs and iwi. We propose that Cabinet delegate approval of the final details of the design of the fund to the Minister of Finance and the Minister of Housing. We also propose that final approval of the funding decisions for projects to be supported by the Affordable Housing Fund should be delegated to the Minister of Finance and the Minister of Housing.

**Implementation**

- 159 The table below sets out the key indicative timeframes for the Infrastructure Fund.

<b>Infrastructure Fund</b>			
<b>Large scale projects</b>	First tranche of funding announced: <i>June-Aug 2021</i>	Individual programme business cases approved and announced: From <i>Nov 2021</i>	
<b>Competitive Fund (Infrastructure Acceleration Fund)</b>	Fund launched (Expression of interest released): <i>Late June 2021</i>	First fast-tracked decision announced: <i>Nov - Dec 2021</i>	Remaining 1 <sup>st</sup> round funding decisions announced: <i>April - Oct 2022</i>
<b>Māori Infrastructure Fund</b>	Initial project-path investments announced: July – Sept 2021	Iwi programme pathway operational: Jan 2022	
<b>Other Funds and Programmes</b>			
<b>Kāinga Ora Land Programme</b>	Detailed programme parameters agreed by Joint Minsters: <i>Mid-June 2021</i>	First sites under conditional contract: <i>Jul – Sep 2021</i>	

<b>Affordable Housing Fund</b>	Fund launched (invitation to partner): <i>Late July 2021</i>	Engagement with partners where we have existing relationships to identify projects to prioritise: <i>July - Oct 2021</i>	Announce prioritised projects: <i>Nov - March 2022</i>
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**Financial Implications**

160 There are no additional financial implications arising from this paper because the funding for the \$3.8 billion Housing Acceleration Fund has already been agreed, the operational funding of \$46 million per annum over the next four years and outyears for the Kāinga Ora Land programme was secured through Budget 21, and the funding for the Affordable Housing Fund (formerly the Residential Development Response Fund) has already been appropriated.

**Legislative Implications**

161 This paper does not have any direct legislative implications.

**Impact Analysis**

**Regulatory Impact Statement**

162 The impact analysis requirements do not apply.

**Climate Implications of Policy Assessment**

163 The Housing Acceleration Fund, Affordable Housing Fund and Kāinga Ora Land Programme will support higher density housing and greater public and active transport use, supporting our transition to a net carbon neutral economy. Proposed investment in large scale projects in Auckland will increase housing density and improve amenity in and around town centres and public transport nodes. In addition to advancing our climate objectives, these measures will also help to increase social connection and improve access to employment and recreation.

**Population Implications**

164 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 it should benefit:

164.1 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. 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.

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

164.3 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.

165 More broadly, assessments about aligning with need will be considered in decisions made through the Affordable Housing Fund, the Kāinga Ora Land programme, and Land for Housing Programme.

### Human Rights

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

### Consultation

167 Consultation has occurred across the Treasury, Kāinga Ora, the Ministry of Transport, the Department of Internal Affairs, and Waka Kotahi New Zealand Transport Agency. The Department of the Prime Minister and Cabinet has been informed.

168 However the section relating to *Infrastructure Fund Component 3: Infrastructure for Māori* has not been consulted on due to time constraints.

### Treasury comment

169 The Treasury does not consider that Kāinga Ora's board, or a committee thereof, should lead the decision-making process for a competitive Crown investment program in which their organisation has an interest. Kāinga Ora will be responsible for administering the Infrastructure Fund, and could also provide technical input to the advisory group, but recommendations for Crown investment should come from an independently-chaired advisory board appointed by Ministers. It is also important for the administrative and advisory functions of the Fund to be adequately resourced for their respective roles.

### Communications

170 We intend to announce further details about the Infrastructure Fund including for example, its three component parts, who is eligible to apply, and when it will open, at a time agreed with the Prime Minister's Office.

171 Key details will also be made available on the Kāinga Ora and HUD websites.

### Proactive Release

172 The Minister of Housing intends to proactively release this paper at, or around, the time that further public announcements are made. Sections that would undermine the Government's position in negotiations with local government, iwi and development partners will be withheld. s 9(2)(j)



s 9(2)(j)

## Recommendations

The Minister for Housing and the Associate Minister of Housing (Māori Housing) recommend that the Committee:

- 1 note in March 2021 Cabinet agreed to a suite of demand and supply-side measures to address housing affordability, support first home buyers and better incentivise investment in new homes [CAB-21-SUB-0045, CAB-21-MIN-0070 and CAB-21-MIN-0061 refers];
- 2 note that the supply measures included establishing a Housing Acceleration Fund, which would comprise the Infrastructure Fund, changes to Land for Housing], and the Kāinga Ora Land Programme [CAB-21-MIN-0061 refers];
- 3 note that Cabinet has agreed to commit \$3.8 billion to the Housing Acceleration Fund, with approximately \$3.75 billion for the Infrastructure Fund, and \$50 million of additional funding for the Land for Housing Programme [CAB-21-MIN-0116-15 refers];
- 4 note that the operating costs associated with servicing the Kāinga Ora borrowing required to implement the Kāinga Ora Land Programme of \$46 million per annum over the next four years and outyears was agreed as part of Budget 21;
- 5 note that Cabinet sought a report back on the design parameters for the Infrastructure Fund, including on alignment with existing infrastructure processes (in particular three waters and transport) and ongoing collective ministerial oversight across alignment with the Treasury, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, Department of Internal Affairs and Kāinga Ora [CAB-21-MIN-0061 refers];

### *Infrastructure Fund*

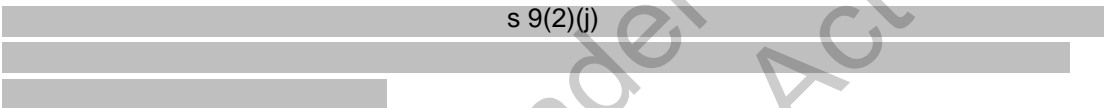
- 6 note that the Infrastructure Fund forms the key component of the Housing Acceleration Fund;
- 7 agree that the objective for Infrastructure Fund is to invest in infrastructure that unlocks housing development. This infrastructure investment will:
  - 7.1 enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity;
  - 7.2 be limited to investments that would not otherwise be funded, or not funded fast enough to meet demand for housing;
  - 7.3 maximise value for money including through co-funding, contributions, and commitments from local government and third parties;

- 7.4 enable the building of homes that are affordable for low-to-moderate income households;
  - 7.5 incentivise councils to use non-funding levers that enable housing development;
  - 7.6 create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation;
  - 7.7 align with wider government objectives, such as ensuring good urban form, partnerships with iwi and Māori, and the transition to a net-zero emissions economy; and
  - 7.8 be spread across multiple regions and include both large urban areas and regional centres.
- 8 agree to the following investment criteria and weightings for the Infrastructure Fund (described in more detail in paragraph 33):
- 8.1 Housing benefits (40%);
  - 8.2 Impact of funding (20%);
  - 8.3 Cost and co-funding (20%);
  - 8.4 Capability and readiness (20%);
- 9 note there are three components to the Infrastructure Fund, with the following indicative funding:
- 9.1 Kainga Ora Large Scale Projects (\$2.3 billion);
  - 9.2 Contestable fund (\$1.08 billion);
  - 9.3 Infrastructure for Māori housing (\$350 million);

*Large scale projects*

- 10 note the Kāinga Ora Large Scale projects align well with the objectives and criteria for the Fund, in particular by enabling brownfield intensification and redevelopment to occur at pace and scale in areas of high need with access to amenity and opportunity;
- 11 note that decisions on tranche one funding have been delegated to myself and the Minister of Finance and will be made in June 2021. Expectations are that the first tranche of funding comprises up to \$440 million and focuses on key infrastructure projects and land development work needed to maintain momentum, covering:

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


- 11.1 funding for design, infrastructure and land remediation work incurred since April 2021 and forecast to June 2022 (up to \$375 million)
- 11.2 a broader funding commitment for Eastern Porirua to deliver key precinct wide trunk water infrastructure currently subject to the fast-track consenting application (\$65 million).
- 12 note that council conversations are ongoing and that the level of their contributions is still uncertain, the Minister of Housing will report back to Cabinet with further information;
- 13 note that the proposed approach for the remainder of funding (beyond tranche one) will be subject to individual programme business cases for each large scale project, which will be completed within the first year;
- 14 note that report back on the business case process and approach for drawdown, monitoring and reporting, is to be provided to Ministers for consideration in December 2021;
- 15  s 9(2)(j)

*Infrastructure Fund Component 2: Infrastructure Acceleration Fund (competitive fund)*

- 16 agree that for most other infrastructure investments a contestable process is most appropriate given the wide range of potential projects and the need to provide for maximum impact;
- 17 agree that the competitive fund may include multiple funding rounds;
- 18 agree that the scope of eligible projects in the competitive fund be limited to:
  - 18.1 new or upgraded enabling infrastructure in the form of transport (including local roading, state highways, public transport infrastructure, footpaths and cycleways), three waters (water supply, wastewater and stormwater) and flood-management infrastructure; and
  - 18.2 which are wholly or primarily for the purpose of enabling the building of new or additional dwellings in the short to medium term; and
  - 18.3 which are expected to enable at least:
    - 18.3.1 200 additional dwellings in tier one urban environments (under the National Policy Statement on Urban Development)
    - 18.3.2 100 additional dwellings in tier two urban environments
    - 18.3.3 30 additional dwellings elsewhere;
- 19 agree that eligible costs include:

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

- 19.1 costs of feasibility studies and other early-stage development work;
- 19.2 costs of designing, consenting, tendering and acquiring land (where it is wholly required for eligible infrastructure projects and broader large scale project activities);
- 19.3 constructing eligible infrastructure projects;
- 19.4 in limited situations, non-capital administrative costs where these are necessary to establishing complementary financing;
- 20 agree the lead applicants on proposals may be territorial authorities, developers or iwi, with developers encouraged to work through territorial authorities where possible;
- 21 note that Kāinga Ora will not be able to apply directly to the competitive fund;
- 22 agree to a two-path structure for the Fund with the following paths:
  - 22.1 a 'Programme path' for main urban areas with where infrastructure investment is more complex;
  - 22.2 a 'Project path' for all other parts of New Zealand with a lower expected scale and complexity of housing infrastructure investment.
- 23 agree that the following groups of Territorial Authorities, should they wish to apply to the Fund, must apply through the programme path as a group:
  - 23.1 Auckland Council;
  - 23.2 Smart Growth: Tauranga City Council and Western Bay of Plenty District Council;
  - 23.3 Future Proof: Waikato Regional Council, Waipa District Council, Waikato District Council, and Hamilton City Council;
  - 23.4 Wellington Regional Growth Framework: Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Kāpiti Coast District Council, Horowhenua District Council, South Wairarapa District Council, Carterton District Council, and Masterton District Council;
  - 23.5 Greater Christchurch Partnership: Christchurch City Council, Selwyn District Council and Waimakariri District Council;
  - 23.6 Queenstown Lakes District Council;
- 24 agree that all other Territorial Authorities (not listed in recommendation in recommendation 23) are eligible to apply under the Project Path;
- 25 agree that both paths operate primarily as a two-stage process;

- 26 agree that some projects may be fast-tracked through a one-stage process subject to the satisfaction of the Kāinga Ora Board committee that:
- 26.1 the quality of the opportunity has already been well validated, in many cases through a previous central Government process; and
  - 26.2 the proposal aligns very well to the Fund's criteria;
- 27 agree the following principles apply to co-funding requirements for developers and relevant landowners to the greatest extent possible:
- 27.1 Developers and landowners should be paying a similar share of the costs of the infrastructure as would be the case if the infrastructure project was funded by traditional means through the local authority. This is generally the reasonable 'growth' portion of the total infrastructure cost;
  - 27.2 In some cases this contribution can be non-financial (e.g. land or commitments to sub-market housing), but any such contribution should be similar in value to the foregone financial contribution;
- 28  s 9(2)(f)(iv)
- 29 agree that the competitive fund will provide for infrastructure traditionally paid for by local authorities and ultimately funded by rates, without requiring that this funding be recovered (although co-investment from Local Authorities will be sought in many cases);
- 30 agree that Kāinga Ora will administer the competitive fund;
- 31 agree that final decisions on investments within the competitive fund be made by the Minister of Finance and the Minister of Housing;
- 32 agree that Ministerial decisions be informed by advice from a committee of the Kāinga Ora Board, subject to the Board establishing a committee with the following expertise represented:
- 32.1.1 Housing development;
  - 32.1.2 Māori housing
  - 32.1.3 Infrastructure delivery
  - 32.1.4 Local government
  - 32.1.5 Finance and risk management;

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- 33 note that to ensure that the advice from the Kainga Ora Board reflects the intent of the Fund and broader government priorities the Minister of Housing will set out her expectations for the advice in a letter to the Chair of the Board.
- 34 agree that the committee be required in its advice to identify how input from the interagency reference group has informed its advice;
- 35 agree that where the committee recommends Ministers consider proposals in which Kāinga Ora has a material interest, then Ministers also be provided with independent second-opinion advice from HUD, and any other entities as directed by Ministers;
- 36 agree to the following steps we have identified to support alignment between this Fund and other central government infrastructure funding processes:
- 36.1 requiring proposals to identify where central government funding has previously been sought or received in relation to the project and dependencies between this proposals and other processes
- 36.2 inviting applicants to also identify how non-financial powers of central government (e.g. Ministerial RMA powers, RMA fast-track, Urban Development Act powers) or local government could complement funding to maximise the impact;
- 36.3 utilising cross-agency groups, particularly for the programme path proposals, including the Urban Growth Partnership and place-based partnership structures;
- 36.4 triaging all proposals for where review by another agency is required;
- 36.5 establishing an interagency infrastructure officials reference group to inform the recommendations of the advisory group with the following entities represented (Treasury, Ministry of Housing and Urban Development, Department of Internal Affairs, Ministry of Transport, Waka Kotahi, Infrastructure Commission, and Crown Infrastructure Partners);
- 37 note that further consideration is required for how to integrate the competitive fund with land transport funding process and Waka Kotahi investments including the role for grants versus loans and management of conflicts of interest;
- 38 agree to delegate decisions on alignment between the land transport funding and the competitive fund to the Minister of Finance, the Minister of Housing and the Minister of Transport;
- 39 note including the competitive fund in negotiations relating to the Three Waters Reform incentive packages for Councils are expected to occur in the June 2021, would essentially require pre-determining envelopes for various local authorities and significantly reduce the ability to drive the highest value for money housing outcomes;

- 40 agree to delegate monitoring, reporting and evaluation requirements and any further implementation decisions for the competitive fund to the Minister of Finance and the Minister of Housing;
- 41 agree to delegate decisions on administration funding for Kāinga Ora to deliver the competitive component of the infrastructure fund and to the Minister of Housing and the Minister of Finance, ensuring this does not duplicate any funding provided through the Kāinga Ora Sustainable Funding Budget Initiative;
- 42 agree to delegate further minor design decisions, technical adjustments to the settings proposed in this paper and implementation decisions relating to the competitive fund to the Minister of Housing;

*Infrastructure Fund Component 3: Infrastructure for Māori Housing*

- 43 note that while the competitive Infrastructure Acceleration Fund is well suited to supporting larger Māori-led commercially oriented investments; it is not the right solution for smaller Māori-led investments including papakāinga developments or rural investment with onsite infrastructure;
- 44 note Cabinet has agreed to provide \$380 million toward increasing Māori housing supply through Whai Kāinga Whai Oranga (Māori Housing Budget 2021 initiative). However, this funding is only sufficient for provision of houses, and not infrastructure which is also required in many cases. Additionally, there are Māori housing opportunities where infrastructure is the primary constraint;
- 45 note on 17 May Cabinet agreed that \$350 million be made available through the Housing Acceleration Fund for a Māori Infrastructure Fund [CAB-21-MIN 0173 refers.];
- 46 agree that in addition to the objectives of the Infrastructure Fund the Māori Infrastructure Fund will have two additional objectives of:
  - 46.1 supporting new housing iwi led delivery models that sustainably increase Māori housing delivery in the medium to long-term
  - 46.2 enable development on whenua Māori (but not be restricted to whenua Māori);
- 47 note investment criteria for the Infrastructure Fund are relevant for the Māori Infrastructure Fund but before confirming these criteria they will need to be aligned to investment criteria being developed for Whai Kāinga Whai Oranga;
- 48 agree to delegate authority to the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori housing) to determine final investment criteria for the Māori Infrastructure Fund;
- 49 agree that the same rules for eligible projects and costs applied to the Infrastructure Acceleration Fund be applied to the Māori Infrastructure Fund with the following changes to enable smaller and rural developments:

**SENSITIVE**

- 49.1 onsite infrastructure (ie non-enabling infrastructure) including site remediation, onsite civils and foundations, onsite three waters including septic tanks is eligible for funding
- 49.2 no minimum dwelling requirements for projects to enable rural and smaller developments
- 49.3 transmission infrastructure and telecommunications infrastructure are eligible for funding where the costs won't be met by utility companies for example rural sites beyond the maximum distance from trunk infrastructure serviced by utility companies;
- 50 agree the lead applicants on proposals be Māori entities and housing providers (including developers and Regional/Tribal Development Entities);
- 51 agree to a two-path structure for the Māori Infrastructure Fund with the following paths:
  - 51.1 a 'project path' for small scale developments across Aotearoa
  - 51.2 a 'Iwi programme path' for multi-year delivery programmes by Regional/Tribal Development Entities;
- 52 agree that the project pathway will be contestable using an on demand model opening on 1 July 2021, with proposals prioritised based on investment criteria with a particular emphasis on readiness balance by place and need. There is no pre-determined target spend for particular places in this model;
- 53 note the programme pathway focuses on regional housing delivery co-ordinated by Regional/Tribal Development Entities. The development entities will be made up by one or more iwi and deliver multiyear programmes of housing delivery covering a range of tenures and typologies. In many cases projects will involve multiple funding sources, landowners and other stakeholders;
- 54 note Whai Kāinga Whai Oranga funding will support the establishment of these regional entities through capability and supply funding. We anticipate the programme pathway to be operational next year;
- 55 agree that the iwi programme pathway run a closed negotiation model with maximum investment (envelopes) allocated to Regional/Tribal Development Entities in the following areas:
  - 55.1 Te Tai Tokerau
  - 55.2 Tairāwhiti
  - 55.3 Kahungunu
  - 55.4 Taranaki
  - 55.5 Bay of Plenty/Rotorua;



- 56 note determining investment envelopes will require discussion with iwi and Māori partners and further analysis on need and readiness;
- 57 agree to delegate authority to determine final investment envelopes and the ability to add further regions to the Minister of Finance, Minister of Housing and Associate Minister of Housing (Māori housing);
- 58 agree that developers and landowners do not pay a similar share of the costs of the infrastructure as would be the case if the project was funded by traditional means through the local authority;
- 59 agree that the Ministry of Housing and Urban Development will administer the Māori Infrastructure Fund;
- 60 agree that final decisions on investments within the Māori Infrastructure Fund be made by the Minister of Finance, the Minister of Housing and the Associate Minister of Housing (Māori Housing);
- 61 agree that Ministerial decisions be informed by advice from a Chief Executive lead MAIHI governance group;
- 62 note that Cabinet agreed that before funds through Whai Kāinga Whai Oranga be spent, key settings be approved by the Minister of Finance, the Minister of Housing, the Minister of Māori Development and the Associate Minister of Housing (Māori Housing) [CAB-21-MIN-0116];
- 63 note that following initial decision making the following Ministers will oversee Whai Kāinga Whai Oranga delivery:
- 63.1 Associate Minister of Housing (Māori housing)
  - 63.2 Minister of Māori Development
  - 63.3 Associate Minister of Housing (Homelessness);
- 64 note that the Chief Executive lead MAIHI governance group will enable Whai Kāinga Whai Oranga Ministers to comment on alignment between Māori Infrastructure Fund projects and Whai Kāinga Whai Oranga projects;
- 65 agree to delegate monitoring, reporting and evaluation requirements and any further implementation decisions for the Māori Infrastructure Fund to the Minister of Finance, the Minister of Housing and the Associate Minister of Housing (Māori Housing);
- 66 agree to delegate further minor design decisions, technical adjustments to the settings proposed in this paper, implementation decisions and ongoing responsibility for monitoring and evaluation relating to the Māori Infrastructure Fund to the Associate Minister of Housing (Māori Housing);

*Kāinga Ora Land Programme*

- 67 note that the Kāinga Ora Land Programme will enable it to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061 refers];
- 68 note that officials are currently preparing further advice on the detailed parameters of the Kāinga Ora Land Programme for approval by the Ministers of Finance and Housing in mid-June;

*Land for Housing Programme*

- 69 note the additional \$50 million of funding for the Land for Housing Programme will allow the Government to acquire land in more places, at prices that will increase affordable supply, and a wider range of housing tenures;
- 70 note that Cabinet has authorised the Ministers of Finance and Housing to agree new programme level targets and investment principles for the Land for Housing Programme [CAB-21-MIN-0061 refers] that will further refine priorities for the funding;

*Refocused Residential Development Response Fund – the Affordable Housing Fund*

- 71 note that the Residential Development Response Fund was originally established to support residential construction activity during COVID-19, but that the risk of a potential decline in new house building and construction sector jobs has not materialised;
- 72 note that the Residential Development Response Fund will now focus on supporting the sector to deliver affordable housing for purchase or rent on private land, and that it instead be called the Affordable Housing Fund to more accurately reflect that purpose;
- 73 agree to delegate approval of the final details of the design of the Affordable Housing Fund to the Ministers of Finance and Housing,
- 74 agree to delegate final approval of the funding decisions for projects to be supported through the Affordable Housing Fund to the Ministers of Finance and Housing;

*Purpose-built rentals*

- 75 note that Cabinet sought a report back on how government can further support increased delivery of high-quality rentals at both market and subsidised rent, including the impact of the Overseas Investment Act and tax treatment [CAB-21-MIN-0061 refers], and I intend to provide that report back in the middle of the year.

Authorised for lodgement

**SENSITIVE**

Hon Dr Megan Woods

Minister of Housing

Hon Peeni Henare

Associate Minister of Housing (Māori Housing)

Released under the  
Official Information Act 1982

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**Annex One: Assessment of Auckland-based Large Scale Projects against Infrastructure Fund Investment Criteria**

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
<b>Housing benefits of the proposal (40%)</b> – How will the proposals, if delivered, contribute to the housing outcomes that are the purpose of the Fund?	The number of additional dwellings that the funding will enable relative to demand in that area.	The large scale projects (LSPs) are expected to provide build-ready land that will enable the delivery of up to 14,000 new additional homes and 4,000 replacement homes on Kāinga Ora land over the next five to ten years.  The additional infrastructure capacity provided by the funding investments potentially unlocks a further 11,000 homes to be built on privately owned land.  Overall, the investment is anticipated to enable a net increase of 25,000 dwellings. Even relative to the large demand for additional housing Auckland, this would be extremely significant.	<b>Strong</b> – Significant increase in housing relative to demand.
	The proportion of lower-cost houses expected to be enabled by the infrastructure.	Land will be sold for affordable housing, and conditions will be placed on the land to make sure it meets affordable housing outcomes.  11,900 land parcels will be sold for private and affordable housing, with the exact proportion between affordable and market yet to be determined.  The redevelopment intensifies neighbourhoods, providing a range of typologies, including medium density apartments.	<b>Strong</b> –Typology and ability for KO to set conditions on lands sales will support a relatively high proportion of lower-cost houses.
	The extent to which the location where housing will be enabled has unmet demand and	All LSPs are in central locations, close to the CBD. The LSPs are close to jobs, schools and services.	<b>Strong</b> – High demand areas with good access to several jobs and city amenities.

S E N S I T I V E

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
	provides access to amenity and opportunity.	The LSPs provide for much needed housing supply and tenure mix. There is high public housing demand, and high house prices within all the LSPs.	
	The extent to which the infrastructure supports intensification, in particular that required to be enabled by councils under the National Policy Statement on Urban Development (i.e. typology and density).	<p>The proposal would represent one of the largest urban development programmes in New Zealand’s history. Just within Kainga Ora-owned land, 4,000 dwellings would be replaced by 18,000 (net 14,000 dwellings).</p> <p>The LSPs are close to rapid transit networks that will be subject to the NPS-UD. Auckland Council is working through the NPS-UD policies and the impact of the NPS-UD on the LSPs is yet to be determined.</p> <p>Both Māngere and Mt Roskill have land along the proposed Light Rail Corridor route. This provides opportunities to align priorities, such as potentially further increase density and align central government investment with other priorities.</p>	<b>Strong</b> – Proposal is entirely based on supporting intensification.
	The extent to which the proposal supports housing development on land owned by Māori and to which mana whenua have been involved in developing the proposed solution.	<p>Redevelopment is on Kāinga Ora owned land.</p> <p>However, through the development process, iwi will have opportunities to purchase the super lots at market rates, allowing iwi to develop capability and support the achievement of Māori aspirations more generally.</p>	<b>Fair</b>
	The extent to which the proposal supports housing development that is environmentally sustainable including through reduced private vehicle use, lower risks from climate change (such as coastal inundation),	<p>Transportation is generally the highest source of emissions. A high proportion of these emissions are due to the use of private petrol and diesel vehicles. In the large scale project areas:</p> <ul style="list-style-type: none"> <li>- the focus is on adding homes in areas that are well serviced by public transport and where much of the day-to-day activities can take place locally (including</li> </ul>	<b>Strong</b> – Good public and active transport links, minimal environmental impact and good climate resilience.

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

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
	and supporting water quality and biodiversity.	<p>schooling, recreation and access to day-to-day services and retail)</p> <ul style="list-style-type: none"> <li>- a high proportion of current trips are local and a high proportion of these are made in cars due to unsafe streets and poor walking/ cycling infrastructure</li> </ul> <p>A design focus is to create walkable neighbourhoods so that much of day-to-day travel can be by foot or bike – significantly reducing the climate impact of occupant transport.</p> <p>The alternative to delivering these large scale projects would likely be expansion of greenfield development around these urban centres. This generally locks residents into relatively higher transport emissions, due to limited alternatives and greater distances from amenity.</p> <p>Kāinga Ora is also working to reduce the climate impact through the construction process, and energy efficiency of the homes.</p>	
<p><b>Impact of funding (additionality) (20%)</b> – How critical is this funding to advancing the infrastructure and housing development?</p>	<p>The impact that this funding will have on the housing development advancing, or on the pace and scale at which it will advance compared to what is currently expected.</p>	<p>Without funding the LSPs would be wound down and rescoped by Kāinga Ora, shifting to focus development on a capacity and constraints basis, developing where infrastructure capacity is available and/or planned and funded. The focus would shift to public housing within the LSPs, with older public houses retained to ensure supply, delivering lower quality public housing stock.</p> <p>In total 6,500 houses would be enabled over the next five years across these sites, around 30% of what would be enabled with funding.</p>	<p><b>Strong</b> – There is no alternative to central government funding for the majority of this investment.</p>

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

S E N S I T I V E

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
	<p>Demonstration that other means to fund the infrastructure without displacement of investment elsewhere (i.e. rate rises, prudent borrowing, or use of the IFF framework) have been exhausted.</p>	<p>Auckland Council has limited ability to take on new significant debt to finance infrastructure projects in the short term.</p> <p>Auckland Council is facing debt constraints. The Council will be at its debt ceiling for the next three years. This is due to falling revenues from Covid, and committed infrastructure projects such as the City Rail Link and the Central Interceptor. The Council proposes to raise rates by five percent for a year to cover additional investment.</p> <p>IFF is likely to only pay for a small portion of total funding required for LSPs – eg it was estimated that IFF were used in Tamaki, it would pay for 10 percent of the infrastructure cost. Applying IFF to existing neighbourhoods is difficult. LSPs are in a low socio-economic communities, and there is limited ability for existing residents to afford additional levies.</p>	<p><b>Strong / Fair–</b></p> <p>There are few viable alternatives, with IFF likely not the right solution. Further rates rises by Auckland Council are an option but unlikely.</p>
<p><b>Cost and co-funding (20%) –</b> How cost effective is the proposal and is everyone paying their fair share?</p>	<p>The average whole-of-government cost per dwelling expected to be enabled by the infrastructure.</p>	<p>Average cost per dwelling enabled is \$114 k (Auckland LSPs only). This includes all and total costs, transport, infrastructure and land development.</p> <p>The average cost per dwelling will reduce as council funding becomes more certain, including its portion of the transport funding.</p> <p>The cost per dwelling does not include housing enabled on private land.</p> <p>However, if we look at wider outcomes, the Tāmaki, Mangere and Roskill LSPs are estimated to have a Benefit Cost Ratio of 1.4.</p>	<p><b>Strong / Fair –</b></p> <p>While it is a relatively high central government cost per dwelling enabled, this is a result of the broader costs (i.e. land development) required to be funded in this context.</p>

S E N S I T I V E

S E N S I T I V E

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
	Alignment with co-funding principles for the Fund (set out below).	<p>As the developer, Kāinga Ora would be appropriately funding its fair share of the growth proportion.</p> <p>Auckland Council is debt constrained for the next three years. The Council has identified \$730 million to be allocated to the LSPs, including transport funding, but this largely falls in years 5-10 (outside the programme window).</p> <p>The Council allocation is less than the \$1.15 billion that Kāinga Ora has attributed as Auckland Council's share. It is appropriate within the co-funding principles for the Fund to subsidise a portion of local government costs.</p> <p>In this case, the cost of the programme is driven by the pace and scale set by the Crown. Auckland Council would be in a better position to fund the programme at a slower pace, and with less density. This represents a reasonable, if not ideal, trade-off to advance the housing outcomes.</p>	<p><b>Fair –</b></p> <p>Although the Council co-funding is less than ideal, this is within the intent of the principles.</p>
<b>Capability and Readiness (20%) –</b> If funding is approved, how certain is it that the project will advance, and at what pace?	The extent to which there are other barriers to housing development that the infrastructure will serve (and how they will be removed if funding is approved).	<p>Funding is the main barrier.</p> <p>No major planning issues. Kāinga Ora is working with Auckland Council on plan changes or other issues.</p>	<b>Strong –</b> There are no significant non-funding barriers to this work proceeding.
	The degree of developer commitment or interest in building housing quickly.	As Kāinga Ora is the primary developer there is high certainty of housing being built quickly relative to what can be expected with most infrastructure investments.	<b>Strong –</b> KO leading development provides highest realistic certainty of housing outcomes.

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S E N S I T I V E

<b>High level criteria</b>	<b>Factor for assessment</b>	<b>Analysis</b>	<b>Assessment</b>
		<p>Kāinga Ora continues to work with its build partners to deliver the affordable and market housing on surplus Kāinga Ora land.</p> <p>All the LSPs are in desirable locations close to employment and amenities, and developer interest is expected to be high.</p>	
	<p>Demonstrated alignment between all parties including Territorial Authorities, Regional Councils, mana whenua and developers needed to advance the housing development.</p>	<p>Auckland Council has identified the LSPs as one of three priority areas for growth within the Long-Term Plan.</p> <p>At an operational level, Kāinga Ora and Auckland Council has spent the last two years identifying and costing 400+ projects within the LSPs.</p> <p>Kāinga Ora work with mana whenua as build partners in the sale of land of Kāinga Ora land for private development. This is an opportunity for iwi in Tāmaki Makaurau to build capacity and capability in housing development, as well as achieve iwi aspirations.</p>	<p><b>Strong</b> – Developer and Council well-aligned on projects.</p>
	<p>Confidence in the ability of all parties to deliver the infrastructure and housing as proposed.</p>	<p>Confidence that Kāinga Ora can deliver the programme.</p> <p>Infrastructure projects have been jointly identified and scoped with Auckland Council. Kāinga Ora is ready to deliver, with many of the projects being shovel ready.</p> <p>In May 2020, NZIER has assessed Kāinga Ora’s capacity to undertake this work and determined there is a high degree of confidence that Kāinga Ora can deliver.</p> <p>Some of the network infrastructure projects require Auckland Council to deliver, and further work needs to be undertaken to assess their capacity and capability to do so.</p>	<p><b>Strong/Fair</b> – Kainga Ora readiness and capability well validated.</p>

S E N S I T I V E

## Annex Two: Progress with our Urban Growth Partnerships

Urban Growth Partnerships	
Partnership	Progress to date
<p style="text-align: center;"><b>Auckland</b></p> <p>A partnership between Auckland Council and central government to address Auckland's housing and urban development issues.</p>	<ul style="list-style-type: none"> <li>• A partnership between local government and central government (the joint Housing and Urban Growth Work Programme) has been established following Cabinet endorsement (April 2019).</li> <li>• Spatial priority areas have been agreed and joint work is focused on delivering new urban development in Manukau, Drury, the Auckland Housing Programme and Tāmaki, the CRL Stations and North West.</li> <li>• NZ Upgrade \$2.4 billion programme has been launched to support transport investments and the accelerated development of Drury. (March 2020).</li> <li>• Ongoing expansion of Kāinga Ora and Land for Housing Programmes to deliver new housing.</li> <li>• NPS Urban Development implementation is underway and will lead to revisions of the Auckland Unitary Plan.</li> </ul>
<p style="text-align: center;"><b>Hamilton-Waikato-Auckland (Future Proof)</b></p> <p>An inter-regional partnership between central government, iwi and Auckland and Waikato Councils to integrate transport and urban growth opportunities. Focus is on the corridor between Papakura in South Auckland and Cambridge in the Waikato, including Te Awamutu.</p>	<ul style="list-style-type: none"> <li>• The joint Corridor spatial plan and work programme comprised of 20 key initiatives has been adopted. (Feb 2019)</li> <li>• The joint Hamilton-Waikato Metropolitan Spatial Plan has been adopted with Cabinet endorsement. (Aug 2020)</li> <li>• The intercity rapid rail and joint wastewater business cases have been completed, amongst other key outputs.</li> <li>• Have launched the Waikato Tainui Ruakura Freight SuperHub with support from the Provincial Growth Fund and Shovel Ready grants and loans.</li> </ul>
<p style="text-align: center;"><b>Tauranga-Western Bay of Plenty (Smart Growth)</b></p> <p>A partnership between local government, central government, and iwi to integrate transport and land use in the Tauranga and Western Bay of Plenty sub-region.</p>	<ul style="list-style-type: none"> <li>• Central government has joined the Smart Growth Partnership between local government, tangata whenua and local stakeholders.</li> <li>• Partners have agreed the strategic priorities of the draft joint spatial plan for Tauranga-Western Bay of Plenty.</li> <li>• The final report of the Urban Form and Transport Initiative has been published. This details a preferred option for an integrated future urban form and transport system for the Western Bay of Plenty sub-region over the next 30/50/100 years.</li> <li>• A draft of a joint housing action plan has been consulted on, for finalisation mid-2021</li> </ul>
<p style="text-align: center;"><b>Wellington-Horowhenua</b></p> <p>A collaborative approach to addressing Wellington's housing and urban development issues, with a focus on aligned investment.</p>	<ul style="list-style-type: none"> <li>• Ten councils in Wellington-Wairarapa-Horowhenua and seven iwi groups, with facilitation and support from central government agencies have developed a full draft Wellington Regional Growth Framework, including a high-level spatial plan and an associated programme of initiatives.</li> <li>• The Framework focuses on mode shift, access and housing affordability and exploring key development areas to understand how new government tools may be applied in these areas.</li> <li>• Councils and iwi groups have formally agreed to establish a Wellington Regional Leadership Committee to oversee further development and implementation of the Framework. Cabinet endorsement for the Crown to join this Committee will be sought in May/June.</li> </ul>
<p style="text-align: center;"><b>Queenstown Lakes</b></p> <p>A partnership between central government, local government and iwi focused on the future development of the Queenstown-Lakes District and visitor growth</p>	<ul style="list-style-type: none"> <li>• A draft joint spatial plan has been completed that will deliver a long-term strategy to manage growth in a sustainable and integrated way. The draft plan has been approved by Cabinet (Aug 2020) and is expected to be formally adopted in June / July.</li> <li>• Terms of reference to formally establish the governance structure of the partnership are expected to be approved by June / July this year.</li> <li>• The plan sets a joint work programme of 22 priority initiatives. A number of these are well underway, including transformational investment in Public Transport between Frankton and the Town Centre via NZUP, detailed master planning of the Ladies Mile priority development area, and joint work on a destination management plan (MBIE).</li> </ul>
<p style="text-align: center;"><b>Greater Christchurch</b></p> <p>A collaborative approach to addressing Greater Christchurch's housing/urban development issues.</p>	<ul style="list-style-type: none"> <li>• The existing Greater Christchurch Partnership governance group (Christchurch City Council, Waimakariri District Council, Selwyn District Council, Environment Canterbury, and Ngāi Tahu) has developed a draft value proposition for an urban growth partnership with the Crown.</li> <li>• Early scoping work is progressing on a possible joint spatial plan for the Greater Christchurch area, to be completed in 2024.</li> </ul>

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