

# The Treasury

## Budget 2021 Information Release

### August 2021

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- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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## Treasury Report: Budget 2021 March Housing Bilateral Briefing

<b>Date:</b>	12 March 2021	<b>Report No:</b>	T2021/377
		<b>File Number:</b>	BM-2-14-2021

### Action sought

	Action sought	Deadline
<b>Minister of Finance</b> (Hon Grant Robertson)	<b>Discuss</b> the contents of this report at your meeting with Minister Woods on 17 March 2021.	17 March 2021.

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Alex Smith	Analyst, Housing and Urban Growth	[39]	[35] ✓
John Beaglehole	Acting Manager, Housing and Urban Growth		

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

[Bilateral Advice Appendix - Votes HUD and BC.xlsx](#)

# Treasury Report: Budget 2021 March Housing Bilateral Briefing

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## Executive Summary

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The purpose of this briefing is to prepare you ahead of your meeting with Minister Woods on 17 March 2021 to discuss the Budget 2021 initiatives in the Housing portfolio.

This briefing outlines the Government's priorities for the housing sector and provides you with advice on the initiatives currently in the Treasury draft package. This report does not cover the *Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters* Cabinet paper, or the corresponding Budget initiative. We have provided you with advice on these in a separate briefing.

[33]

We suggest you use this meeting to discuss:

- The limitations of fiscal investment to improve housing outcomes and affordability in the short term, and which regulatory levers and reforms the Minister of Housing could work closely with her colleagues on to drive more tangible improvements in outcomes over the short term.
- Whether the current package and Cabinet papers under active consideration strike a suitable balance between improving outcomes for first home buyers, renters, and those experiencing more severe housing deprivation.
- [33]
- What message you want to send to Kāinga Ora through your approach to initiatives where Ministers have limited control over spending occurring regardless of whether or not new Crown funding is received.
- Whether you are satisfied with the proposed level of investment in improving Māori housing outcomes.
- Whether the funding sought to extend the COVID-19 motel places is likely to be sufficient, and if not, what the options are for ensuring transitional housing can be delivered at pace and in the right locations.

## **Recommended Action**

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We recommend that you discuss the contents of this report with Minister Woods on 17 March 2021.

John Beaglehole  
**Acting Manager, Housing and Urban Growth**

Hon Grant Robertson  
**Minister of Finance**

# Treasury Report: Budget 2021 March Housing Bilateral Briefing

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## Strategic Priorities for the Housing Sector

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1. Housing has been identified as a key Government priority. Within the housing sector, the Government has committed to:
  - progressing the Residential Development Response Fund
  - repealing and replacing the resource management regime and implementing the National Policy Statement on Urban Development
  - regulating property managers to protect landlords and tenants
  - expanding the Healthy Homes Initiative, strengthening the healthy homes compliance and enforcement efforts by Tenancy Services, and
  - strengthening Māori housing outcomes through collaborative partnerships, home-ownership models, and papakāinga provision.
2. The proposed package and associated Cabinet papers propose a sizable investment in housing. However, there are real limitations to improving housing outcomes in New Zealand's unresponsive housing market through investment alone. Regulatory change and reform will also be required if you are to bring about a more transformative level of change.
3. However, there are several initiatives that do have the potential to lead to an improvement in overall housing outcomes. These are the Resource Management Reform initiative submitted by Minister Parker in Vote Environment, and the Auckland and Porirua Large-Scale Projects (LSPs) submitted in Vote Housing and Urban Development. We provide further advice on these initiatives below and in the accompanying annex.
4. We consider that there is scope to further improve housing affordability and outcomes in the short- and long-term regulatory space, and can provide you with further advice on potential regulatory levers. We also recommend that you ask the Minister of Housing to work closely with her colleagues to prepare regulatory options to consider alongside Budget 21 funding decisions. [33]
5. [34]
6. There are also questions around which groups and cohorts the housing package targets and over what time period. We recommend that you test with the Minister of Housing if she believes the draft package strikes an appropriate balance between providing support for people currently experiencing acute housing deprivation and delivering more ambitious gains in housing affordability and outcomes over the longer term.

## Initiatives submitted for Budget 2021

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7. Minister Woods has submitted a total of 11 initiatives across Vote Housing and Urban Development and Vote Building and Construction. All of these initiatives were invited.

[33]

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9.

10.

11.

12.

### *Housing Initiatives Submitted in Other Votes*

13. Several housing-related initiatives were also submitted in other votes, and we recommend that you consider these in the context of putting together a comprehensive housing package. The most significant housing-related initiatives are:
  - Reform of the Resource Management System, Vote Environment (13347)
  - Increasing Supply of New Whānau Homes on Papakāinga, Vote Māori Development (13283)
  - Increasing the Supply of Warm Dry Homes for Whānau Māori by Repairing, Rebuilding or Replacing Homes, Vote Māori Development (13300)

14. Of these, a scaled version of Increasing the Supply of Warm Dry Homes for Whānau Māori by Repairing, Rebuilding or Replacing Homes and time-limited funding for the Reform of the Resource Management System initiative have been included in the draft package.
15. As the Cabinet papers, *Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters* and *Backing First Home Buyers and Encouraging Property Investment into New Housing Supply*, currently under consideration have primarily focused on supporting first home buyers, you may want to consider how the package as a whole delivers for renters and other groups who are lacking access to permanent housing, such as those currently experiencing homelessness.

## The Budget 2021 Draft Package

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16. The current draft package would see a significant investment in housing, with 10 of the 11 housing initiatives submitted by Minister Woods supported in the current draft package, including a placeholder amount for the Package to Increase Housing Supply and Affordability (13291) initiative. We are not providing advice in this report on the Package to Increase Housing Supply and Affordability initiative or the corresponding Cabinet paper currently under consideration, *Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters*, as we have provided this elsewhere.
17. Excluding the housing affordability package placeholder, the draft package provides a total of \$760.5 million in operating funding over four years, and a total of \$2,321 million in capital (we note that exact split between operating and capital funding for the Large-Scale Projects is still yet to be finalised).
18. Three of these initiatives have been scaled: Investment to Increase Supply in Auckland Large-Scale Projects, Kainga Ora Sustainable Funding, and Continuing Support for Homeowners Affected by Canterbury Earthquakes and Other Natural Disasters. We have provided further, more detailed comments on each of these initiatives in the attached annex.
19. [33]
20. The majority of the initiatives included in the package are critical cost pressures or manifesto commitments, and there is relatively narrow scope for further scaling. We recommend that you use this opportunity to ask the Minister of Housing which initiatives she would recommend deferring to future Budgets, which initiatives are her top priorities for this Budget, and if she wants to fund [33] which initiatives she would take out.
21. [34]



22. [33,34]

23. [33]

### *Distributional Impacts*

24. Despite the sizable investment this package proposes, we think it is highly likely that housing outcomes for non-homeowning New Zealanders, among whom Māori and Pacific peoples are heavily overrepresented, will continue to deteriorate. In the long-term, regulatory reform initiatives like the Resource Management Act reform provide an opportunity to improve housing outcomes. We recommend pairing housing investment this Budget with short-term regulatory actions and reforms to start improving housing outcomes in the next few years.
25. Along with the Large Scale Projects, the relatively small Vote Building and Construction cost pressure and manifesto initiatives are likely to have the biggest positive impact on renters of the initiatives in the draft package.
26. Three initiatives in the wider housing package have a particular focus on Māori: The Porirua Regeneration Large Scale Project, Accelerating Immediate Māori Housing Solutions and Increasing the Supply of Warm Dry Homes for Whānau Māori by Repairing, Rebuilding or Replacing Homes (Vote Māori Development). We understand that there are ongoing discussions between the Ministers of Housing, Māori Housing and Māori Development, as well as at the agency level, on the housing initiatives, and Ministers may seek to engage with on these soon.
27. Should you wish to increase investment in Māori housing, you may wish to consider funding a scaled version of the Vote Māori Development initiative, Increasing Supply of New Whānau Homes on Papakāinga. [33]

28. [33]

### *Short-term Housing Cost Pressures*

29. We are supportive of your objective to move away from using motels as emergency housing, however we note that despite the additional investment in recent Budgets, transitional housing has been slow to come online. The initiative, Extension of Short-term Housing and Associated Programmes (13302), is included in the draft package and would see a portion of the additional 1,000 (approximately) motel places funded as part of the COVID-19 response extended until 2023/24.

30. [33,34]

## Talking Points

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- The proposed package and the Cabinet paper, *Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters*, would see significant investment in housing and supporting infrastructure. However, in the absence of regulatory change, this investment may not have the desired impact, particularly in the short term. How are you working with officials and your Ministerial colleagues to progress potential short-term regulatory levers and reforms, and are there any levers and reforms you would recommend progressing alongside Budget decisions?

- [33]

- Kāinga Ora is seeking a significant amount of funding through this Budget and has [38]

What is your preferred approach?

- The proposed exit from COVID-19 motels is relatively steep. Would you recommend providing additional funding to extend these places for longer given the risk that sufficient transitional housing places will not be delivered in time? If not, what are our options for ensuring that transitional housing is delivered at pace and in the right locations?