

The Treasury

Budget 2014 Information Release

Release Document

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- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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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: T2014/479

TY-2-1-9



Date: 18 March 2014

To: Minister of Finance
(Hon Bill English)

Deadline: EGI Committee Wednesday 19 March

Aide Memoire: Christchurch housing accord discussion at EGI Committee

1. We understand that a Cabinet paper on the Christchurch housing accord will go to EGI committee on Wednesday 19 March. This paper:
 - notes that the Minister of Housing has negotiated a draft housing accord with Christchurch City Council and that the Council intends to release this for public consultation on 28 March 2014,
 - [7]
 - refers to a \$100m contingency being sought through the Budget process, which could be drawn on to fund new initiatives under an accord subject to Cabinet approval.
2. The key decision is whether Cabinet approves of the direction of accord negotiations, prior to the draft accord being released by the Council next week. We recommend that you **do not support** this at this time. [8]
3. We recommend instead that [8] rect MBIE and CERA to develop options for:
 - what a fund could look like (including parameters and scale), and
 - processes for determining the right level of Crown contribution to increase affordable housing supply.

The draft accord

4. **The draft accord suggests that the Crown would contribute land on Carrs Road (Awatea) for the purposes of increasing affordable housing supply.**

[10]

[8]

[7]

5. **We think an accord should address regulatory barriers to residential development.** [8]

Progress on the demonstration projects has been slow. High development contribution charges are impeding take up of the change to allow two houses to be built back on a site without resource consent.

6. **We agree that at an aggregate level, land supply is not a barrier in Christchurch, so an Auckland-style accord might not make sense.** Our analysis (based on Property IQ transactions data) suggests that the average price of vacant residential land in Christchurch has gone up by 10% since 2010, compared to 14.2% in Selwyn, 3.6% in Waimakariri and 22.75% in Auckland. Average house prices have increased by more than the bare land price, by 14% in Christchurch, 26% in Selwyn and 26% in Waimakariri, compared with 17% in Auckland. However, this is not to say that land banking is not an issue.

7. **We think an accord covering Waimakariri and Selwyn as well as Christchurch should be considered,** given the growth in housing supply in Canterbury is currently weighted toward these areas and an accord with Christchurch will set a precedent for the region. We suggest you raise this with the Minister of Housing.

[7]

9. **We think a major question still remains as to the case for any Crown funding.** We think there is a case for investment to meet policy objectives where the market is not going to otherwise supply (e.g. stimulate supply of affordable housing), but this paper does not establish how we should think about the relative responsibilities of the Crown/Council. **We are concerned that there does not seem to be a process for finding out the most cost-effective Crown contribution to increase affordable housing supply.**

10. **The Council working directly with the market could be a much faster way to get affordable development on the ground than waiting for an entity to be established. [7]**

Contestable fund proposal

11. **We understand that the Budget bid for \$100m contingency fund includes the proposed Crown contribution to an accord [7]** Without more information as to the scale of the development intended or how this funding will be managed, we are unsure whether \$100m represents value for money, or what ratio of capex/opex would be needed.
12. **The proposals currently being considered in Budget 2014 do not sufficiently leverage Crown funding for us to be comfortable that they represent good value. A contestable fund has the potential to generate more efficient ideas to stimulate housing supply and better consider a system view, if the right parameters are set.** There is not sufficient reference to smart procurement options in the draft accord to substantiate this, however, and reference to particular sites as part of the accord suggests to us that the fund is instead seen as a mechanism to deliver the existing set of Budget proposals – i.e. the Crown acting as developer. If so, our concerns about these proposals remain.

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