

The Treasury

Budget 2014 Information Release

Release Document

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2014/424

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THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 11 March 2014

To: Minister of Finance (Hon Bill English)
Associate Minister of Finance (Hon Steven Joyce)

Deadline: Prior to meeting on 12 March 2014

Aide Memoire: Canterbury housing update

We understand that you are meeting on Wednesday 12 March to discuss potential Budget packages including any provision for Canterbury housing initiatives. This note sets out our view on current proposals and developments regarding a housing accord for Christchurch.

Treasury's view on the need for further intervention and current proposals

We think the market is unlikely to deliver the scale of housing required to meet demand in Canterbury over the short-term and that there is a case for government intervention to help address the lack of affordable housing. A number of indicators suggest there will be a significant shortfall of housing for the next two years, and that this may worsen, before starting to improve in year three. Some changes to land use rules made through the Land Use Recovery Plan will be effective in the short-term e.g. allowing two houses to be built on single sections without resource consent, but in general the policy and regulatory changes made will not have an impact in the next three years.

More than 10,000 houses were lost due to the earthquakes and 17,000 people remain displaced. CERA forecast that 25,000 houses are required to meet projected need by 2020. [5]

We do not support the proposal for new Crown-led temporary villages/ medium density developments, the main Canterbury housing initiative seeking funding through Budget. We are not convinced that the Crown acting as a housing developer is a good use of Crown funding compared to other possible ways to relieve housing pressures, and want these to be further explored. This proposal would not address barriers to housing

supply, nor deliver housing at a scale that would make an impact on the supply gap or affordability pressures, and has a high Crown cost per unit.

[7]

Possible Canterbury housing contingency

MBIE have indicated that the Minister of Housing might want to collapse existing budget bids into a contingency for Canterbury housing initiatives of around \$100m over the forecast period (a mix of both operating and capital expenditure). This could be linked to the outcome of the housing accord negotiations with Christchurch City Council, [7]

We think a contestable fund has the potential to generate more efficient ideas to stimulate housing supply and better consider a system view than the existing budget bids, if the right parameters are set and the objective is to leverage the fund rather than deliver Crown-led developments. We don't have any reason to say that \$100m is the right number. If the fund is a mechanism to deliver the existing set of Budget initiatives, our concerns about these remain.

[13]

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