

BRIEFING TO THE INCOMING MINISTER 2023



Building brighter futures
for Aotearoa New Zealand

 **Kāinga Ora**
Homes and Communities

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Introduction

This briefing provides an overview of Kāinga Ora – Homes and Communities and our main functions, current priorities and your role as the Minister responsible for our organisation.

At Kāinga Ora, we know that a home provides certainty, stability, pride and a sense of belonging. Our role as an organisation includes two core functions:

- being a world-class public housing provider
- being Aotearoa New Zealand’s first urban development agency.

Kāinga Ora delivers the Government’s housing and urban development policies and objectives to contribute to sustainable, inclusive and thriving communities.

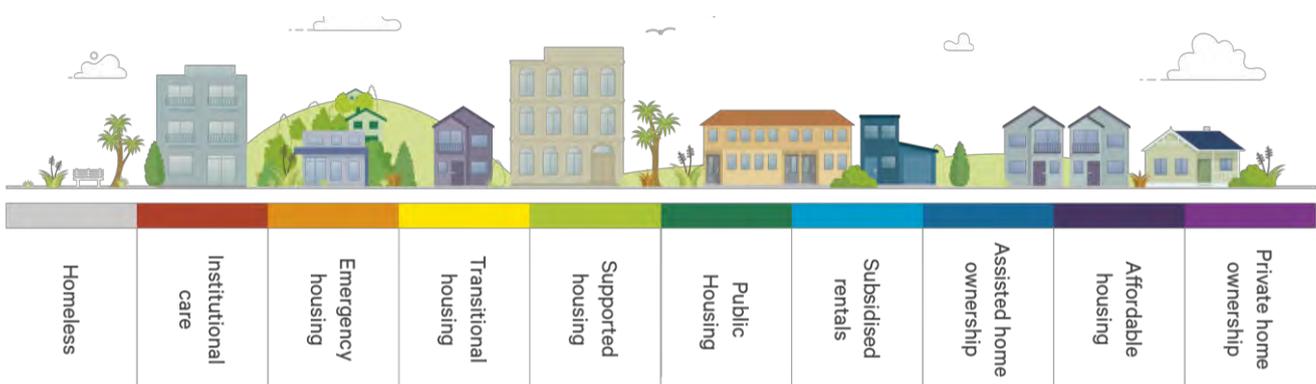
We build and maintain public housing for those who need it most and provide ongoing support to help them live well and independently in their homes and within their communities.

We contribute to comprehensive spatial thinking and delivery, and masterplan and partner across the sector to enable and deliver modern, warm, dry and future-proofed homes, supported by essential and sustainable infrastructure and amenities that allow communities to thrive.

We are also committed to helping more New Zealanders achieve their aspirations of home ownership. Our products and programmes offer housing options, financial support and education.

We strive to create lasting positive change in the housing landscape through building strong and mutually respectful relationships with our customers, public and private sector partners, Māori and iwi, and communities, and by being responsible for our land and the environment.

We are proud to be a part of building brighter futures for Aotearoa New Zealand.



Your role as responsible Minister

As Minister responsible for Kāinga Ora, you oversee and manage the Crown's interests in, and relationship with, Kāinga Ora.

You also exercise statutory responsibilities including functions and powers:

- to appoint and remove Board members to ensure an effective Board is in place
- to review the operations and performance of the entity
- to request information from the entity
- to participate in the process of setting the entity's strategic direction and performance expectations and monitoring the entity's performance
- in relation to other matters within the Crown Entities Act, the Kāinga Ora Act or other relevant legislation.

You are also responsible for managing any issues of concern, or risks to the Crown, arising from the activities of the entity. You are accountable to Parliament for the performance of the entity.

Kāinga Ora Board and management will work with you to agree performance objectives (through key accountability documents) and provide regular reports to you on our performance. Kāinga Ora also works closely with the Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, which monitors our performance, to ensure effective delivery.

Annual Letters of Expectations are an opportunity for you to convey to the Board your expectations of Kāinga Ora for the forthcoming year. These Letters inform the Board, at a high policy and strategic level, what the Government's key priorities are. Of late, Letters of Expectations have focused on its core functions, such as delivery, particularly public housing, being a good landlord, transparency and good governance. In addition, you can modify or set additional expectations from time to time.

A Statement of Intent is produced periodically, representing a medium-term outlook for the strategic direction of Kāinga Ora. Our latest Statement of Intent (2022 - 2026) was published in December 2022. We are currently in the process of updating some of the long-term measures in the document, which will be republished in June 2024.

A Statement of Performance Expectations is produced each year, reflecting the annual outlook and performance (both financial and non-financial) expectations of Kāinga Ora. The document is provided to your office yearly for consultation by 1 May. The Board has a legal duty to act in a manner consistent with its current Statement of Intent and Statement of Expectations (Crown Entities Act, s. 49). As Minister, you can amend these documents at any time.

Executive Summary

Kāinga Ora is a housing and urban development delivery agency, responsible for the stewardship of 72,000 public homes, supporting the 185,000 customers who live in these homes, delivering land development projects and administering home ownership products.

Since our establishment in 2019, we have been building capability and capacity to deliver vastly increased volumes of construction and land development activity, while responding to a changing customer base and a broader range of government-related programmes and legislative responsibilities. Working through the challenges posed by the COVID-19 pandemic, supply disruptions, market instability, and inflationary pressures, we are delivering on this requirement, and beyond, with a continued focus on improving organisational performance, driving delivery efficiency and stabilising financial frameworks for our core delivery responsibilities.

We have built internal and supplier capability and capacity to deliver over 5,000 home construction builds and retrofits (substantial renovations) a year (more than 6,300 homes have been contracted or are under construction). Our construction programme is driven by the Government's Public Housing Plan targets, the renewal requirements of our existing portfolio, and enabling our Large-Scale Projects to leverage current land holdings to increase private housing supply. Year-on-year we have been delivering thousands of extra homes – over 11,000 public and supported homes built in the last six years (gross) - and have expanded into regions where there has previously been limited building capacity.

Traditionally our construction programme has seen our staff commissioning projects, with delivery of the pre-construction, consenting and construction activity procured from the market. We have worked with our suppliers over the last five years to put in place a number of changes such as standard designs, our own building consenting authority, long-term volume-based contracts, as well as

new contracting arrangements and payment terms and conditions. This did not result in significant enough performance improvements, and we have subsequently carried out a deep dive into the performance of the industry at a micro-process level. This work has seen us move from being a buyer to playing a much more active role in planning, scheduling and programming.

The Housing Delivery System we have developed is driving far faster and more reliable planning and build times for our public homes, substantially reducing construction costs, and improving quality performance right throughout the build process.

All new public homes are expected to be contracted and built using the new Housing Delivery System processes. Our last budget included an initial 13 per cent saving in capital costs (\$820 million over four years) as we complete homes procured under traditional project arrangements. An additional 15 to 20 per cent reduction in material and labour cost is being verified through further pilot projects, with expected savings over the next four years and beyond being incorporated into budgets as these pilots are completed.

We also have a programme of work in progress that is focused on transforming our asset management and maintenance delivery processes. A detailed review of our decision-making and supplier work practices has identified operating cost savings 9(2)(f)(iv)

on our current budgeted spend of \$680 million. There is a structured programme of work underway putting in place the people, processes and systems required to deliver those savings. Our November budget forecasts will reflect the delivery of these savings across the next two years.

Record number of homes in construction

6,309

new homes in construction in 2022/23

Housing delivery system savings

\$820m

estimated cost savings over the next four years

Faster consent processing

12

days (average) to issue consents through Consentium (against statutory requirement of 20 days)

Housing supply enabled

5,196

market and affordable homes enabled through the land programme since 2017/18

Infrastructure acceleration

35,000

new homes enabled through infrastructure projects in next 10-15 years

Improving engagement with Māori

700

partnership engagements with iwi and ropu Māori in 2022/23

Enabling more home ownership

60%

of first homes purchased in 2022/23 accessed at least one of the home ownership products available

Our urban development agency legislative requirements and policy direction have been focused on helping cities and towns across Aotearoa New Zealand to respond to growth, improving housing supply across the continuum, affordability and community wellbeing.

Activities we are responsible for include delivery of land development initiatives on our own land, administration of government land purchase, infrastructure grants and construction underwrite programmes, supporting the Government Policy Statement on Urban Development, administering the Specified Development Project legislation, and Urban Growth Partnerships.

We are currently targeting the civil works area for productivity and efficiency improvements, removing waste, reducing time, and realising capacity through delivery transformation that will deliver significant cost savings.

Our Large-Scale Projects in five locations across Auckland and in Porirua involve investing billions of dollars over the next 20 years in significant neighbourhood infrastructure, enabling land that previously had around 11,000 public homes on it with the ability to support the development of up to 40,000 new homes. This includes market and affordable homes delivered on land sold to private sector developers, as well as new public housing. The scale of the infrastructure provided also enables greater density on private sector land in these areas.

We have been building capability and capacity to deliver vastly increased volumes of construction and land development activity, while responding to a changing customer base and a broader range of government-related programmes and legislative responsibilities.



We manage the Infrastructure Acceleration Fund, with funded projects expected to enable up to 35,000 new homes for New Zealanders over the next 10 to 15 years. There are a number of products aimed at prospective homeowners and property developers that we administer on behalf of the Crown.

Our enabling legislation has created obligations to partner and engage with local and central government, iwi, and the wider community across the activities, programmes and services that Kāinga Ora undertakes on behalf of the Crown. It also requires us to identify and protect Māori interests in land, with their urban development aspirations understood, supported and enabled.

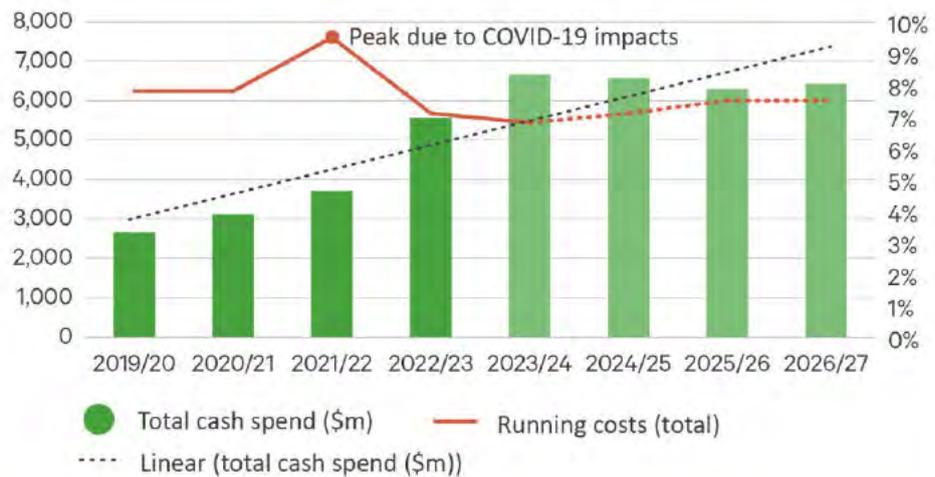
We rent to 185,000 public housing customers and are allocated customers based on need, with 67 per cent of the people coming into our homes being at the highest level (A17-A20). Working across government it has been clear that providing our customers with a stable home acts as a foundation from which other government interventions can be effective, reducing costs to Government in the long term. This can be very challenging with a small proportion of our customers struggling to live well and behaving in a disruptive manner. We have been developing our internal capacity through our new customer operating model so that we better support and respond to increasingly complex and changing needs, while also using changes to the Residential Tenancy Act to mitigate individuals' impacts on the wider community through relocations and evictions.



Financial sustainability

Since establishment, our organisation has put considerable emphasis on ensuring we meet delivery targets, our operations are financially sustainable and we methodically drive operational efficiencies and productivity improvements. Our projected \$6.7 billion annual spend this year is predominantly external with approximately 93 per cent expected to be paid to private-sector suppliers to undertake activities that improve the quality of the public housing portfolio and increase the housing and infrastructure supply. As we have increased our expenditure to deliver on government expectations, our spend on the staff and systems that enable this activity has largely remained constant at 7 to 8 per cent of that total expenditure.

Total capital and operational spend (\$m) and organisational running costs as a proportion of total spend (projected from FY 2023/24)



Our transformation programmes are tackling our biggest and most complicated areas of expenditure and will reduce our operating and capital costs over the next two years as we drive efficiencies across the sector and replace current projects and contracts with ones using our new processes. In the next few months our projected expenditure against approved Kāinga Ora FY2023/24 budgets will reduce maintenance spend by an initial \$20 million in FY2023/24, 9(2)(f)(iv) and lowering construction costs by a further 15 to 20 per cent.

We regularly review our employee numbers to ensure they are linked to work programmes, are appropriately resourced and adding value.

The importance of that work has been elevated over the last two years with construction cost inflation and interest rate pressures, as well as the Government's fiscal position. In our latest reviews we have identified 9(2)(f)(iv) that we no longer need to fill due to changes to our operating model and a focus on essential delivery-orientated work only. We continue to work on other savings opportunities for the next and subsequent financial years.

A summary of issues to note and decisions that may be required in your first 100 days of office is provided in the upcoming decisions section, page 53.

Our legislative environment

The Crown Entities Act 2004 is the principal Act governing the relationship between Kāinga Ora and the Crown. Kāinga Ora is described in Schedule 1 of the Act as a 'Crown Agent'. Crown Agents are the least autonomous category of Crown entities in that they must give effect to government policies when directed by the responsible Minister.

The Ministry of Housing and Urban Development is the agency with system leadership of the New Zealand housing system. They monitor our performance, and we work closely with them and Ministers to set our policy parameters and objectives.

The roles and responsibilities of Kāinga Ora are derived from four sources:

1. Governing legislation, including the Kāinga Ora – Homes and Communities Act 2019 and the Crown Entities Act 2004
2. Enabling legislation, including the Urban Development Act 2020, which gives Kāinga Ora access to a broad toolkit of development powers to perform our urban development functions
3. The Government Policy Statement on Housing and Urban Development
4. Expectations of shareholding Ministers, which inform both our strategic direction over a four-year period are set out in our [Statement of Intent](#) and our priorities for the coming year are set out in our [Statement of Performance Expectations](#).

Kāinga Ora is governed by a board, whose members are accountable to the responsible Minister. The role of the responsible Minister is to oversee and manage the Crown's interests in and relationship with Kāinga Ora. We report every quarter to the responsible Minister to demonstrate our performance against the objectives set out in our Statement of Intent and against the targets in our Statement of Performance Expectations. The Minister conveys the Government's expectations to Kāinga Ora and monitors performance. The Statement of Intent, Statement of Performance Expectations and [Annual Report](#) are presented to the House of Representatives.

Kāinga Ora - Homes and Communities Act 2019

The [Kāinga Ora - Homes and Communities Act 2019](#) sets out the objectives, functions and operating principles of our organisation. We are required to act consistently with the objective to contribute to sustainable, inclusive and thriving communities that:

- provide people with good-quality, affordable housing choices that meet diverse needs
- support good access to jobs, amenities and services
- otherwise sustain or enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

The Board of Kāinga Ora has a separate duty to ensure that when exercising its functions, Kāinga Ora and our subsidiaries (to the extent we are reasonably able) act in a manner that is consistent with the Kāinga Ora legislated operating principles.¹ Broadly these cover:

- public housing solutions that contribute positively to wellbeing
- housing supply meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective partnerships.

Urban Development Act 2020

The purpose of the [Urban Development Act 2020](#) is to facilitate urban development that contributes to sustainable, inclusive and thriving communities. It establishes Kāinga Ora as a national urban development agency with access to urban development powers, including:

- land acquisition and assembly powers, additional to the ability of Kāinga Ora to acquire land using the same legal powers as a natural person
- a toolkit of powers relating to land-use planning, consenting, infrastructure provision and reserves that Kāinga Ora and our development partners can access when undertaking Specified Development Projects.

When Kāinga Ora performs our functions under the Urban Development Act, we must act consistently with our operating principles in the Kāinga Ora - Homes and Communities Act 2019.

Government Policy Statement on Housing and Urban Development

The Kāinga Ora - Homes and Communities Act 2019 also states that, as the Crown's public housing provider and urban development agency, Kāinga Ora must give effect to the [Government Policy Statement on Housing and Urban Development](#). This policy statement sets a direction for housing and urban development in Aotearoa New Zealand and is underpinned by four outcomes:

1. Thriving and resilient communities
2. Wellbeing through housing
3. Māori housing through partnership
4. An adaptive and responsive system.

The Government Policy Statement on Housing and Urban Development sets out expectations that Kāinga Ora must give effect to when performing our functions towards achieving each of the four outcomes. These build on the operating principles and functions outlined in the legislation. These expectations can be found in Appendix 2 of the Policy Statement. The Minister directs the Government Policy Statement on Housing and Urban Development and it can be amended at any time.

MAIHI Ka Ora

[MAIHI Ka Ora](#), the National Māori Housing Strategy, has been developed to strengthen the systems response to Māori housing and is strongly connected to and referred to in the Government Policy Statement on

¹ This is an additional statutory layer not faced by many other Crown entities.

Housing and Urban Development. MAIHI Ka Ora has a shared vision that “all whānau have safe, healthy, affordable homes with secure tenure, across the Māori housing continuum.”

Over the next 30 years, our Māori-Crown partnership will look to make changes that will improve the housing outcomes for future generations of Māori, their whānau and their mokopuna. The strategy also identifies key priority areas that address more immediate challenges in relation to partnerships, Māori-led solutions, housing supply, support and sustainability.

MAIHI Ka Ora is made up of government agencies the Ministry of Housing and Urban Development, Te Puni Kōkiri and Kāinga Ora. Our role as Kāinga Ora is to continue to work closely with the Ministry of Housing and Urban Development to ensure alignment between MAIHI Ka Ora, its implementation and Te Rautaki Māori o Kāinga Ora – our Māori strategy.

Climate change response

Our legislated operating principle of stewardship and sustainability requires us to operate in a manner that recognises the need to mitigate and adapt to the effects of climate change. Under the Government Policy Statement on Housing and Urban Development, Kāinga Ora is required to consider climate change-induced natural hazards and ensure our customers and assets are not unduly exposed to climate change risks.

As a public housing landlord and urban development agency, we have a significant opportunity to improve environmental wellbeing through our construction and urban development activities, and to catalyse positive change across Aotearoa New Zealand and the industry.

We estimate Kāinga Ora will contribute or influence approximately 14 million tonnes of emissions cumulative through to 2040. The Kāinga Ora Emissions Reduction Plan (in development) will propose to reduce emissions by around 40 per cent for each emissions source and 44 per cent overall. Our key interventions relate to emissions reduction for our corporate operations, buildings, transport and infrastructure.

Kāinga Ora has committed to establishing an initiative for climate-resilient public housing under the [National Adaptation Plan](#). All of our investment decision-making requires consideration of climate risk and resilience opportunities. This involves taking a long-term view of climate hazards and identifying opportunities to increase resilience; for example, improving community resilience through green and blue infrastructure that results in environmental co-benefits.

Our funding context

Public housing

Public housing remains the primary driver for Kāinga Ora’s investments, accounting for approximately 80 per cent of both our capital and operating expenditure. This activity is predominantly funded through market-based rents, totalling around \$1.7 billion (FY2022/23) for 67,000 public homes as at 30 June 2023 from a total of 72,000 homes in our portfolio (with supported and community housing provider leased homes making up the balance of the portfolio). This revenue is expected to cover all operating costs associated with the home, including financing of capital investment (presently 100 per cent debt financed) and social housing services beyond those expected from a standard market tenancy service.

Apart from market rent, an operating supplement of approximately \$24.6 million has been received for net growth in the portfolio since the commencement of the Public Housing Plan (announced in Budget 2018). This is forecast to grow to \$108.6 million by the end of FY2025/26. The operating supplement is intended to cover the shortfall between market rent, and the additional asset and financing related costs of delivering growth in the portfolio.



Our organisation also receives appropriated income and rent to manage our Community Group Housing portfolio. However, there is a gap between income received through funding and rent and the cost of running the portfolio or delivery of new housing in most markets.

Operating appropriations

Kāinga Ora receives appropriations for the planning and initiation phase of urban development interventions, working across the system for better urban outcomes, Māori enablement and environmental responsibilities that we are required to deliver under our legislation. The funding scope for these activities is currently limited to June 2024 and does not include related corporate overhead. The uncertainty around this funding creates risk around our ability to both complete projects that are currently underway and to discharge our responsibilities under the legislation.

Kāinga Ora also receives appropriations to administer some housing products on behalf of the Crown such as First Home Loan, KiwiBuild and Kāinga Whenua.

Urban development delivery

Activity undertaken through our large-scale urban development projects to enable land development (including the delivery of key infrastructure) and broader wellbeing outcomes is currently funded through land sales and the Housing Acceleration Fund appropriation. The appropriation funding of \$2.3 billion, alongside \$3 billion Kāinga Ora land sales revenue, and an additional \$288 million in Auckland Council contributions to cover the first five years of the programme to enable the delivery of homes over a 10-year period. Any new urban development opportunities for urban development on Kāinga Ora-owned land would require a new funding source.

The Housing Acceleration Fund also enabled the establishment of the Infrastructure Acceleration Fund and the Kāinga Ora Land Programme. The land programme itself is primarily self-funding with upfront costs for land acquisition and development offset by subsequent sales. An annual appropriation of \$46 million provides for holding costs and non-market outcomes and we have an ability under this programme to raise up to \$2 billion debt to meet upfront costs.

Spending, funding and financing review

Kāinga Ora inherited Housing New Zealand's existing commitments and its funding and financing model when we were established in 2019. These historical funding and financing streams have been added to and supplemented by some time-limited funding from the Crown for new functions as well as operational funding to meet shortfalls in Large-Scale Projects and enable the Kāinga Ora Land Programme. Combined with an expanded mandate and government expectations, Kāinga Ora has experienced several challenges with this funding and financing model.

The Treasury and the Ministry of Housing and Urban Development have been working with Kāinga Ora to review our spending, funding and financing to ensure that it is efficient, fit for purpose, provides value for money, is sustainable and delivers on the Government's housing commitments.

The review to date has focused on the costs associated with the provision of public housing, including maintenance and asset management, customer programme and tenancy support, and growth and cost to build public housing.

An analysis to explore different purchasing options around volume, pace and quality of the new build programme, as well as the appropriate age of the portfolio and delivery methods, is expected to be provided in late 2023 to support Budget 2024 processes, alongside work on overhead costs, funding and financing models and urban development functions – refer to the [upcoming decisions](#) section , page 53, for more details.

Our strategic context

Our core strategies, [Kāinga Ora Strategy 2030](#) and [Te Rautaki Māori o Kāinga Ora 2021–2026](#), respond to the direction given to us through our legislative framework. Placing these strategies alongside each other ensures Kāinga Ora has a targeted and comprehensive approach to support and empower Māori to achieve their housing aspirations in Aotearoa New Zealand.

These overarching strategies have specific goals and longer-term priorities for our organisation that focus our activity to support the six outcomes of our Statement of Intent. Our functional strategies (Urban Development, Asset Management, Customer, Environment and Community) offer more detailed direction in areas that are critically important.

Our placed-based approach

Our place-based approach is the cornerstone of our strategy, our structure and our processes. We have deliberately set ourselves up with leaders and teams in each of our 12 operating regions. This is to enable us to better understand community needs, build the relationships that we need in undertaking our mahi and direct our investment and operational activity to reflect each region's community aspirations and priorities. Being place-based means:

- an organisation that can respond to local needs and aspirations
- an integrated customer and community front-line
- a better ability to engage early with iwi and rōpū Māori
- a two-way regional planning and investment process that reflects and balances community needs and aspirations with the Government's priorities and targets.

Who we work with

Transforming the housing and urban development landscape is a joint effort that can only be achieved through partnerships with organisations, agencies, and individuals who share our vision for bettering housing outcomes for New Zealanders. We are committed to working with and engaging consistently and effectively with our key partners.

National and local government	We act as a critical partner, contributor and implementer of the Government's housing and urban development policy.
Iwi, mana whenua, rōpū Māori, leaders and representative bodies	We work with Māori through partnerships to genuinely reflect Te Tiriti o Waitangi, consider Māori needs and aspirations for improving housing outcomes and offer opportunities for Māori to participate in urban development.
Private sector - build partners, residential and land developers, building societies and the commercial construction sector	All our housing and infrastructure interventions are completed in partnership with the private sector. As a significant asset owner and developer, we play an important role in ensuring continuity of work for the sector through market changes and we work with the industry to move towards innovative and transformative ways in how we design, build and develop housing in Aotearoa New Zealand. In the last year we partnered with approximately 90 different delivery partners across our construction, urban development and new build functions.
Third-party supported housing providers	We are a key implementer for increasing supply and access to supported housing options and complement other community housing providers.
Investing, lending and financial partners	We are a key economic driver for our build partners and the Aotearoa New Zealand construction sector.

Operating assumptions

There are a number of key operating environment assumptions Kāinga Ora relies on in order to operate effectively, meet the expectations of government and to fulfil our legal, regulatory and compliance obligations.

These are:

- a sustainable financial model
- availability of external products and suppliers
- the ability to work face to face, in person, in homes
- employees who can operate at scale, nationally
- access to work sites
- ability to use people-intensive practices
- cohesive working relationships with other parts of government.

Maintaining, renewing and growing our housing portfolio

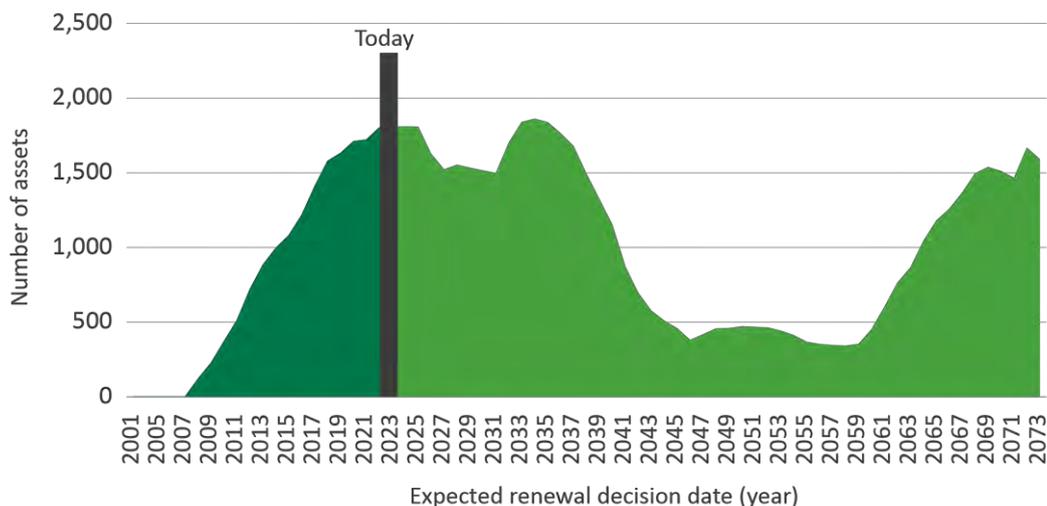
Introduction

Kāinga Ora currently houses approximately 185,000 customers across Aotearoa New Zealand and manages over 72,000 public and supported homes. Of these homes, we own 97 per cent and lease a further 3 per cent. Valued at \$43.8 billion, the state housing portfolio is one of the Crown’s largest assets. Our Asset Management Strategy 2022 articulates the strategic decisions our Board has made around where, and how, we will deliver our asset programmes for our customers in a sustainable manner over the next 10 years in response to the Government’s settings. This strategy articulates how we will manage the life-cycle requirements of our existing assets to provide warm, dry and safe homes for our customers that they can use within their means and to safeguard the Crown’s investment.

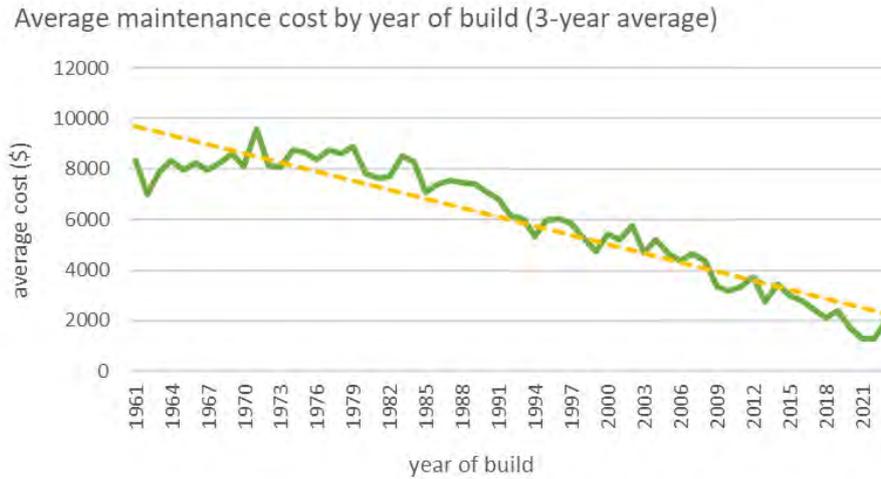
Most of our assets are older than 40 years of age (54 per cent) and stand-alone houses are, currently, the dominant portfolio typology (59 per cent), with the remaining 41 per cent of the portfolio being twin units (21 per cent), duplexes (1 per cent) and flats (19 per cent). At present, 93.9 per cent of our properties meet or exceed our baseline condition standard. This reflects the ongoing investment we are making in our homes through the maintenance work we undertake, retrofitting our properties and the reconfiguration of our portfolio through new builds and redevelopments.

However, the renewal requirement for our portfolio is significant. Over the next 20 years around 45,000 of our state homes will reach the end of their economic lives and require substantial capital renewal. We have already completed over 2,000 of these homes with another 3,750 planned for completion in the next couple of years. We will need to make a decision for each of these assets as to the interventions required to provide the functionality and thermal performance necessary for modern public housing – in doing so we also have an opportunity to actively rebalance the portfolio to improve the typology match to our customer needs.

Forecast of homes in need of renewal as at June 2023 (based on build year life assumption)



This renewal challenge is reflected in our estimated maintenance costs that are based on our CPI-adjusted spend on repairs and maintenance being on an upward trajectory, having doubled over the last 10 years.



The following sections provide an overview of our approach to managing the maintenance and renewal requirements of our existing portfolio, and how we are meeting expectations for the delivery of additional homes to meet housing register demand set by the Crown.

Maintaining our homes

Our maintenance programme focuses on managing our existing homes throughout their life cycle to ensure they are fit for purpose for our customers. This delivery can be grouped into three main categories:

1. Planned maintenance such as Healthy Homes upgrades, exterior painting and re-roofing
2. Responsive repairs that are needed because of component failure
3. Routine maintenance such as cleaning and rubbish disposal.

Performance of our maintenance partners is measured against a comprehensive set of key performance indicators, which cover all areas of performance. A total of 566,488 maintenance jobs were completed in FY2022/23, which is more than one work order for every minute of every day of the year. Eighty per cent of maintenance requests are currently completed within the agreed service level targets.

To carry out the vast amount of work required to maintain our 72,000 homes, we have partnered with five maintenance providers across the country.

Contract regions map

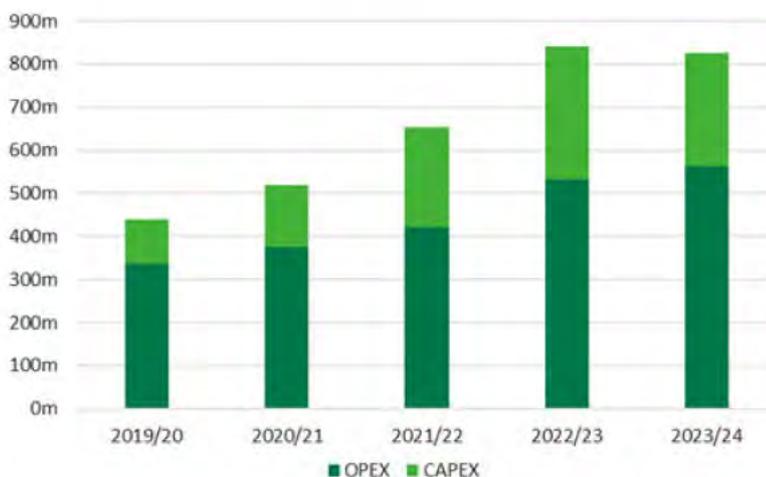
Contract Regions and Providers:

- Northland, North & Central Auckland:** Spencers
- Auckland:** SPOTLESS (A Downer Company)
- Bay of Plenty, Tairāhapa:** RESPONSIVE MAINTENANCE 2000 LTD
- Manawatu, Hawke's Bay, Gisborne:** SWITCHED ON
- Tairāhapa, North Canterbury, West Coast, Nelson/Marlborough:** SWITCHED ON
- Wellington, Poroua, Kapiti:** SPOTLESS
- Canterbury, Otago, Southland:** DHMC Ltd (Facility Management Company)

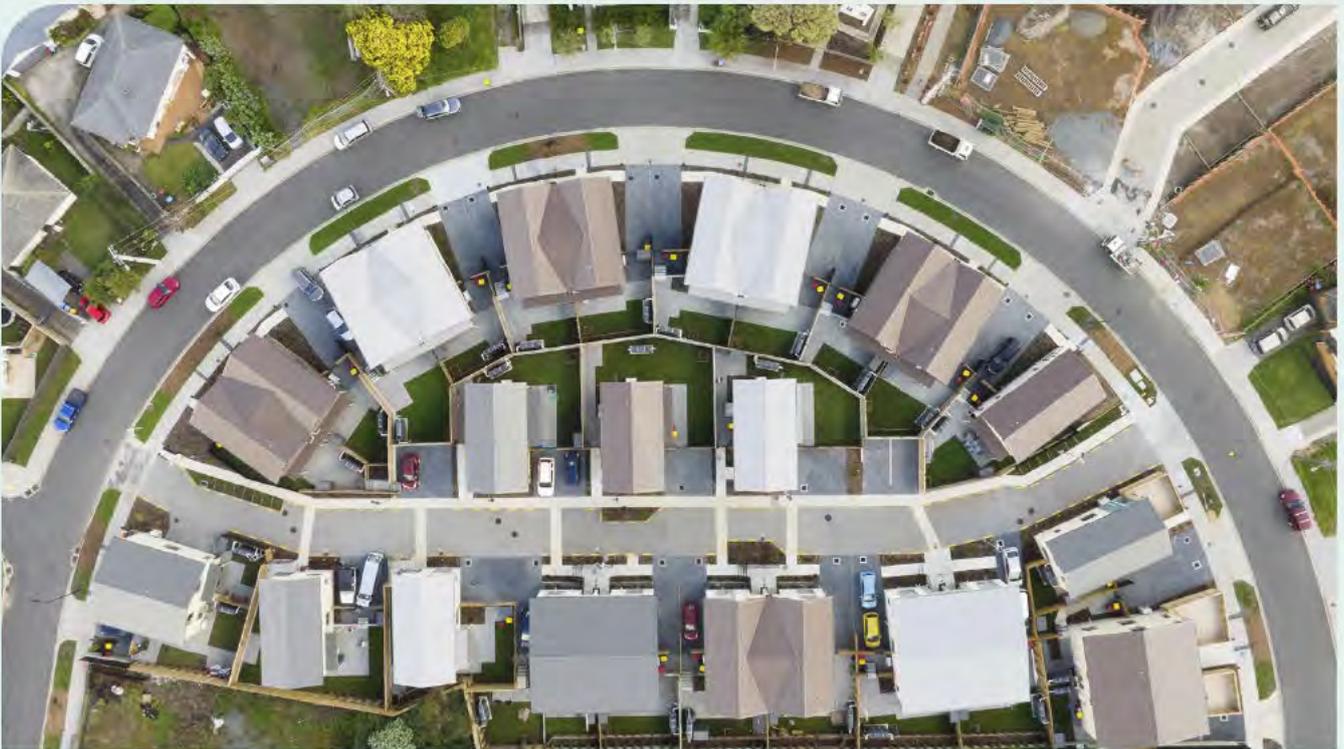
In addition to our maintenance partners, we have 11 national supply partners who provide us with the materials needed to undertake repairs and maintenance.

In 2022/23, Kāinga Ora spent \$841 million² of operating and capital funding on repairs and maintenance. This is an increase over previous years and reflects the growing effect of our ageing portfolio, completing responsive repairs work unable to be undertaken during the COVID-19 lockdowns, and the requirement to meet Healthy Homes obligations under the Residential Tenancies Act by 1 July 2024.

Breakdown of operating and capital expenditure on repairs and maintenance 2019/20 (actual) - 2023/24 (forecast)



² Excludes renewals and reinstatements



Transforming our asset management and maintenance

Maintenance and renewal of our assets is a significant and growing cost area, driven by a combination of very high inflation, ageing assets and higher quality and service level requirements. We have an increasing number of medium-to-high-density buildings and complexes, more modified buildings for our ageing and disabled population, increased supported housing and a more geographically dispersed portfolio.

We are also building community amenities that we have not previously provided and responding to the need to operate in a more sustainable way to ensure our climate obligations are met and to create high-functioning urban environments. We require a flexible and adaptable system to take advantage of near constant evolution in technology and new materials, and to respond to the market in a way that best leverages optimal value for money.

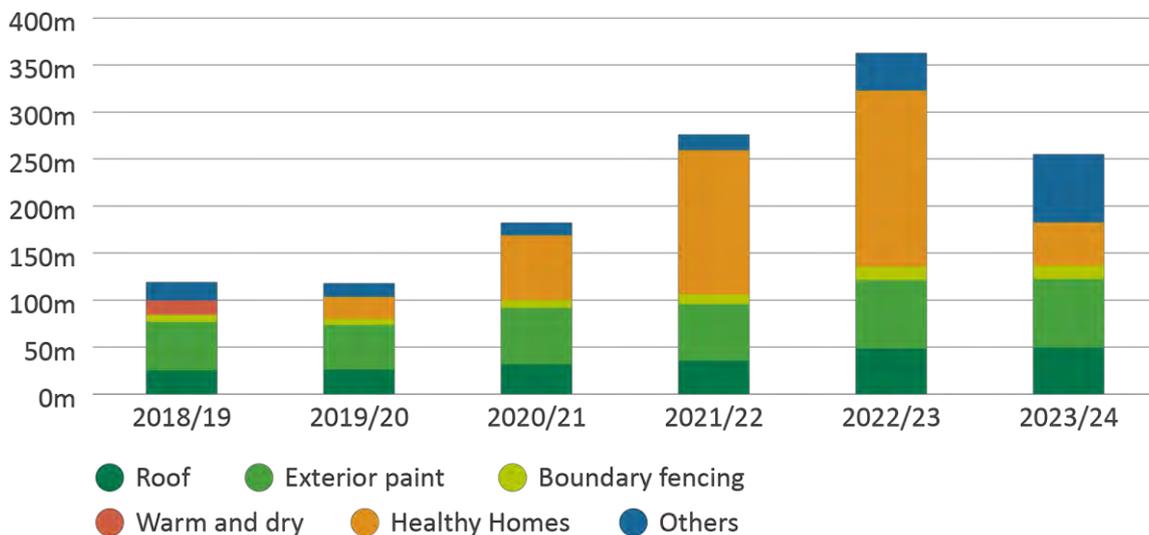
An independent review of our asset management and maintenance activities is underway to identify opportunities to improve and transform these functions. This includes our end-to-end ways of working and the systems, partners and processes that support that delivery. To date, key findings from the review have identified significant opportunities for transformation that would deliver substantial time and cost savings 9(2)(f)(iv) without compromising overall home maintenance standards and maintaining the specified response and service levels for our customers. Kāinga Ora has a programme in progress to embed initiatives focused on achieving a ‘best in class’ operating system.

Planned maintenance

Every year, Kāinga Ora carries out a suite of specific, targeted planned maintenance programmes. During FY2022/23 we completed planned work on 10,405 properties. We spent \$98 million in operating expenditure on planned maintenance of our homes and a further \$77 million in capital expenditure maintenance, upgrades and improvements to our properties; a combined expenditure of \$175 million.³

In addition, through the Healthy Homes Delivery Programme, we invested a further \$187 million, upgrading 26,709 properties to the Healthy Homes standards. As at 31 October 2023, 97.8 per cent of our properties met the requirements of the Healthy Homes standards and we will achieve 100 per cent to meet our compliance obligations by 1 July 2024.

Breakdown of planned maintenance spend – 2018/19 (actual) to 2023/24 (forecast)



Responsive maintenance

Responsive repairs are prioritised and completed by our maintenance contractors according to the urgency of the work required. The number of work orders completed for responsive repairs during 2022/23 was 479,000 at a total spend of \$254 million (\$371 million including unoccupied repairs).

Our target is to respond to all urgent health and safety requests within four hours and we are currently meeting that target with our average response time for 2022/23 being 2.7 hours.

Renewing our homes

The Kāinga Ora Board, through our Asset Management Strategy, has committed to a significant renewal programme over the next 10 to 20 years to replenish the performance and value of our housing portfolio and ensure our homes meet the needs of our customers. Without renewal, our homes will continue to become increasingly costly to maintain, reducing the financial sustainability of the Kāinga Ora portfolio. In addition,

³ Figures exclude Porirua West

research suggests that renewing our older homes to make them warm and dry could substantially improve associated health issues⁴ which has a flow on effect for health care services.

We currently have three key delivery methods for renewing our homes:

1. Retrofit of homes in locations where we wish to maintain a presence on landholdings that are not able to be redeveloped
2. Replacement via sale of an older home offset by a new home through redeveloping Kāinga Ora land or on land we do not currently own
3. Redevelopment through demolition and intensification of our existing landholdings.

When deciding how to renew a property the Kāinga Ora Board has agreed that our organisation should choose the approach that has the least cost financial and environmental whole-of-life solution, considering achievability and alignment with our policies, guidelines, standards and priorities.

Our renewal activity is primarily funded from ongoing rentals (which are based on independently-assessed market rents) and the net proceeds from surplus asset and land sales. Debt financing is required to bridge the upfront costs of the programme to these long-term funding sources. These activities leave Kāinga Ora with an efficient, modern portfolio capable of generating strong operating surpluses into the future allowing us to:

- cover the costs of our debt associated with renewal
- repay the debt
- remain within prudent debt limits.

Retrofit of existing homes

Kāinga Ora retrofits our existing homes when they are financially underperforming, have little redevelopment potential and are in an area where we wish to retain a presence to make the homes warmer, drier and healthier for our customers. Retrofitting involves a major capital upgrade of an existing state home, where it warrants a resetting of its economic life, making it fit for purpose for another 50 years. It includes renewing ageing components of buildings and, where appropriate, upgrading them to meet modern standards including adding double glazing, full envelope insulation, modern kitchens and bathrooms and functional layouts. Homes are fully refurbished, and life-cycle and backlog maintenance are addressed through our retrofit programme.

The Kāinga Ora retrofit programme is the largest housing renewal initiative ever undertaken in Aotearoa New Zealand and has been gaining momentum with a record of around 750 homes being made warmer, drier and healthier during FY2022/23.

Kāinga Ora also undertakes retrofits on our large complexes of ten or more units that are two or more storeys high through our complex remediation programme. In some instances, this is undertaken where it is not viable to redevelop or replace these assets, for example where they have heritage status or where it simply makes better economic sense to renew the building rather than demolish and rebuild.

⁴ Fisk W, Eliseeva E, Mendell M. 2010. Association of residential dampness and mold with respiratory tract infections and bronchitis: a meta-analysis. *Environmental Health*, 9(1): 72. doi: [10.1186/1476-069X-9-72](https://doi.org/10.1186/1476-069X-9-72)

Replacement programme

Replacement is a viable renewal option where we sell an older home and offset this by a new home through redeveloping Kāinga Ora land or on land we currently do not own. Due to growth commitments, we have not pursued this option at scale and currently only dispose of homes on a case-by-case basis. However, there is potential for this programme to be scaled up, as it has the advantage of retaining (older and relatively more affordable) homes for new purchases rather than demolishing them.

Redevelopment programme

Our redevelopment programme is currently a core part of both our renewal and growth programmes as it involves the demolition of the existing home and intensification of Kāinga Ora land resulting in newly-built homes that both replace the existing home and create additional homes. As such, this is covered in more detail in the following section.

Delivering additional homes to meet demand

The Public Housing Plan sets out the Government's public housing supply intentions for delivery by Kāinga Ora and community housing providers; that is, how many new homes the Government wishes to purchase in response to the waiting list. In doing so, it identifies a breakdown of areas where it seeks this supply to be delivered.

9(2)(f)(iv)

Our committed plan⁵ is already at almost 8,000 gross for FY2023/24 and FY2024/25 against a target of 7,000 net (4,600 to complete the existing Public Housing Plan in FY2023/24 and an estimated 2,400 in FY2024/25). We also have around 3,250 homes at the evaluation stage (planning or feasibility) for this period.

Kāinga Ora currently has not been asked or funded to deliver additional homes to grow our portfolio beyond FY2024/25. These decisions would need to be made as part of the Government's 2024 Budget.

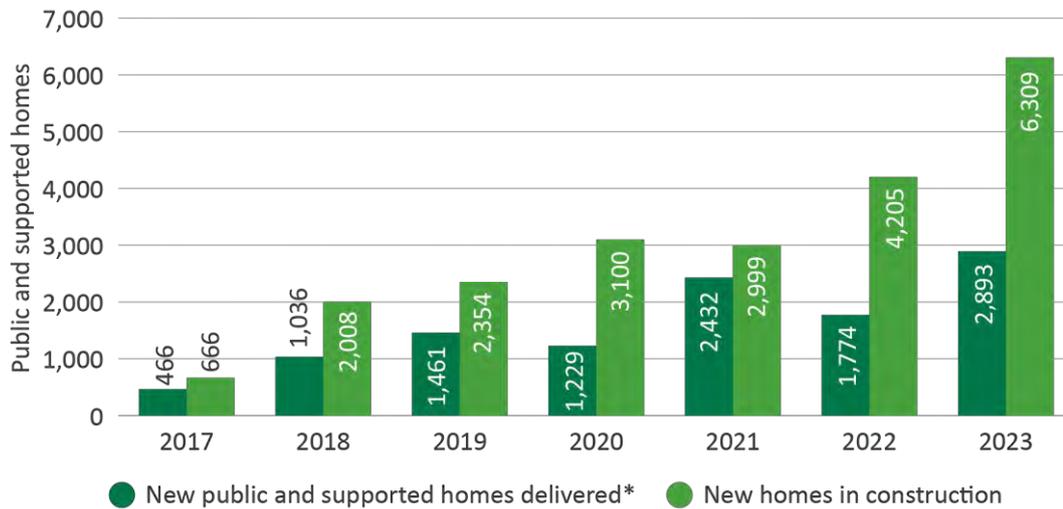
Growth in the number of public and supported homes is currently completely financed through debt with headroom for this debt approved in line with Public Housing Plan expectations set for us by the Government. This means that the rents and operating supplement we receive for these new homes need to cover the costs associated with the future management, maintenance and renewal costs of the homes, as well as the costs of servicing that debt. This model is also reliant on inflation in rental levels to make it work for us. We have based

⁵ As at 31 August, 2023. Includes projects in construction, contracted, a proportion of projects in procurement, and allowing for sales, lease expiries and demolitions).

our revenue requirement for new homes on cost recovery. This means we have targeted a level of rental revenue (primarily from the Crown) to meet our costs but no more.

The figure below sets out our current delivery against these commitments, and new homes in construction, noting that the pandemic impacts will translate to a significant delivery requirement for FY2023/24.

Growth in public and supported homes (2017-2023)



* Note drops in home delivery in 2020 and 2021 due to extended COVID-19 lockdowns

Increasing the public housing stock occurs through a range of different interventions. These include redeveloping current Kāinga Ora sites, purchasing newly-built housing from private sector developers, purchasing land from private sector developers and building on it, buying existing properties from the market and leasing private houses for customers. Of these, redeveloping our own land with new housing is currently our primary approach.

Training and apprenticeships

We are using the scale of our build programme to increase construction training opportunities through initiatives such as our cadet and apprenticeship programmes. We work with training and pastoral care providers, build partners, and sub-contractors to help grow New Zealand’s pipeline of skilled construction workers, while also producing more new public homes and contributing to the wellbeing of people and their local communities.

Since launching our apprenticeship programme in 2019, over 450 New Zealanders have successfully entered into cadetships and apprenticeships with our partners across our public housing programme. We are actively seeking to recruit more women, Māori and Pasifika, as well as customers, into apprentices. In our new large tenders, 50 cent of apprentices must come from these priority groups. In FY2022/23 we had a total of 123 people starting apprenticeships, of which 50 per cent identify as Māori or Pasifika.

Our apprenticeship programme partners include the Building & Construction Industry Training Organisation, the Ministry of Social Development, and the New Zealand Institute of Skills and Technology. We also work with local service providers, many of whom support our Māori and Pasifika communities.

Community engagement

Kāinga Ora is undertaking more development activity than ever, with 2024 planned to be the biggest year for housing delivery. With around 600 active build sites across the country, we are building more than in prior years and within areas where we have previously had a limited presence. Our developments are often located in mixed-tenure neighbourhoods bounded by multiple properties, and in some regions are being built at a higher density than before. We recognise the impact this can have on our communities, alongside our legal obligations and organisational commitments to have early and meaningful engagement with communities affected by our urban development.

He Toa Takitini – our Partnership and Engagement Framework is being implemented across all the activities, programmes and services that Kāinga Ora undertakes on behalf of the Crown and its intention is to develop strong and enduring relationships and partnerships with the people, groups and communities who are affected by our decisions. This framework has also been developed to ensure Māori interests in land are identified and protected and that their aspirations are understood, supported and enabled in relation to urban development. Our community engagement involves aligning with community groups, local councils and other government agencies' consultation and planning processes and partnering with iwi and rōpū Māori.

Community experience and expectations can cover a very broad continuum of engagement and decision-making processes, and it is becoming difficult to balance our commitment to deliver an increasingly complex and large build programme while meeting our engagement obligations. We are, therefore, reviewing our organisational approach to engagement across our development activities. This will focus on undertaking early engagement and deepening relationships with community leaders and stakeholders within designated suburbs or towns to engage on the extent of our proposed work programme for that area.



Improving construction productivity

Kāinga Ora is committed to improving construction productivity and has a number of programmes that are progressing to support this.

Our Housing Delivery System is a new way of planning and building houses to deliver much-needed, quality homes for whānau faster and at a lower cost. This has been developed by our organisation alongside insights of those working within the residential construction sector. The new system drives speed, consistency and productivity to provide a reliable pipeline of work for the construction industry. Kāinga Ora will work with build partners to deliver 9,500 public homes in the next four years using the Housing Delivery System, with significant savings projected during this period through the efficiencies enabled by this delivery method.

By FY2026/27 the Housing Delivery System is set to reduce new public housing construction costs significantly through shortening the design, planning and construction timeframes. Our last budget included an initial 13 per cent saving in capital costs (\$820 million over four years) as we complete homes procured under traditional project arrangements. These savings are even more crucial given the escalating costs for material and labour in the construction sector. The Housing Delivery System is already reducing the design phase of public houses to consent lodgement by 94 per cent - from 17 months to six weeks - and is currently halving construction times. These times are expected to be reduced by almost 80 per cent to just two months, compared with eight months previously. Traditional builds (two storey and below) will ultimately take 65 days to complete, with homes delivered via off-site manufacturing taking 40 days and 25 days respectively depending on their typology.

Off-site manufacturing

We are working to develop the capability and capacity of off-site manufacturing in Aotearoa New Zealand as we increase our use of this construction method across our build programme. Kāinga Ora currently has delivery

contracts in place with nine local off-site manufacturing providers. We have also engaged with 60 off-site manufacturing suppliers to increase our knowledge of the capability and capacity within the market.

This last financial year, approximately 10 per cent of our new-build redevelopments were delivered using off-site manufacturing techniques (176 homes). Next year (2024), we have set a target for 12 per cent of new public housing builds to utilise off-site manufacturing as a construction method and our recently published off-site manufacturing strategy aims for a 20 per cent increase in off-site manufacturing delivery year-on-year. Kāinga Ora is a member of the Construction Sector Accord Innovation off-site manufacturing working group and we are actively contributing to growth initiatives.

Consentium

Consentium is a stand-alone building consent authority owned and operated by Kāinga Ora, accredited by International Accreditation New Zealand and registered with the Ministry of Business, Innovation and Employment. It is our country's first national, non-council registered building consent authority servicing every region within Aotearoa New Zealand. Consentium, in performing its independent regulatory function, operates at an arm's-length basis from the rest of our organisation, providing us with building consent processing, inspection and code of compliance certification services for our build programmes. The function is fully cost recovered and is accredited to consent all Kāinga Ora homes where Kāinga Ora intends to retain ownership, up to and including Commercial Three, which is five levels and above. Consentium educates and collects data on the consenting process attributable to architects and build partners, which enables performance improvement for future builds.

Consentium has issued a total of 2,065 consents for 3,248 homes in FY2022/23. On average, consents are issued within 12 working days since operations commenced in March 2021. The statutory requirement is within 20 working days. Code of Compliance Certifications are issued within 1.5 working days with a statutory requirement of within 20 working days. A total of 60,000 inspections have been undertaken across the country this year with 99 per cent within 24/48 hours (major cities/outer-lying cities and towns, respectively).

Accessible homes

Accessibility is about our customers living well in their homes, allowing them to have whānau and friends visit and supporting them to be part of their wider community without barriers. Our homes should meet existing needs and be able to be adapted as needs change over time, particularly in response to an ageing population. Kāinga Ora customers have a higher prevalence of disability and 23 per cent of our customers are aged 65 years and over. Building properties for a particular customer cohort may include bespoke features or providing access to support services that can be managed by a supported housing provider. We also work with Accident Compensation Corporation and Whaikaha – Ministry of Disabled People to improve the system of housing modification that can lead to reducing all-of-government costs. Kāinga Ora has a target to provide at least 15 per cent of our redeveloped homes to include Full Universal Design.

Underpinning our work in the accessibility space is the Kāinga Ora Accessibility Policy, approved by our Board in 2019. This policy outlines our commitments and guides the work we do to improve accessibility for our customers. Our policy aims to achieve three key outcomes:

1. Increase the number of homes that meet Full Universal Design standards
2. Meet the individual needs of customers
3. Improve information about customers' needs and the accessibility of our properties.

A refresh of the policy is in progress, to ensure that it continues to be relevant, appropriate and in keeping with the Kāinga Ora values, vision and activity.

Climate change resilience for our assets and customers

Climate change will continue to affect Kāinga Ora assets and customers as experienced in 2023's extreme weather events that resulted in flood-related damage to our properties as well as disruption to critical and supporting infrastructure for our homes. Around 22 per cent of our properties (11,500) remain exposed to coastal or inland flooding. Other climate change risks include the construction sector's exposure to supply-chain disruption and shortages that impedes our ability to deliver our construction commitments.

We are making changes to the way we operate to ensure our homes are more resilient to the physical impacts of climate change. Some of these responses are detailed below, alongside our waste minimisation and relocations programme, developing carbon reduction models and e-tools and working towards completion of our Healthy Homes programme.

Flood risk management

Kāinga Ora is committed to the management and mitigation of flood impacts on our homes and communities and is aiming for national consistency on how we identify, assess and manage flood hazards. This will draw on existing government and flood risk management sector initiatives.

Homestar®

Developed by the New Zealand Green Building Council (NZGBC), Homestar® is an independent benchmarking tool that rates the health, efficiency and sustainability of homes in Aotearoa New Zealand. This initiative helps us to achieve mandated outcomes around reducing the lifetime carbon footprint of public housing, reducing customer energy bills and delivering healthier, more comfortable homes - raising the standard of public

housing across the country. Kāinga Ora agreed with NZGBC to adopt an interim approach to continue building to the current specification (6HSv4.1 + H1 5th edition) that will enable consultants to transition to the performance-based tools and new processes of version 5, until funding is secured to move to 6-Homestar version 5.

Renewable Energy Programme

The Kāinga Ora Renewable Energy Programme is enabled by the Government's Māori and Public Housing Renewable Energy Fund. We are installing solar panels on different types of housing stock, including new developments and existing homes across the country. We are also working with the Electricity Authority Te Mana Hiko, Ara Ake and others to run a groundbreaking energy-sharing pilot in Wellington.

The pilot will enable Kāinga Ora to take ownership of the solar electricity exported from our homes, to seek the best market price and to maximise the benefit of government investment. If successful, this will provide a market mechanism for community energy sharing, enabling private and social retailers to receive donations of exported solar electricity.



Innovative homes

Completed in June 2023, the Bader Ventura development in Māngere, Auckland, is a major step forward in providing innovative homes that will help reduce the carbon footprint of our future public houses, while easing cost pressures on low-income families and people. The 18-home Kāinga Ora development will deliver a reduced operational carbon footprint of around 35 per cent and reduced space-heating electricity use by around 62 per cent (compared to a standard 6 Homestar Kāinga Ora home).

Bader Ventura is the first government-led Passive House Development in Australasia and the highest-performing project Kāinga Ora has ever designed. Bader Ventura, delivered as part of the Kāinga Ora Carbon Neutral Housing Programme, has achieved the very high Passive House standard and an 8 Homestar rating, as well as being built to Full Universal Design standards; this means they are some of the most comfortable, healthy, energy-efficient homes possible. The wellbeing outcomes are considerable, including healthy indoor environments, water and energy efficiency, and lower carbon emissions, with expected long-term cost savings for the sector.

We are using our scale to innovate and test new ways of working, and sharing the journey with industry partners, with the intent to inform future Kāinga Ora build standards and improve sector-wide knowledge, capability and capacity in low-carbon construction.

The Ministry of Business, Innovation and Employment's Construction Sector Accord selected Bader Ventura as a Beacon Project for demonstrating leadership and innovation across the construction sector and it was awarded the Supreme Winner of the 2023 Construction Sector Accord Beacons Awards.

Key in-flight housing projects

Upcoming significant deliveries (November – February):

- Northcote N9/N10, Auckland – 88 homes, one block dedicated to senior housing
- Northcote N25 and N24 – Two developments delivering 30 and 24 apartment units respectively
- Colin Street, Māngere, Auckland – 18-home 100 per cent off-site manufacturing
- Ross Crescent, Hamilton – Final 6 of 16; first three-level walk-up redevelopment in central Hamilton
- Haukore Street, Tauranga – First deliveries in Tauranga Redevelopment Programme; first redevelopments in decades
- Ranolf Street, Rotorua – Final 12 of 37, completing Stage One; 100 per cent off-site manufactured development
- 3 Epuni Street, Lower Hutt – Final 66 of a 106-home development
- Rolleston Street, Wellington – 80 homes, including 20 supported living
- Bevan Aorangi, Clyde, Christchurch – 37 homes; largest to date in Christchurch

Significant procurement beginning or concluding:

- Elm Street and Racecourse Parade, Avondale – 137 apartment units
- Palmerston North: Church Street – 65 homes; Rugby Street – 58 homes; Crewe Crescent and Bolton Place – 39 homes
- Beauchamp Reverie, Massey, Auckland – 65 homes
- Greenslade Crescent, Northcote – 52 units (Haumarū Housing – communities for older people – subject to approval by the Ministry of Housing and Urban Development)
- Lynton Road, Mt Wellington, Auckland – 50 units
- Hamilton Street, Gore – 24 homes
- Carroll Street, Dunedin – 41 apartment units

Supporting our customers to live well

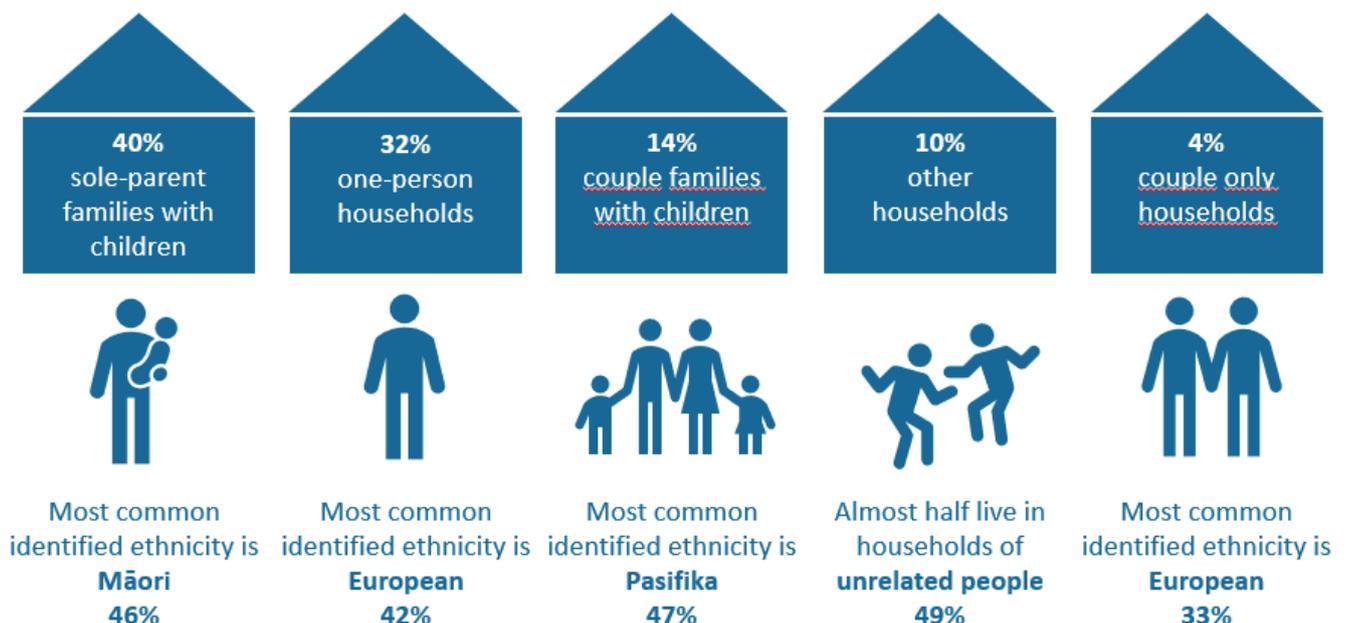
Introduction

Kāinga Ora provides public housing for people who cannot access or sustain a tenancy in the private rental market. We also provide supported housing properties to organisations that accommodate a wide variety of people with specific health or wellbeing needs, such as mental illness, physical and intellectual disabilities or those seeking refuge from violence.

Kāinga Ora is required to support tenants to be well connected with their communities, to lead lives with dignity and with the greatest degree of independence possible, and to sustain tenancies (Kāinga Ora – Homes and Communities Act 2019, s. 14). It is critical that our housing services support our customers to navigate challenges and connect them with support and greater opportunities. Our Customer Strategy ensures we place the wellbeing of customers, their whānau and families at the centre of our work. This strategy is currently being reviewed to make sure we are supporting our customers in the best way possible. We also rely on partnerships across the health and social service sectors to improve outcomes for all our customers.

Public housing customers

Our existing customer base is large and diverse. We currently house approximately 185,000 people across our public housing assets. A large concentration of these people live in the Auckland region and the remainder are spread through our country’s cities and towns. The demographic of those living in our public housing has changed from predominantly traditional nuclear families to larger, multi-generational families and whānau, sole parents and one-person households. Forty per cent of public housing residents are sole parents and another 32 per cent are housed by one person. Over one-third (33 per cent) of our customers identify as Māori. Customers aged over 65 make up 23 per cent of Kāinga Ora households and 7,753 of these public housing customers live alone.



Public housing placement

The Ministry of Social Development manages the housing register and the transfer register. The housing register comprises applicants not currently in public housing who have been assessed, by the Ministry of Social Development, as eligible and who are ready to be matched to a suitable property. There are currently just over 24,700 people on the housing register needing a home. Individuals and sole parents dominate the housing waiting list, which is reflected in the significant demand for one and two bedroom units.

Applicants are categorised as either Priority A or B. Five criteria are used to establish a priority rating for each applicant - adequacy, suitability, affordability, accessibility and sustainability. Applicants are given a needs score out of 20 (20 being highest need) to allow for further prioritisation. Those coming onto the housing register are progressively being assessed as having more severe needs, with 67 per cent of applicants on the housing register housed by Kāinga Ora being an A17+ over the last year. This is high in comparison to the 30 per cent of A17+ applicants being housed by community housing providers. This reflects some imbalance in the system and highlights the customer support pressures facing Kāinga Ora due to high, complex needs that require integrated social, health and housing system support.

Total number of people on the housing register by category



The transfer register is made up of applicants already in public housing who need to be rehoused for reasons such as there being too few or too many bedrooms in their current public house, or for health reasons. There are just over 5,000 people on the existing Ministry of Social Development transfer register.

In addition to these registers, Kāinga Ora has a Business Initiated Transfer register where there is a business need to rehome a

customer from their current Kāinga Ora property into another Kāinga Ora site. We match applicants from both the social housing register and the Business Initiated Transfer register to a suitable Kāinga Ora home. We are required to allocate properties fairly, transparently and based on need.

Kāinga Ora Customer Programme

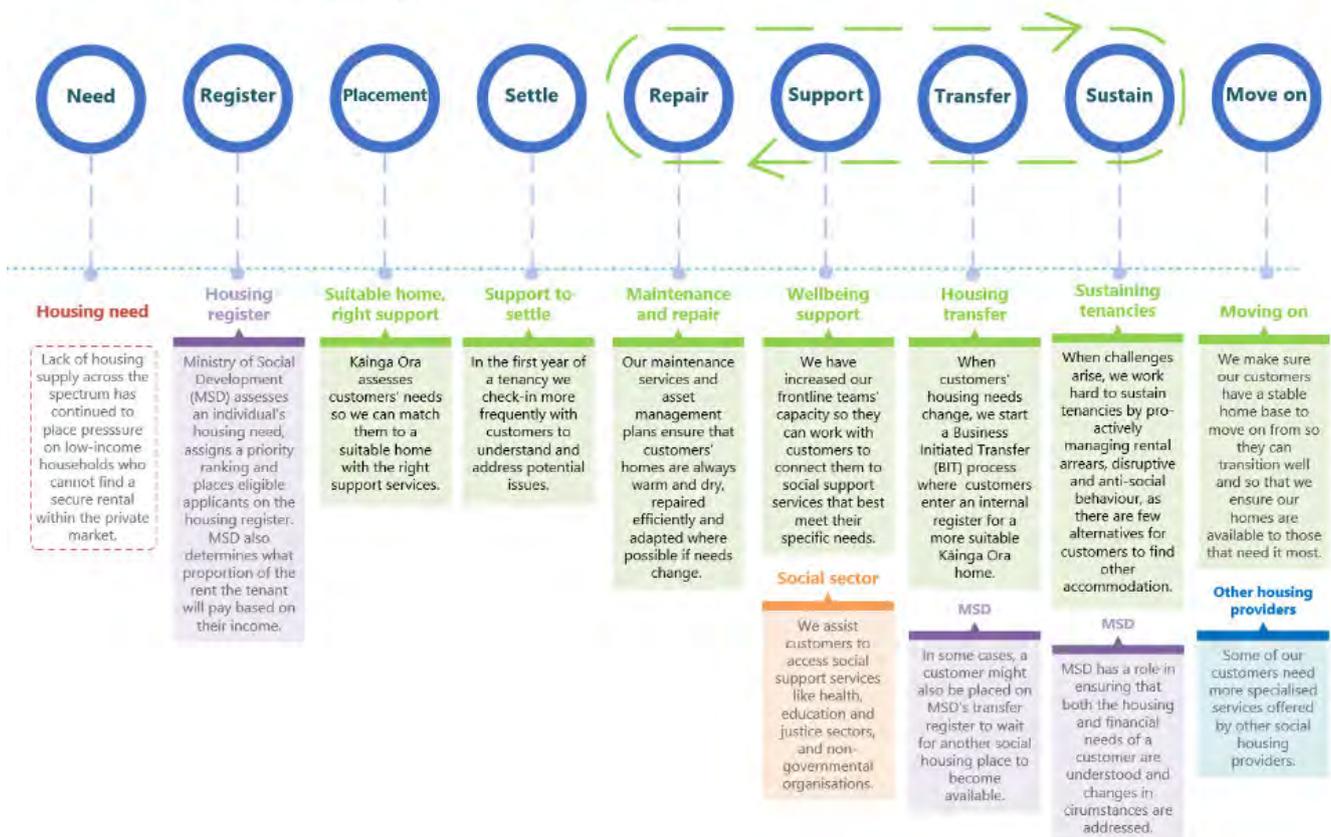
In response to the increasing complexity and needs of our public housing customers, we have implemented a new operating model to better support our customers to live well in their homes and have access to support services if necessary. Our Customer Programme puts people at the heart of what we do, recognising the links between housing, whole-of-life outcomes for our customers and that a stable home acts as a foundation for other government interventions to be effective. The programme, established in 2022, is enabling our people to build much stronger relationships with our customers and draw on the broader services of government, where available, to address the specific needs of each customer.

Implementation of our new model has involved expanding our internal capability and capacity and introducing new ways of working so that we can adapt our response based on specific whānau housing and personal support needs. We are ensuring we get to know our customers, so they feel they have a choice and control in making the best decisions for their whānau. We are reducing the number of customers that each customer-

facing employee works with and developing stronger links with other health and social support services, where available.

Implementation of this programme is expected to result in less disruptive behaviour, sustained tenancies and improved wellbeing with reduced long-term costs to government. We are reliant on the capacity of, and strong working relationships with, other government and community support services to achieve the greatest success with this model.

Customers living in public housing



Sustaining tenancies

Our requirement to support tenants in sustaining their public housing tenancies plays an important role in supporting the wellbeing of our customers, their families and whānau. Sustaining tenancies means that our customer-facing teams work hard to provide housing stability. We aim to avoid tenancy terminations and evictions by connecting customers with support services that could help them address social pressures and wellbeing concerns. This is consistent with the sustaining tenancies approach funded by the Ministry of Housing and Urban Development.

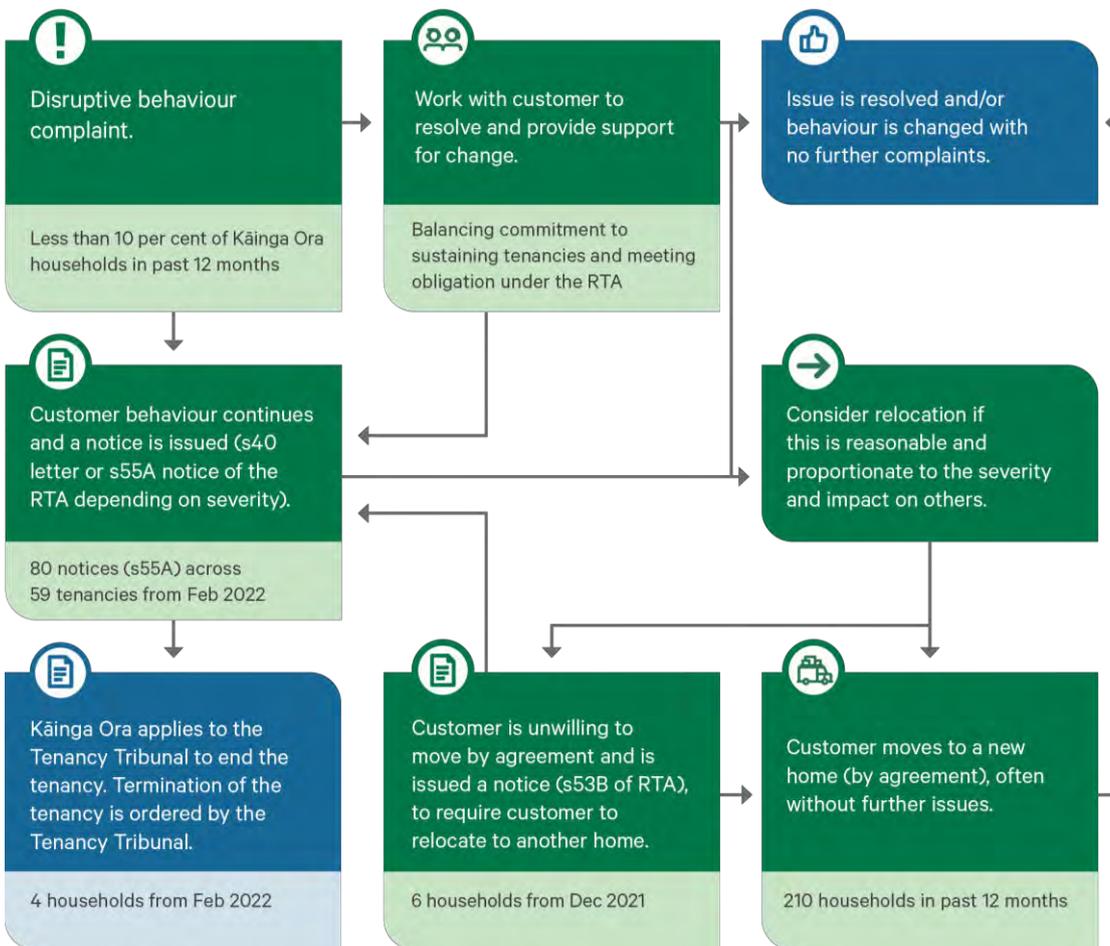
Underpinning this is a commitment to reducing the possibility and impact of homelessness on our customers and to avoiding the worst possible housing outcomes for their wider families and whānau. Our customers are challenged to find accommodation outside of public housing - if they cannot secure a home in the private rental market, they become homeless or move into emergency housing. This transfers the responsibility of housing people away from Kāinga Ora and to other housing providers. In sustaining tenancies, we not only

improve the wellbeing of families and whānau, but also prevent pressures from mounting in the wider housing, health and social service sectors, reducing cost to the Government overall.

Disruptive behaviour

As a responsible public-sector landlord, we balance our commitment to working with customers to support them to sustain their tenancy while meeting our obligations under the Residential Tenancies Act 1986 (RTA). We take all reasonable steps to ensure that the customer does not cause or permit any interference with the reasonable peace, comfort or privacy of our other customers.

Kāinga Ora process for dealing with disruptive behaviour



Our approach to disruptive behaviour aims to be fair and balanced in respect of all parties involved. Our objective is to work with the customer to resolve and prevent further disruptive behaviour. There are various legislative tools available to landlords, including notices, that are available under the Residential Tenancies Act 1986. At Kāinga Ora, our range of tools is much wider than that provided by legislation and includes relationship and community building that forms the basis of our sustaining tenancies approach.

Since taking a sustaining tenancies approach in 2017, we have seen a year-on-year decline in the number of complaints about disruptive behaviour received. More than 90 per cent of Kāinga Ora households were not subject to any complaints over the past 12 months (as at 31 August) and of the complaints we did receive, most were for minor things like car noise, frequency of visitors or lawns not being mowed.

Rental arrears

Most Kāinga Ora customers – around 84 per cent - pay their rent on time every week and are up to date with their rent payments. Rental arrears over recent years were exacerbated by the pandemic as well as the cost-of-living increases that has put pressure on those with already high levels of debt. Kāinga Ora works closely with customers to address rent arrears and move them towards financial wellbeing and sustainable tenancies. We are focused on early intervention and prevention, and establishing payment arrangements that are both manageable and sustainable for the household.

We also connect customers with appropriate support agencies where needed. When addressing rent arrears, we find that most customers actively engage with us to resolve the situation and work hard to make additional payments to reduce their arrears. Almost three-quarters of customers with rent arrears are actively making payments to decrease the amount outstanding.

The small number of customers with no payment arrangements in place owe less than eight per cent of the total overall rent arrears owed to Kāinga Ora. More than half of these customers are less than two weeks behind on their rent.



Te Mātāwai – a mixed-tenure approach

Te Mātāwai is a new development at 139 Greys Avenue, Auckland City, delivered in June 2023 consisting of 276 units, 200 of which are for public housing and 76 for non-public housing. The Temporary Accommodation Service has leased 21 of the 76 non-public housing units to house people impacted by the Auckland floods. We have received positive feedback that these homes are helping to meet the needs of people impacted by the floods and who also need an accessible home.

The development includes shared, communal, retail and commercial spaces – including four retail and commercial spaces, two medical spaces, two large foyer areas, shared commercial kitchen, dining and computer rooms, a rooftop garden and ‘bump’ spaces to enable people to get to know their neighbours.

Te Mātāwai provides a new mixed-tenure approach to inner-city living designed to create a thriving and connected community. When looking at large developments running under similar models internationally, best practice shows that taking steps to ensure a diverse and mixed community plays an important part in achieving positive outcomes for everyone. This is why Te Mātāwai includes 76 homes specifically available to rent for the wider rental market.

Kāhui Tū Kaha, a Ngāti Whātua-affiliated organisation and a not-for-profit provider of housing and mental-health services, is funded by the Ministry of Housing and Urban Development to provide 24/7 on-site support services to Kāinga Ora customers who live at Te Mātāwai, along with customers living at our neighbouring 50-unit complex known as Lower Greys. Separate to their Te Mātāwai service, Kāhui Tū Kaha also offers a range of support services including an outreach team, who are currently working with our street whānau.

The benefits of having support services on site are already being seen, with the Te Mātāwai team members building a close working relationship with those moving into and occupying the development, as well as with members of the wider community.

Supported Housing

Supported housing is the provision of publicly funded housing where the coordination of housing and other support services is essential to the wellbeing of the customer. Kāinga Ora plays a pivotal role in the supported housing system. We lease around 3,900 homes to over 250 supported housing providers so they can successfully deliver their services to some of the most vulnerable people in Aotearoa New Zealand.

We provide supported housing properties through our Transitional Housing and Community Group Housing portfolios (2,328 and 1,475 homes respectively) and through special programmes with Ara Poutama Aotearoa - Department of Corrections (31 homes) and Oranga Tamariki – Ministry for Children (47 homes). We also have a small number of place-based homes (15).⁶

Supported housing provides a viable alternative to public housing for those that cannot live independently. Over time, supported housing could provide a better way for high-need public housing customers to live within the community.

Our recently approved [Supported Housing Strategic Plan](#) lays the foundation for an improved future state where we see a significant opportunity to expand the range of partnerships with community housing providers and social service providers to chart a course for improved levels of service.

The Strategic Plan also outlines our role to influence and shape supported housing activity that is not immediately within our control. This includes funding by other government agencies, and homelessness, emergency housing and supported housing policy work led by the Ministry of Housing and Urban Development and the Ministry of Social Development.

Community Group Housing

Kāinga Ora has a long history of providing Community Group Housing, beginning in the 1980s when Housing Corporation New Zealand (HCNZ) offered special tenancies to help house those with special needs and flexible loans to enable community groups to buy houses. From the late 1990s, community housing was a key part of the Government's response to deinstitutionalisation. Ministers directed HCNZ to purchase housing for people exiting institutions, including the Braemer (Nelson), Kimberley (Levin) and Templeton (Christchurch) centres.

Today, Community Group Housing provides a total of 1,522 housing solutions to a wide range of organisations, including providers that deliver invaluable housing and support for people who experience mental illness, who have physical and intellectual disabilities, who abuse substances or have addiction(s), those seeking refuge, families who need emergency housing, tamariki/rangitahi at risk, people transitioning from prison back into the wider community, and many others.

To be eligible for a Community Group Housing property, a provider must have a funding contract with the Crown to provide residential services for targeted groups. Kāinga Ora administers a rent support subsidy to eligible community housing providers to assist them in meeting their rent charge. There are currently 87 providers who are eligible for rent support subsidy across 500 Community Group Housing properties (about one-third of the Community Group Housing portfolio). This year Kāinga Ora has reinstated regular

⁶ Number of units by supported housing service as at June 2023.

conversations with community housing providers who receive a rent support subsidy to review their eligibility and ensure they are receiving the correct subsidy for their current circumstances.

Community Group Housing is reliant on appropriated income as the income from rent is not enough to service or grow the portfolio. The main appropriation is the market rent top-up, a total sum of \$13.9 million,⁷ which has not been increased since 2018/19. This appropriation reimburses Kāinga Ora for the difference between the contracted rent with a provider and the market rent for the property. Consequently, the Community Group Housing portfolio is operating at a loss. Discussion on a suitable funding model and the appropriate split of costs between housing provider, funding agencies and service providers has been a constant feature of the Community Group Housing programme.

9(2)(f)(iv)

The Ministry of Housing and Urban Development's Review of Supported Housing in Aotearoa New Zealand is considering the Community Group Housing portfolio. This review is focused on improving transparency and coherence across the supported housing system, with the Ministry providing specific advice on the future of this portfolio. The two years of additional funding will enable continued provision while the supported housing review takes place. Kāinga Ora continues to work closely with the Ministry of Housing and Urban Development in this regard.

⁷ Community Housing Rent Relief (\$4.1m p.a.) and Acquisition and Improvement of Community Group Housing properties (\$5.8m p.a.) also sit within the same appropriation group.

Urban planning and development

Introduction

Kāinga Ora is the Government's urban development agency. Our urban development functions are separate from our public housing functions; this means that the resulting initiatives and projects do not necessarily have a public housing element.

Kāinga Ora ensures that a pipeline of urban development projects is in place in the short, medium and longer term to deliver on government housing aspirations over the next five to 20 years. We enable build-ready land for different housing typologies and tenures and ensure that those neighbourhoods connect people with jobs, transport, open spaces and facilities needed to make these great places to live.

Kāinga Ora has the powers to facilitate urban development. The Kāinga Ora - Homes and Communities Act 2019 has provided our organisation with the express mandate to:

- initiate, facilitate or undertake any urban development, whether on our own account, in partnership, or on behalf of other persons
- provide a leadership or coordination role in relation to urban development
- understand, support and enable the aspirations of communities in relation to urban development
- understand, support and enable the aspirations of Māori in relation to urban development
- offer Māori opportunities to participate in urban development.

The Urban Development Act 2020 has also given Kāinga Ora the power to facilitate development through the use of targeted interventions such as coordinated planning, new funding models, infrastructure enablement and, in our regulatory role, the establishment of Specified Development Projects which enable the delivery of complex urban developments that would otherwise not progress.

Our Urban Development Strategy was approved by the Kāinga Ora Board in October 2022 following an external engagement and consultation process. This strategy guides us in making evidence-based choices about the nature and type of urban development interventions that are aligned with the outcomes set by government.

In relation to our urban development function, Kāinga Ora is currently funded to June 2024 to:

- undertake urban development planning activity and be a critical participant in iwi, and central and local government partnerships aimed at improving our urban centres and regions (as set out as priorities in the Government Policy Statement on Housing and Urban Development)
- deliver the regulatory role to select, assess and establish Specified Development Projects for urban development as mandated under the Urban Development Act 2020.

Urban development planning and facilitation

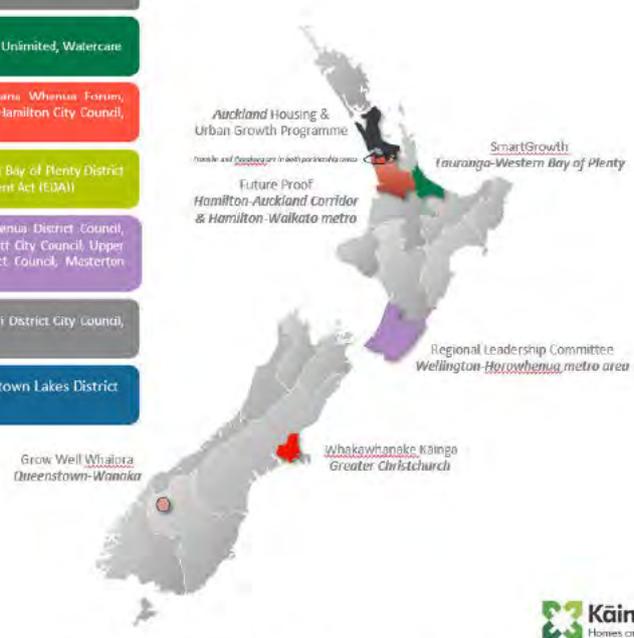
We work with local councils, iwi and other central government agencies on urban and regional planning, and participate in iwi, and central and local government partnerships aimed at improving our urban centres and regions.

We work alongside central and local government to implement the National Policy Statement on Urban Development 2020 and the Medium Density Residential Standards. We also play a key role in ensuring the National Policy Statement on Urban Development 2020 is implemented in a comprehensive and enabling manner by supporting the development of planning documents under the Natural and Built Environment and Spatial Planning Acts.

Kāinga Ora is a central participant in the six Urban Growth Partnerships, involving central and local government agencies, and mana whenua, and focuses on issues such as spatial planning for an area, a long-term and integrated approach to land-use, housing and infrastructure planning and delivery, across 35 selected priority development areas. Kāinga Ora is one of the partners involved in this urban growth management work programme, and the initiatives outlined help inform our priority areas in terms of investment.

Urban Growth Partnerships

Partnership	Membership
Auckland Housing & Urban Growth Programme	Crown, Auckland Council with Auckland Transport, Eke Panuku, Auckland Unlimited, Watercare
Future Proof Hamilton-Waikato, Southern Auckland	Crown, Waikato-Tairāpiti, Tairāpiti Wāka Alliance, Tamaki Makaurau Mana Whenua Forum, Waikato Regional Council, Auckland Council, Waikato District Council, Hamilton City Council, Waipoua District Council
SmartGrowth Tairārapa - Western Bay of Plenty	Crown, iwi Representatives (4), Bay of Plenty Regional Council, Western Bay of Plenty District Council, Tauranga City Council and PriorityOne (the Economic Development Act (EDA))
Wellington Region - Horowhenua	Crown, iwi Representatives (2), Wellington Regional Council, Horowhenua District Council, Kapiti District Council, Porirua City Council, Wellington City Council, Hutt City Council, Upper Hutt City Council, South Wairarapa District Council, Carterton District Council, Masterton District Council, WellingtonNZ (EDA)
Greater Christchurch	Crown, Te Runanga o Ngai Tahu, Environment Canterbury, Waimakariri District City Council, Christchurch City Council, Selwyn District Council
Grow Well Whaiora Queenstown Lakes	Crown, Te Runanga o Kāi Tahu, Otago Regional Council, Queenstown Lakes District Council



Kāinga Ora is also a member of the smaller place-based partnerships located in Rotorua, Hastings, Te Tai Tokerau and Tairāwhiti.

Tools under the Urban Development Act

The Urban Development Act 2020 provides Kāinga Ora with a range of tools to coordinate complex developments that might otherwise be too difficult, such as large areas with multiple landowners, funding constraints, or specific planning challenges.

The establishment of a Specified Development Project enables Kāinga Ora to work with councils, iwi and private sector developers to remove barriers that have often prevented projects from commencing and paves the way for a cohesive and clear development plan. The Act provides development powers to plan and consent land-use, plan and move infrastructure (including transport and water infrastructure), and fund infrastructure and development.

Kāinga Ora has an emerging pipeline of potential Specified Development Projects and has selected two large greenfield projects that we are currently assessing as potential Specified Development Projects: the Northern Growth Area in Porirua and the Western Corridor in Tauranga. The Urban Development Act specifies the assessment process, and this is being completed in partnership with councils, mana whenua and other key stakeholders including landowners and private sector developers. If established, these projects would facilitate the delivery of thousands of new homes over the medium to longer term.

Delivery of urban development projects

Kāinga Ora plays a direct delivery role in areas where there are build-ready land and housing supply shortfalls. This includes where there is opportunity to renew or regenerate a high concentration of public housing. We partner with private sector developers, councils, iwi and government agencies to deliver urban development projects of all sizes, both on land we own and land owned by others.

Delivering housing, infrastructure and urban development objectives requires strong alignment across multiple portfolios - most critically housing, transport, local government, environment, building and construction, climate change, and economic development. We support enhancing governance arrangements to improve urban development performance that would allow for the setting of work programmes, expectations for delivery, and better drive decision-making, including consideration of trade-offs.

Brownfield Large-Scale Projects

Kāinga Ora is currently delivering the largest urban regeneration in Aotearoa New Zealand's history via six Large-Scale Projects (Northcote, Roskill, Māngere, Oranga, Tāmaki and Te Rā Nui⁸ developments). The Large-Scale Projects portfolio comprises more than 20 years of land redevelopment and infrastructure activities that have the ability to enable the creation of up to 40,000 new homes to meet critical and growing housing shortages in Auckland and Porirua.

The Large-Scale Projects involve the preparation of large tracts of landholdings owned by Kāinga Ora to enable new, healthy, warm, dry housing to be built, housing supply across different tenures to be increased, and landholdings in locations that have significant housing demand to be better utilised. These projects also create improved infrastructure, more connected neighbourhoods and better amenities as well as ensure a significant pipeline of work for construction companies.

In addition to providing sites on which to build public homes, Kāinga Ora enables more affordable and market housing delivered by the private sector, where builder-ready superlots are sold to the market with outcomes and performance conditions attached (for example, a percentage of affordable housing or typologies like apartments and terraces).

Funding of the Large-Scale Projects

The current funding envelope for the Large-Scale Projects over five years is \$5.3 billion. This comprises \$2.3 billion Crown appropriation via the Housing Acceleration Fund, \$3 billion Kāinga Ora land sales revenue, and an additional \$288 million in Auckland Council contributions. Public housing within the Large-Scale Projects is delivered in line with our public housing funding and financing settings.

⁸ Previously Porirua Development

The Housing Acceleration Fund appropriation was put in place to cover the funding gap (where revenues do not offset the costs) relating to infrastructure, the provision of affordable housing and broader wellbeing outcomes for approximately 40 per cent of the Large-Scale Projects enabling the delivery of about 18,500 homes. This appropriation was not escalated and did not provide an allowance for the significant shifts (and therefore revenue assumptions) we have subsequently seen in the market.

9(2)(f)(iv)

We have also commenced a programme to transform our approach to civils delivery. We believe there are significant cost and time saving opportunities through productivity and efficiency improvements in this area that may help to reduce funding requirements moving forward. This work is still in the discovery phase, and we will update you on this work as it evolves.

Homes enabled⁹ and completed under the Large-Scale Projects – whole of life to date (August 2023)

Type	Homes enabled	Homes completed
Market	1,463	1,015
Affordable	1,476	690
Public	2,047	1,173

The Land Enablement and Delivery (LEAD) Alliance (previously known as Piritahi)

The LEAD Alliance was formed to deliver civil design and construction in our Auckland Large-Scale Projects. The alliance is a group of companies coming together to deliver a scope of works to the client, within a commercial framework. LEAD Alliance comprises Kāinga Ora (the owner and sole client) alongside Tonkin + Taylor, Harrison Grierson, Woods, Hick Bros, and Dempsey Wood. It is governed by a programme alliance board and chaired by an independent chairperson.

The LEAD Alliance is currently contracted through an Auckland Civils Alliance Programme Agreement until December 2028.

Working in partnership with Tāmaki Regeneration Company

Formed in 2013, the Tāmaki Regeneration Company is an entity that is jointly owned by the Government and Auckland Council. The Tāmaki Regeneration Company has been mandated by its shareholders to lead on urban regeneration activity in Tāmaki, including precinct masterplanning, community engagement, iwi engagement,

⁹ Homes enabled is a measure of the point at which Kāinga Ora has enabled build-ready land to a third party. For market superlots, this is when there is an unconditional Development Agreement with a build partner. For public superlots, this is when civil works have been completed and handed back to Kāinga Ora to build public housing.

tenant rehousing, providing the public housing demand and specifications, place-based marketing and managing the public housing stock.

Kāinga Ora is the master developer, responsible for neighbourhood planning, infrastructure delivery, superlot creation, contracting builder/developer partners to build the homes and selling the land. The Tāmaki Regeneration Company and Kāinga Ora operate under an [Umbrella Agreement finalised in December 2018](#). This sets out the principles and framework to guide the future delivery of housing.

Strong collaboration between Kāinga Ora and the Tāmaki Regeneration Company will continue to be required to balance commercial outcomes with the broader social and regeneration aspirations for Tāmaki.

Working Better Together with CCOs and infrastructure providers

In 2022, the Crown and Auckland Council signed a Memorandum of Understanding which sought to establish processes for greater collaboration and coordination between Auckland Council Controlled Organisations and Kāinga Ora. This represents a shared central and local government commitment to plan, invest and deliver infrastructure for the Large-Scale Projects, having direct alignment with Auckland Council's priority growth areas and council's proposed Future Development Strategy. This programme is called Working Better Together, bringing together Kāinga Ora, Auckland Council, Watercare, Auckland Transport and Vector.

Working Better Together has already achieved cross-organisational sharing and integration of activities, funding and programmes of work through the establishment of executive and operational governance groups, letters of expectation, and funding and delivery agreements. This is resulting in reduced administration, less community disruption and other process efficiencies for all agencies. Work is ongoing to further identify where inter-agency coordination and delivery is needed.



Building resilient communities

The kind of density and scale we are planning in our Large-Scale Projects requires the investment of new, future-proofed infrastructure at a neighbourhood scale. This means we are not just allowing for the infrastructure capacity of our Kāinga Ora homes, we are also looking at the entire suburb and delivering better flood-risk protection to benefit all residents and build more resilient communities.

On the Auckland Anniversary flooding event of 27 January 2023 residents within our Northcote development watched as the recently completed Greenslade Reserve filled up like a giant basin, completely submerging the high-performance sports field and surrounding park amenities with 12 million litres of water in just hours. Before the upgrade of Greenslade Reserve in 2022 a less significant downpour would have flooded the neighbouring town centre and surrounding homes and streets; yet, in less than 15 hours after the flood, the water filling the reserve had drained away, the retail stores had reopened for business and the fields were in use again.

The ‘daylighting’ of the nearby Awataha Stream ensured water that would have previously put pressure on stormwater pipes was also redirected through the stream channels. This meant that homes on nearby Tonar Street (whose residents previously experienced water flowing beneath their homes at times of heavy rainfall) reported no damage during the flooding event.

In our Roskill development, the recently completed Freeland Reserve now provides stormwater treatment and mitigation for about two-thirds of the entire Roskill South neighbourhood. The reserve is bolstered by three new floodwalls and Te Auaunga Awa (Oakley Creek) has been daylighted, providing a greater level of stormwater management. Additional design measures such as a spillway allows for water overflowing from the brim of the reserve to be channelled via an overland flow path onto roads, rather than backyards.

Across the motorway in Ōwairaka, the \$32 million shovel-ready project to separate the old stormwater and wastewater network and increase capacity meant that while rainwater could still be seen flowing down the streets on 27 January, the planned overland flow paths ensured it drained quickly, with very little damage across the previously flood-prone area and none to homes.

Greenfield development

The Hobsonville Point development is a large-scale, integrated urban development project in north-west Auckland on 167 hectares of land formerly used by the New Zealand Defence Force. In addition to increasing housing supply, the project's purpose was to shift the market to accept a more urban form within a suburban setting, building a strong, vibrant community that sets new benchmarks for a good-quality and accessible urban development with an environmentally-responsible focus.

We now anticipate the delivery of approximately 4,500 homes at Hobsonville Point, of which over 800 will be delivered at more affordable price points (via the Axis Series and KiwiBuild programmes, as well as median-priced homes and build-to-rent product). More than 3,100 homes have been completed to date and this development is due to be completed in 2026.

Through the Lakeside development in Te Kauwhata, North Waikato, we are working to deliver around 1,300 homes over the next eight-plus years through a land supply partnership agreement with Winton Land Ltd. Kāinga Ora has worked with build partners to construct a wide range of housing choices in a fully consented masterplanned community, located in a strategic Southern Corridor location.

Future urban development opportunities on Kāinga Ora land

Kāinga Ora has been developing an approach to our significant landholdings across Aotearoa New Zealand where our public housing renewal requirements intersect with the potential to address our broader urban development mandate, including improved neighbourhood configuration, intensification and broader housing supply.

The current Kāinga Ora funding model enables us to plan but not deliver urban development outcomes on our significant landholdings beyond those related to direct delivery of public housing. Our ability to facilitate wider outcomes is financially constrained by our need to retain or enhance our balance sheet value over all urban development (outside of the Large-Scale Projects, for which the Housing Acceleration Fund now provides funding for the difference) and our requirement to achieve our targeted return on investment. In practice these constraints mean that without additional Crown investment we cannot invest in hard or soft infrastructure.

9(2)(f)(iv)

[REDACTED]

Kāinga Ora Land Programme

One of the ways we deliver urban development is to purchase land in strategic locations to enable housing to be developed where there is high demand and lack of market delivery.

The Kāinga Ora Land Programme enables Kāinga Ora to borrow up to \$2 billion for land acquisition and development costs to increase the pace, scale and mix of housing developments, including more affordable,

market and public housing. This programme delivers houses that are sold at a lower price point than what is typically sold on the market (among other housing options).

Through this programme, we intend to undertake projects across the country within different urban settings, ranging from greenfield areas on the outer of existing urban boundaries through to town-centre brownfield projects. Our Board-approved Strategic Land Acquisition Plan includes geographic priorities to ensure we respond to localised challenges and prioritise places with greatest need.

The programme enables Kāinga Ora to acquire land and then makes it ‘build ready’ - undertaking earthworks, civil works and often dividing the land into smaller parcels to be sold. Kāinga Ora partners with private sector developers in the delivery of housing and amenity outcomes.

To date, \$87.7 million has been borrowed to fund three land purchases with the following units planned:

- Ferncliffe Farm, Tauranga; 95 hectares - approximately 1,150 units planned
- 28 Adelaide Road, Wellington; 2 hectares - 200 to 280 units planned
- 66 Quaifes Road, Halswell; 3.7 hectares - 70 to 90 units planned.

The \$87.7 million borrowing does not include funding for delivery of these projects; therefore, additional borrowing will be required to enable the land for housing delivery. Any extra borrowing needed, together with the associated interest and holding costs, is to be funded from the Kāinga Ora Land Programme appropriation.

Infrastructure Acceleration Fund

The Infrastructure Acceleration Fund is a medium-term \$1 billion fund administered by Kāinga Ora for new or upgraded bulk infrastructure, such as transport, three waters and flood management, to accelerate and enable housing developments in areas of need throughout Aotearoa New Zealand. Following an evaluation of the Expressions of Interest and Requests for Proposal stages and subsequent negotiations with applicants, the funding was committed to councils across Aotearoa New Zealand via Funding Agreements entered into in late 2022. Housing Outcomes Agreements were also entered with councils and private sector developers to record the housing outcomes to be realised as a result of the funding. Through the Infrastructure Acceleration Fund, it is expected that up to 35,000 homes will be enabled over the next 10 to 15 years. To date, \$926.7 million of Infrastructure Acceleration Funding has been contracted to critical infrastructure projects in 28 cities and towns across the country.



Administering Crown infrastructure and housing products

Introduction

Kāinga Ora provides people with home-related financial assistance and for housing purposes. Specifically, this involves managing a range of programmes designed to support people to achieve home ownership. A home buyer can use more than one of these products in securing home ownership. We also administer and oversee funds designed to facilitate infrastructure provision necessary for housing delivery which is consistent with our urban development mandate and functions. This has been described in the previous section (refer [Infrastructure Acceleration Fund](#), page 46).

Home ownership products

Kāinga Ora administers a range of products on behalf of the Crown that supports people to access home ownership. These products primarily address the barrier of not having a sufficient deposit to access home ownership. Many of these programmes have set criteria such as income and house price caps.



First Home Loan

This product reduces the deposit amount for a new home to five per cent. Loans are issued by selected banks and other lenders and are underwritten by Kāinga Ora. This allows the lender to offer loans that would otherwise sit outside their lending standards and therefore provides access to groups that may otherwise miss out. There are currently seven lenders in the scheme. During FY2022/23, Kāinga Ora underwrote 2,773 First Home Loans (valued at \$1.5 billion), a 270 per cent increase over the previous year.

Tenant Home Ownership Grant

A small number of Kāinga Ora homes are sold at market value to the customers who are living in them. Some of these customers will qualify for a Tenant Home Ownership Grant of 10 per cent of the purchase up to a maximum of \$20,000. The Tenant Home Ownership Grant is not available in areas where there is high demand for state houses (Auckland, Wellington, Christchurch, Hamilton and Tauranga). The number of homes sold and grants paid are low, due to low affordability. Nine Tenant Home Ownership Grants were paid in FY2021/22 (out of 17 homes sold) and one grant was paid in FY2022/23 (out of five homes sold).

Kāinga Whenua Loan Scheme

The Kāinga Whenua Loan Scheme is an initiative between Kāinga Ora and Kiwibank to help Māori achieve home ownership on multi-owner land, which has historically been a significant barrier to developing Māori-owned land. The loans are available for both Māori land trusts and individuals with a right to occupy their multiple-owned Māori land. In the past year, a total of 32 applications were received.

Kāinga Ora is currently reviewing the product to improve accessibility and ensure it is modernised in line with the complementary product of the First Home Loan. Briefings will be supplied to you and the Minister of Finance with updates on any changes - refer to the [upcoming decisions](#) section, page 53, for more details.

KiwiBuild

Kāinga Ora administers the KiwiBuild 'Buying off the Plans' Programme (KiwiBuild) on behalf of the Government that supports private sector developers to increase the supply of affordable homes to New Zealanders. We work with private sector developers to reduce risk through the underwriting of the sale of homes in new KiwiBuild developments. When a developer is supported through KiwiBuild they are required to offer a portion of the homes to eligible KiwiBuild buyers first. These homes are sold at, or under, the specific price caps. This allows eligible buyers to purchase homes at more affordable prices. Kāinga Ora works with the developer until the homes are sold. Crown risk is managed by the setting of policy and applicant criteria, ensuring competent oversight and due diligence, and by following rules of procurement, relevant statutes and sound commercial principles.

Recent housing market conditions have resulted in private sector developers facing cost constraints due to rising interest rates and a restricted credit market. The KiwiBuild underwrite enables continuity of construction and ongoing housing supply within developments that may not otherwise proceed. As at 30 June 2023, a total of 1,832 KiwiBuild homes have been completed and a further 1,067 are contracted and under construction.

Kāinga Ora also facilitates the application and ballot process for potential KiwiBuild home buyers and monitors homes that have been sold to ensure compliance with the minimum ownership requirements. We received 861 new applications in 2022/23, a 69 per cent decrease from the previous year. There were 199 KiwiBuild homes sold during FY2022/23, an increase of 28 per cent from FY2021/22.

First Home Grant

KiwiSaver members who have been contributing to KiwiSaver for at least three years may be eligible for a First Home Grant of up to \$10,000 towards the purchase of their first home. This grant is targeted by way of regional house price caps and income caps, which were adjusted in 2022 and 2023. We paid out a total of 10,782 grants in FY2022/23, an increase of 61 per cent from FY2021/22. The amount paid in the last financial year was \$63.9 million, up 56 per cent from the year before.

First Home Partner scheme

First Home Partner is a shared ownership scheme established in October 2021 that supports aspiring lower-to-median income earners to purchase their first home. This initiative is funded under the Progressive Home Ownership appropriation through an interest-free loan agreement between Kāinga Ora and the Crown via the Ministry of Housing and Urban Development that is repayable within 15 years of each draw-down and no later than 30 June 2039. The maximum value of the loan agreement is \$194 million. New applications to the scheme were closed on 29 September due to funding being fully committed.

KiwiSaver first-home withdrawal determination

First-home buyers are able to approach their KiwiSaver provider directly to withdraw their KiwiSaver funds for a first-home purchase. Previous homeowners need a letter from Kāinga Ora to demonstrate they are in the same financial position as a first-home buyer. In FY2022/23 Kāinga Ora approved a total of 3,145 withdrawal determinations, down 20 per cent from the prior year.

Residential earthquake-prone building financial assistance scheme

Deferred repayment loans are provided to owner-occupiers of earthquake-prone buildings facing financial hardship as a result of their remediation obligations. As the remediation process is lengthy, no loans have yet been made through this scheme.



Partnering with iwi and rūpū Māori

Introduction

Kāinga Ora works with Māori, including whānau, iwi and rūpū Māori, using a strengths-based approach to enable us to meet Māori needs through Māori-led solutions. This is also a part of fulfilling the obligations that Kāinga Ora is committed to under the Kāinga Ora Homes and Communities Act and the Urban Development Act. Our aim is for this to increase the supply of housing and provide more options to whānau and Māori across the housing system. Safe, healthy, affordable and stable homes within a chosen community are fundamentally important to enable whānau to feel a sense of connection, identity and belonging.

Developing and maintaining strong partnerships with Māori is essential to enabling Māori aspirations to be understood and protected. Kāinga Ora is exploring opportunities to empower whānau, hapū and iwi Māori in the building of their communities where they are benefitting from enhanced wellbeing, a sense of identity, connection and belonging.

Over FY2022/23, there were almost 700 meaningful partnership engagements which enabled Kāinga Ora to partner with various iwi and rūpū Māori across Aotearoa New Zealand for a range of projects and developments. This operationally translates to connecting with an average of more than 110 different rūpū Māori every month across Tāmaki Te Taitokerau, Te Puku Ikaroa and Te Waipounamu. The purpose of these engagements is not only to capture the perspectives and support of mana whenua and tangata whenua for the progression of developments but also to promote the participation of iwi and rūpū Māori in the procurement and construction of projects.

MAIHI Ka Ora – National Māori Housing Strategy

Kāinga Ora works alongside the Ministry for Housing and Urban Development and Te Puni Kōkiri to deliver on the National Māori Housing Strategy. As part of this strategy, the Māori and Iwi Housing Innovation (MAIHI) Framework outlines how the Government should structure its levers to enable Māori-led local housing solutions so Māori housing aspirations are achieved. The role that Kāinga Ora plays in MAIHI Ka Ora is to contribute to an across-government approach to partnering with Māori throughout Aotearoa New Zealand. This enables us to take a place-based perspective in reviewing and administering the products and services available for Māori housing support and provide Māori housing solutions that are sustainable.

Wai 2750 – Housing policy and services inquiry

The Waitangi Tribunal Kaupapa Inquiries are designed to provide a pathway to hear nationally significant claims that affect Māori. Kāinga Ora has assisted and participated in the Crown's response to the Kaupapa Inquiry into Housing Policy and Services (Wai 2750) as and when required by the Crown. Wai 2750 hears claims from Māori across the country who have been adversely affected by housing policy and services. The ultimate purpose of Wai 2750 is to make findings and recommendations that will improve the development and delivery of housing policy and services for Māori. The role we play in the Inquiry is supporting the lead agency, the Ministry of Housing and Urban Development, through the working and governance group. Kāinga Ora fully supports the Crown in being transparent and proactive with information to claimants and continues to provide relevant information to the Ministry of Housing and Urban Development.

The first stage was a prioritised Inquiry into Māori homelessness from 2009 to 2021. The hearing process for Stage One concluded in late 2021. Kāinga Kore - The Stage One Report of the Housing Policy and Services Kaupapa Inquiry on Homelessness was released on 18 May 2023 and is a collation of the findings on a number of themes and recommendations from the Tribunal, with the most distinctive feature of the report being conclusions on Crown breaches.

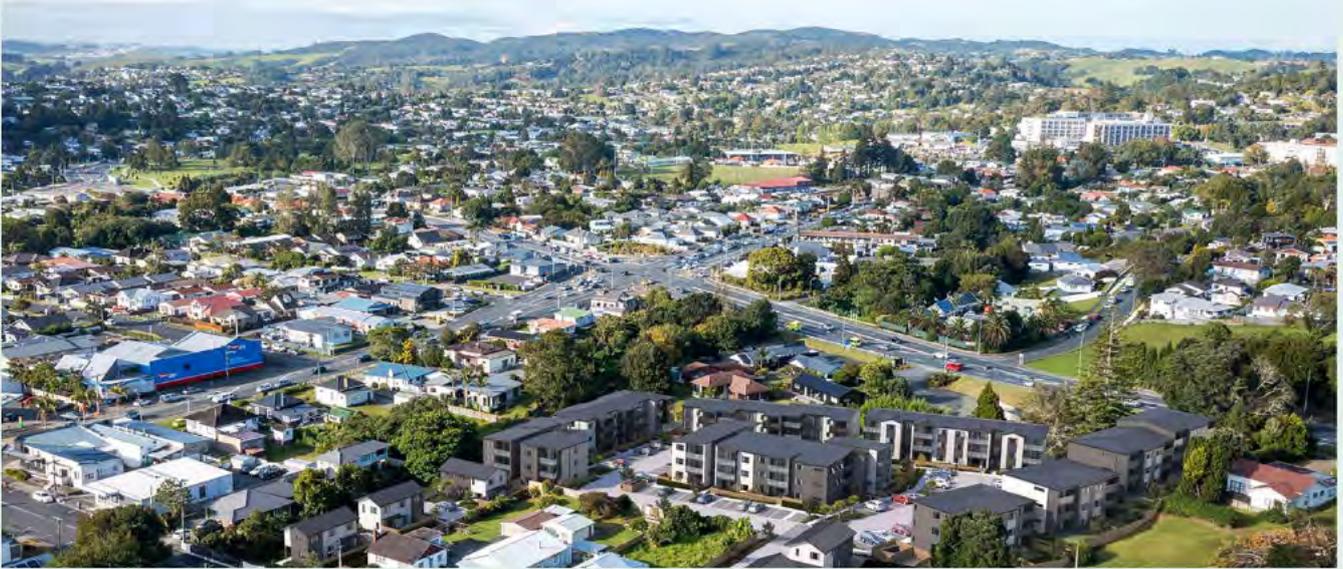
While the Crown develops a high-level response, the breaches will be analysed within Kāinga Ora to determine how best to respond to the findings within our organisation's capacity and scope. For the next part of the Inquiry, all remaining claimant issues will now be heard in a single comprehensive Inquiry. Issues will be advanced by theme rather than in stages. The themes are illustrated as Pakitara, or walls of a whare. The remaining claimant issues will be heard under each theme, beginning with Whenua Māori, in order to focus on a historical foundation and basis to review the other Pakitara.

System Conditions Working Group under Te Hiku ō Te Ika Iwi Development Trust

As part of the Crown Social Development and Wellbeing Accord (the Accord), the Ministry of Social Development has developed a joint work programme with a unique governance model designed to fix system blockages involving Crown agencies, highlighted through local knowledge. The Ministry of Social Development is the coordinating agency for the Crown, and a number of other agencies hold portfolio agreements under the Accord. Te Hiku ō Te Ika Iwi has identified Kāinga Ora as an important partner in the aims of the System Conditions Working Group.

Te Rautaki Māori review

The existing Te Rautaki Māori (Strategy for Māori Development) was published in 2021 prior to the release of MAIHI Ka Ora (the Crown Māori Housing Strategy) and before confirmation of funding decisions surrounding Māori housing. This strategy was developed through extensive engagement with iwi and rōpū Māori to reflect Māori aspirations. However, while much of its context and vision remain relevant, Te Rautaki needs updating to clarify the role Kāinga Ora will play in achieving the goals and in better reflecting the current environment and our organisation's functions in respect of Māori housing.



Building Māori capability

Our partnership with Te Rūnanga o Toa Rangatira (Ngāti Toa) is multifaceted and focused on increasing the number of quality homes built in Porirua, along with investing in Māori capability development. Alongside the Ministry of Housing and Urban Development, we have partnered with Te Āhuru Mōwai – the Ngāti Toa community housing provider – carrying out the tenancy management, maintenance and upgrade functions for 900 Kāinga Ora properties in western Porirua. This is one part of the larger Porirua project that started in 2018 with the aim of delivering 3,500 new or upgraded public, market and affordable houses over the next 25 years. Eastern Porirua will receive an investment of \$136 million from the Government’s Housing Acceleration Fund for infrastructure to support 2,000 additional houses.

The partnership with mana whenua of Te Parawhau and their professional services representatives surrounding the Kauika Road development in central Whangārei is supporting project relationships for local community participation. This will be the largest development for public housing outside Tāmaki Makaurau that will provide an estimated 95 homes for whānau. The iwi engagement surrounding this project is crucial as the partnerships and relationships formed with mana whenua ensure that we uphold and respect the mana of Te Parawhau.

The Kauika Road project is part of a wider neighbourhood planning approach that aims to increase stand-alone public housing delivery in areas of high demand, like Tikipunga, Vinegar Hill and the Avenues. This includes supporting the Whangārei infrastructure projects funded through the Infrastructure Acceleration Fund that is expected to deliver up to 1,000 homes over the next 10 to 15 years and up to 2,000 additional homes in the longer term.

Upcoming decisions

Below are issues to note and decisions that may be required on key programmes of work within your first 100 days of office. We also acknowledge your policy proposals and understand the specific issues you are looking to address. We will seek your guidance on areas to focus on first and look forward to supporting you in deciding how these are to be best progressed.

Budget 2024

9(2)(f)(iv)

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Decisions required on key programmes of work

Kāinga Ora Land Programme

9(2)(f)(iv)

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Full reporting on the programme pipeline and performance is provided to the Ministry of Housing and Urban Development on a monthly basis in its capacity as the monitoring agency. Through this reporting, Kāinga Ora and the Ministry of Housing and Urban Development will work jointly to identify any matters of upcoming decisions where Ministerial briefings or consultation may be required.

Large-Scale Projects

Neighbourhood business cases for three neighbourhoods within the Māngere Development - Te Ararata A and B and Otaki o te Wai - will be provided to joint Ministers for approval in the fourth quarter of 2023.

The long-term options of the Eastern Porirua Project will be provided as a joint report with the Ministry of Housing and Urban Development in the first quarter of 2024.

First Home Partner

First Home Partner is a shared ownership scheme established in October 2021 that supports aspiring lower-to-median income earners to purchase their first home. The scheme is funded under the Progressive Home Ownership appropriation through an interest-free loan agreement between Kāinga Ora and the Crown via the Ministry of Housing and Urban Development that is repayable within 15 years of each draw-down and no later than 30 June 2039. The maximum value of the loan agreement is \$194 million.

Policy changes were introduced in August 2023 so that eligible applicants could purchase existing homes in addition to new builds. The household income cap also increased from \$130,000 to \$150,000 and the income cap criteria for intergenerational whānau was broadened to include larger whānau. These changes led to a sharp uptake in applications to the scheme. New applications to the scheme were closed on 29 September and Sale and Purchase Agreements were unable to be accepted from 9 November due to the funding being fully committed. This means that around 515 eligible households still searching for a house at the time the limit was reached are unable to be supported through First Home Partner. There is no legal obligation for Kāinga Ora to fund these households as a Sale and Purchase Agreement and Commitment Agreement had not been signed.

In delivering the scheme, Kāinga Ora has shared ownership in a residential asset portfolio that will be bought out by households over time at the future market value. Proceeds from households buying out the Kāinga Ora share can be used to reinvest in delivering First Home Partner, but the value of buy-outs in the short-term will not be sufficient to re-open applications without additional appropriated funding. The process for deciding on the use of any surplus capital gain is subject to agreement and direction by the Crown.

General

In addition to the above key programme decisions required, Kāinga Ora currently undertakes Ministerial consultation on projects that have whole-of-life costs of \$50 million or above, involve a new Crown funding source, or have unique third-party interests. Kāinga Ora is also actively working with Treasury about how best to operationalise the Ministerial consultation requirements set out in Cabinet Office Circular CO 23(9). You are also responsible for approving the underwriting of the development and sale of homes in new KiwiBuild developments.

Issues of note

Winton legal challenge

In October 2022 Winton Land Ltd brought legal proceedings against Kāinga Ora alleging that our organisation is engaging in anti-competitive behaviour in breach of section 36 of the Commerce Act 1986 (misuse of market power). Kāinga Ora is alleged to have done this by:

- restricting access to the Specified Development Project process – allegedly only selecting greenfield developments that advantage Kāinga Ora
- outbidding private sector developers like Winton for suitable land
- forcing private sector developers like Winton to participate only in particular aspects of a Specified Development Project (for example, by purchasing already consented land from Kāinga Ora, constructing houses and on-selling them).

Kāinga Ora - Homes and Communities strongly rejects the claims of anti-competitive behaviour and is defending the proceedings. We continue our urban development work in increasing housing stock for all New Zealanders, providing a range of housing options to enable more people to own their own homes in locations close to jobs, transportation, education and other amenities. The focus is on creating thriving communities to benefit all New Zealanders, generally achieving over and above what the private market is able, or willing, to do.

A statement of defence has been filed and we are currently undertaking discovery, which is due in December 2023.

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Outstanding report-backs

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Appendix 1: Our people

The Board

The Board is responsible for the overall governance of Kāinga Ora and for managing it according to its legal mandate. The Board provides leadership and sets strategic direction. It also selects, appoints and monitors the performance of the Chief Executive. The Board currently comprises eight non-executive members. Each appointment is for a fixed term with the possibility of further reappointment.

The Board Chair and Chief Executive meet with the Minister monthly or as required. Current Board members are: Vui Mark Gosche (Board Chair); John Duncan (Deputy Chair); Ngarimu Blair; Robin Hapi CNZM; Distinguished Philippa Howden-Chapman CNZM, QSO, RSNZ; Major Campbell Roberts CNZM; John Bridgman; Sir John Hansen; Fiona Mules; and Nicole Anderson. Their biographies are included in Appendix 2.

Executive Team

The Executive Team comprises the Chief Executive, Andrew McKenzie; three Deputy Chief Executives representing each of our place-based groups (South Island; Central; and Auckland and Northland); Deputy Chief Executive Sector Engagement (fixed term until March 2024); Ringa Raupa Deputy Chief Executive Māori; General Manager Strategy, Finance and Policy; General Manager People, Governance and Capability; General Manager National Services; General Manager Urban Planning and Design; General Manager Commercial; General Manager Construction and Innovation; General Manager Delivery Transformation (fixed term until March 2026); and General Manager Urban Development and Delivery.

Andrew McKenzie became the first Kāinga Ora Chief Executive when the new organisation was established on 1 October 2019. Mr McKenzie had previously served as Housing New Zealand's Chief Executive since September 2016. In that time, our organisation has seen major shifts in our strategic direction, significant strengthening of the support we provide to our customers, and a large increase in our build programme. Before joining Housing New Zealand, Mr McKenzie held senior finance roles in the public and private sectors, leading the finance function for the establishment of Auckland Council. In 2013, Mr McKenzie was recognised as Chief Financial Officer of the Year for Aotearoa New Zealand.

Construction Programme Advisory Panel

Kāinga Ora also draws on the expertise and advice of an independent advisory panel with four members who have had many years of experience in the construction and property industries and are not Kāinga Ora employees. The panel provides advice and makes non-binding recommendations based on the members' combined wealth of experience and knowledge of the property development and construction industries. The current members of the panel are Matthew Harker (Chair), Chris Aiken, Peter Alexander and Peter Neven.

Our workforce

Kāinga Ora is a place where people thrive. We create a positive, inclusive and high-performing workplace where our people are empowered to deliver great mahi for our customers and communities.

Our people are the heartbeat of Kāinga Ora. We will continue to build a positive and inclusive workplace where wellbeing is prioritised, and capability is a core focus that drives us as a high-performing organisation. Our goal is to be a diverse and inclusive place where everyone feels they belong.

Values

Ō Tātou Uara - Our Values were developed by us and for us and reflect the best of who we are now and, importantly, who we want to be in the future.

- Manaakitanga – is about hospitality, kindness, generosity and support as well as showing respect and care for others.
- Mahi Tahi – is about working together, collaboration, cooperation and teamwork.
- Whanake – is about being bold to continue moving onwards and upwards.

Location and functionality

Kāinga Ora has 3,305 full-time equivalent employees, involved in a wide range of jobs, with teams located around the country. We have sought to ensure that as a nationwide organisation, Kāinga Ora is fundamentally grounded in the regions of Aotearoa New Zealand with strong, positive, proactive community and customer relationships informing all that we do.

The geographical location of our people is closely related to the particular function or role they perform, and the location which best allows them to meet the needs of our customers. The majority of our people are located in the Greater Auckland (51 per cent) and the Greater Wellington (29 per cent) regions, in both regional and central offices. The remaining 20 per cent of our people are distributed in small numbers across the smaller centres nationwide.

Employee turnover is low in comparison to the public service with over 50 per cent of our advertised vacancies filled internally, demonstrating our strong commitment to developing our people's careers.

Appendix 2: Our Board



Vui Mark Gosche (Chair) was a Member of Parliament from 1996 to 2008 and held several Cabinet posts, including Minister of Housing. He is a former Chairperson of Counties Manukau DHB and member of the interim Health New Zealand Board. Vui joined the Housing New Zealand Board in 2018 and served as Deputy Chair and Chair prior to the establishment of Kāinga Ora on 1 October 2019.



John Duncan (Deputy Chair) has extensive experience in global capital markets, banking and finance. He is a Deputy Chair of the Public Trust, Chair of the Northern Rescue Helicopter Limited, Trustee of Auckland's Cornwall Park and a former Housing New Zealand Board member and Chair of HLC.



Ngarimu Blair has strong Māori governance experience and is a Director of Ngāti Whātua Ōrākei Whai Rawa Ltd, a large property company responsible for the protection and growth of the iwi commercial assets. He is the Co-Chair of the Tāmaki Makaurau Mana Whenua Forum and a director of Manaaki Whenua and Waka Kotahi – NZ Transport Agency.



Robin Hapi (CNZM) has significant governance experience across not-for-profit organisations and commercial and tertiary entities. Robin has expertise in management, financial management, dispute resolution and strategic planning, and maintains a wide national network of Māori and non-Māori individuals and organisations. He was chair of Māori Economic Development Advisory Board and is chair of Te Wānanga o Raukawa. Robin has just finished his term as a member of the WorkSafe NZ Board.



Distinguished Professor Philippa Howden-Chapman (CNZM, QSO, RSNZ) has a background in public health, with a focus on housing, energy, climate change and sustainable cities. She is co-director of He Kāinga Oranga/Housing and Health Research Programme, awarded the Prime Minister's Science Prize, the Royal Society of New Zealand's Rutherford Medal and designated the World Health Organization's Collaborating Centre on Housing and Wellbeing. She is the director of the NZ Centre for Sustainable Cities and chaired the World Health Organization's housing and health guidelines and the International Science Council Committee on Urban Health and Wellbeing: a systems approach. Philippa joined the Housing NZ Board in 2018.



Major Campbell Roberts (CNZM) has held senior leadership roles within The Salvation Army and New Zealand community organisations involved in housing and poverty alleviation. He is a member of the New Zealand Parole Board and The Salvation Army’s Social Housing Board. He has worked in housing on the Boards of CHRANZ, KiwiBuy Coalition, Community Housing Aotearoa, New Zealand Housing Foundation, Community Finance and Habitat for Humanity. Major Roberts has also participated in the Ministerial Shareholders’ Housing Advisory Group, the Prime Ministerial Task Force on Housing Reform, the Ministry of Social Development Housing Reference Group and as a housing expert in the Children’s Commissioner’s Expert Advisory Group on Solutions to Child Poverty.



John Bridgman (appointed to the Board effective 1 January 2022) has significant experience in engineering and project management roles across Australasia and Asia. John has held a variety of senior leadership positions and governance roles, including at global infrastructure building company AECOM (as Industry Director – Civil Infrastructure in Australia and as Managing Director for the New Zealand business), as well as governance roles on major infrastructure projects in New Zealand, Australia, Asia and the United Kingdom. He is the Chair of City Rail Link Limited; and Director of Waka Kotahi – NZ Transport Agency.



Sir John Hansen (appointed to the Board effective 15 August 2022) has had a distinguished law career spanning over 30 years, across New Zealand and Hong Kong. After retiring from the bench in 2008, he undertook a number of significant community-focused roles such as chairing the independent panel for the new Christchurch District Plan, heading the Red Cross’s Earthquake Appeal Commission following the 2010 Christchurch earthquake and being on the Bone Marrow Cancer Trust. Sir John has been involved with cricket all his life, being a member of the Board of New Zealand Cricket and a current member of Canterbury Cricket Trust.



Fiona Mules (appointed to the Board effective 1 January 2023) commenced her career as an investment banker specialising in transactions and valuations, before being brought in by the New Zealand Treasury to establish and lead a Public-Private-Partnership programme in New Zealand. Since that time, Fiona has consulted to the New Zealand Government on numerous large-scale infrastructure projects and programmes across the areas of funding, financing, structuring and procurement. She is a former Director of the Reserve Bank of New Zealand, KiwiRail Holdings Limited and Lyttelton Port Company. Fiona is also currently a Director of Rural Livestock Limited.



Nicole Anderson (appointed to the Board effective 1 January 2023) is a chartered member of the Institute of Directors (CMinstd) with a background in financial management and business development. Nicole is currently Director of the Ngāpuhi Asset Holding Co, Top Energy, Chair of Northland Inc Ltd; and as at 1 June 2023 was Chair of the International Accreditation Council of NZ (IANZ). She is passionate about whānau ora and community development.