

Q&A – Crown Building Project

What is being announced today?

Over the next ten years, the Government will build 34,000 new social, affordable and market homes in Auckland. This is a significant undertaking for the Government, for taxpayers, and for our Social Housing reforms.

How many houses is the Government planning to build?

The combined Crown Building Project (Tamaki, Hobsonville, Crown Land Programme, MSD Social Housing Reform Programme, and Housing New Zealand's Auckland Housing Programme) are planning to build 34,000 houses over the next 10 years.

| NEXT TEN YEARS | |
|---|----------------|
| Total Social Houses Built (Gross) | 13,540 |
| Total Affordable/Market Built (Gross) | 20,671 |
| Total Houses Built (Gross) | 34,211 |
| <i>Less Demolitions</i> | <i>(8,275)</i> |
| Net Additions over next 10 years | 25,936 |

The bulk of these will be built by Housing New Zealand's Auckland Housing Programme (AHP).

| Auckland Housing Programme | Phase 1 | Phase 2 | Total (P1&2) |
|---------------------------------------|----------------|----------------|-------------------------|
| Total Social Houses Built (Gross) | 4,305 | 7,200 | 11,505 |
| Total Affordable/Market Built (Gross) | 2,383 | 10,446 | 12,829 |
| Total Houses Built (Gross) | 6,688 | 17,646 | 24,334 |
| <i>Less Demolitions</i> | <i>(1,727)</i> | <i>(5,400)</i> | <i>(7,127)</i> |
| Net Additions | 4,961 | 12,246 | 17,207 |

Why is this needed?

The Government has made social housing a priority. Auckland is clearly facing housing challenges. The rise in house prices has added pressure right through the housing spectrum from emergency houses to homeowners. While there are clearer signs that the market is cooling, pressure remains and affects those at the bottom.

Those most likely to miss out in the private sector turn to social and emergency housing which, in New Zealand, is predominantly provided by the State. As a result, we've seen an increase in the number of people needing social and emergency housing and the number needing accommodation support.

How will this help?

The Crown Building Project and Auckland Housing Programme will play key roles in delivering more homes in Auckland faster.

13,500 new social houses will provide homes for vulnerable Aucklanders, and 20,600 affordable and market housing will ensure a pathway for tenants to move into independent, affordable housing.

Who are these houses for?

These houses will be for our most vulnerable families, for first-home buyers, and for the wider market. This programme will make a significant difference to the whole Auckland market.

What is the breakdown across social and affordable/market?

Over the next ten years, the Crown Building Project will deliver around:

- 13,500 new social houses and
- 20,600 affordable and market homes.

These are offset by the demolition of 8300 homes as noted below.

The bulk of the new places will be delivered through the Auckland Housing Programme, which will build over 24,000. 11,500 will be social houses and 12,800 will be for affordable and market.

How many houses will be demolished?

8275 houses will be demolished to make way for the 33,000 houses across the Crown Building Projects together.

Why do these houses need replacing?

Our housing stock is old and tired. The average age of Housing New Zealand's Auckland portfolio is 40 years old. The makeup of our tenants is changing, with 75 per cent of those needing a social house today needing a one or two bedroom home (most stock has three or four bedrooms)

Tenants are getting older. In 2002, 48 per cent of Housing New Zealand tenants were over 45 years old. That figure is now 64 per cent.

With a lot of our housing stock old and cold, expensive to maintain and not fitting the right makeup of tenants, they are in need of upgrading and replacement. So our focus is on newer, warmer, smaller and safer homes for those that need help.

How much will the Auckland Housing programme cost?

Total gross capital investment over the four year programme is \$2.2 billion.

Housing New Zealand will borrow \$1.1 billion over four years from the private market through a domestic wholesale bond programme. This will fund the first stage of the AHP. Phase 2 will be funded through the sales of houses and land, and rental returns.

Housing New Zealand will also retain dividends and proceeds from selling properties surplus to its requirements, to help fund the building programme.

How will Housing New Zealand be funding this?

It is proposed that a domestic wholesale bond programme be established to finance the AHP. Given Housing New Zealand's strong credit rating, a domestic wholesale bond programme is expected to cater for the full AHP financing requirement, and represents the lowest cost option in terms of facility set up costs and interest costs.

Why private debt?

We believe that external financing will deliver additional commercial discipline for Housing New Zealand. The AHP will deliver long-term rental returns that enable it to repay the debt required to fund construction. Because of Housing New Zealand's large balance sheet it is able to borrow privately in a relatively economical manner. It also enables the Crown to commit more of its capital to supporting wider infrastructure, like transport and the Housing Infrastructure Fund

When will the first house be built?

The Auckland Housing Programme is already delivering – the first 18 houses were delivered in July 2016. Between 1 July 2016 and 30 April 2017 the Auckland Housing Programme has delivered 120 new social and transitional houses and 47 homes for the private market.

What kind of houses will these be?

Housing New Zealand is delivering a mix of apartments, houses, and terraced housing throughout this programme to align with demand and opportunity afforded by Housing New Zealand's landholdings.

Can Auckland's infrastructure take this investment?

Auckland Council's budgets and long-term plans show that it is continuing to make investments in infrastructure to accommodate the increase in housing proposed. Further policy actions by central government, such as the Housing Infrastructure Fund, will also accelerate the provision of infrastructure in to better accommodate rapid population growth.

Can HNZ deliver on this?

Yes. Housing New Zealand's Investor Confidence Rating confirms Housing New Zealand's capability to deliver large complex programmes of work, as has been demonstrated through their large programme in Christchurch and the housing growth delivered nationally last year.

HLC has delivered and is continuing to deliver housing in Hobsonville Point, and will support the large-scale redevelopment across Auckland.

How much money does the Government spend on Auckland Social Housing?

Of the \$2.3 billion spent on housing support each year, approximately half of that – over \$1 billion, is spend in Auckland.

How does this fit into the Government’s wider Social Housing reforms?

This year, the Government will spend \$2.3 billion supporting 310,000 households with their accommodation. Those seeking immediate shelter can access an emergency Special Needs Grant so they have a warm, safe place to stay while they search for more sustainable housing. We have invested \$354 million to help 8600 families every year with transitional housing, with 3660 of these to be in Auckland. We are also planning to grow the number of social houses available, from 66,000 today to 72,000 over the next three years.