



# NEW ZEALAND: A NEW DIRECTION

## KIWIBUILD: 100,000 MODERN AFFORDABLE HOMES - FACTSHEET

### HIGHLIGHTS

#### Labour will:

- **Help Kiwis into their first home by building 100,000 modern affordable homes.**
- **Create a significant number of skilled jobs by launching the largest public building programme in over 50 years.**
- **Provide 2,000 apprenticeship opportunities for young New Zealanders through Labour's 'one in a million' target.**
- **Generate \$2 billion a year in economic growth through extra jobs and spending on construction materials.**

### REALISING THE KIWI DREAM - MODERN AFFORDABLE HOMES

Labour will ensure New Zealand is once again a place where Kiwis can realise their dream of owning a home. Currently a record 1,000 New Zealanders are leaving for Australia every week for better pay and more opportunities. Through smart investments in our future we can create a reason for New Zealanders to stay.

The housing market is failing thousands of Kiwis. The biggest barrier to home ownership is the difficulty of getting on the first rungs of the housing ladder. One of the main reasons housing is unaffordable is the lack of new entry-level houses. In the 1960s and 1970s, when homeownership was on the rise, 30-35% of the new houses built were entry-level homes. Today, that proportion has fallen to just 5%.

The Crown is the only player large enough to make a real difference to the home affordability crisis. That's why Labour will take a bold hands-on approach to fix this hole in New Zealand's housing market.

For New Zealanders looking to get into their first home, the choice is clear: no change under National or real change with Labour. National is offering 5 more years of inaction, leaving it to the market and providing no hope that anything will change. Labour is offering a serious solution to one of our enduring issues, which will directly benefit thousands of New Zealand families.

## **LABOUR'S SOLUTION - KIWIBUILD**

Labour will oversee and invest in a large-scale 10 year programme of home building focussed on modest entry-level houses for sale to first home buyers. We will partner with the private sector, community agencies and local government to build these houses.

Our target is to ramp up to building 10,000 houses a year by the end of our first term (or as swiftly as the availability of skilled labour allows), and to continue at this level for around ten years.

Around two-thirds of the houses built over the first five years are likely to be in Auckland. Other developments will be built around New Zealand in places of high housing costs, such as Christchurch, Tauranga and the Western Bay of Plenty, Nelson, Wellington and Queenstown Lakes District.

## **BENEFITS**

The benefits of KiwiBuild will be substantial. This solution offers a bold and comprehensive answer to one of New Zealand's long-standing problems.

KiwiBuild will be the largest public building programme in over 50 years. It will increase the number of houses being built over time by up to 50%. Based on Productivity Commission data, it is estimated that building 100,000 homes will substantially reverse the last decade's worth of increase in the number of working households who cannot afford to buy their own home.

Estimates of the cost of a modest entry-level home suggest they can be built for less than \$300,000, especially when building is undertaken on a large scale (which can bring the cost of materials down).

It will also have substantial economic benefits. These include:

- Creating a significant number of new jobs in the New Zealand construction industry;
- Providing 2,000 apprenticeship opportunities for young New Zealanders through Labour's 'one in a million' target which requires companies with significant contracts to take on an apprentice for every \$1 million of investment they receive;
- Generating \$2 billion a year in economic growth through extra jobs and spending on construction materials. More growth will be generated when this money flows through the economy as families spend their income and businesses reinvest profits;
- Increasing tax revenue to the Crown through additional economic and jobs growth, supporting the health of the Crown accounts;
- Helping halt the ever-increasing costs of the Accommodation Supplement, which has grown by over 75%, or more than half a billion dollars, over the last decade, and is projected to keep growing strongly.

## **COST**

Labour will use the Crown's low cost of borrowing and the economies of scale from building in bulk to bring down the cost of building these houses.

KiwiBuild houses will be sold as they are built, so over the full course of the programme there will be no cost to the Crown. Once the build is underway the programme becomes self-sustaining within the first term as the sale of one batch of houses finances the development of the next.

To kick-start the programme, there will be a one-off \$1.5 billion investment. This represents a fraction of the \$41 billion National has borrowed over 4 years, and is substantially less than the \$12 billion National has committed to the Roads of National Significance. Because this is capital investment, it will not affect our path back to surplus.

We will sell Housing Affordability Bonds to give institutional investors and ordinary New Zealanders the opportunity to invest in the future of their communities.

The offering to ordinary New Zealanders will be made through the KiwiBonds channel and will give New Zealanders a sustainable investment opportunity. Unlike the current speculative property investment, this vehicle will not drive prices up.

## **DETAILS: QUESTION AND ANSWERS**

### **Who will build the houses?**

The programme will be overseen by Housing New Zealand Corporation (HNZC), but the construction will be carried out by private-sector construction firms, with some social housing agencies also participating.

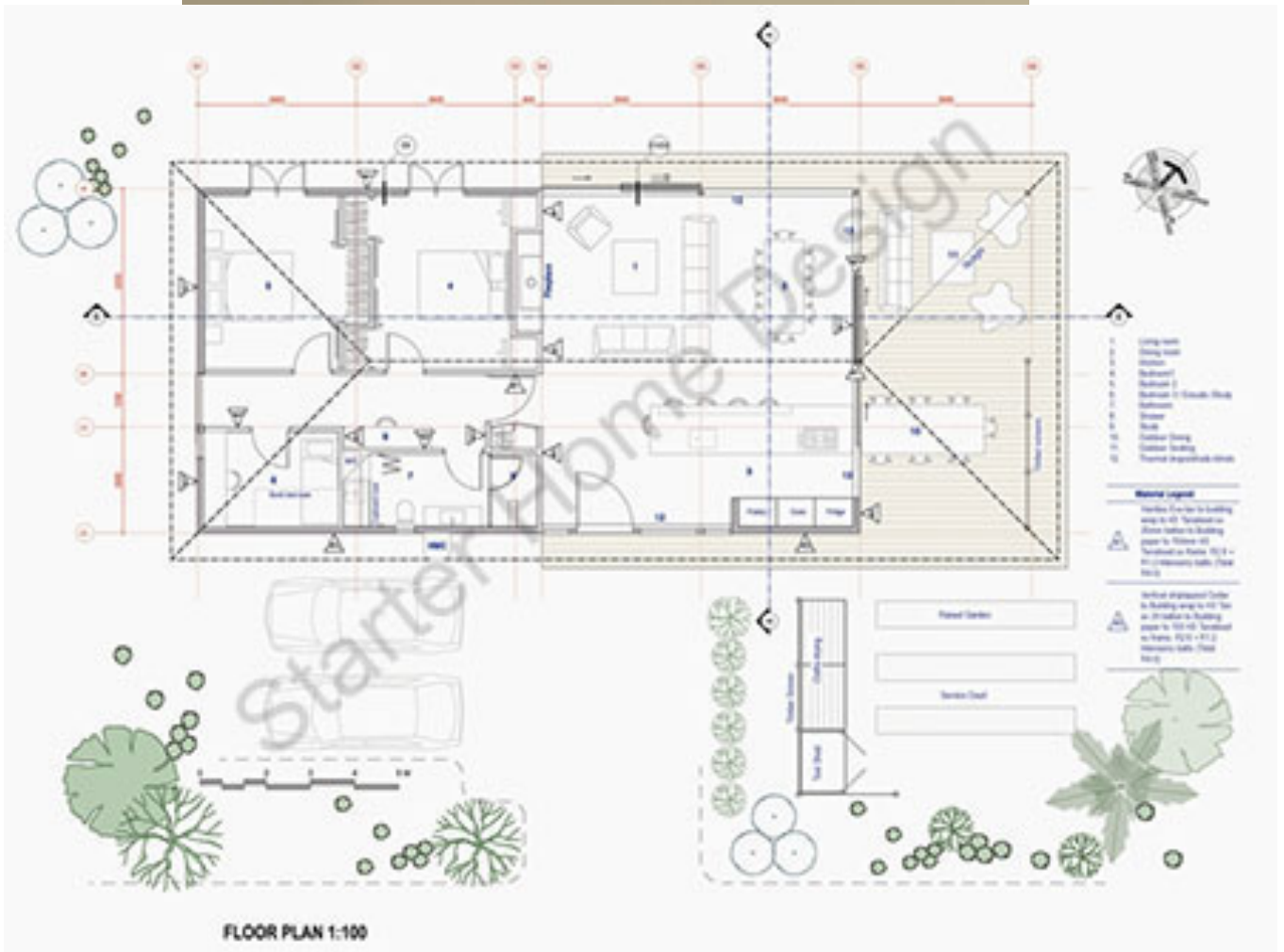
### **Where will the houses be built?**

Much of the land will come from HNZC buying new land or building on existing developments. Labour will also use public land and look at reconfiguring and subdividing some existing state house land as opportunities arise.

### **What will the houses look like?**

The modest entry-level homes will be designed to get first home buyers onto the property ladder. They will be modern, healthy and energy efficient. They will be a range of sizes to accommodate the wide range of people looking for an affordable option, and will likely be on smaller land lots. Some will be stand alone and others in apartment blocks.

An example of what these houses may look like is below. This design won the Starter Home Design competition run by the Department of Building and Housing:



### Who will be able to buy the houses?

Eligibility to buy a KiwiBuild home will be kept as simple as possible to cut down on administration costs. As with the current KiwiSaver homeownership features, the houses will be restricted to first home buyers. Buyers will need to live in the house for a period of time to be determined based on advice from officials. There will be a penalty applied if the house is sold

within in this time frame. If the property was sold prospective buyers will also have to show they saved their deposit themselves (including through KiwiSaver).

Where there is more demand in a locality than there are homes available, eligible candidates will go into a draw and the buyer will be selected by ballot.

No household type will receive preference over any other household type. Nor will there be any income restrictions. On the whole, people will 'self-select', with those who can afford to move up the property ladder excluding themselves.

### **How will the prices be set?**

The price of the homes will be set at a rate sufficient to fully cover the Crown's costs, including land, construction and finance costs. They won't be sold at a loss. But nor will the government seek to charges a 'developer's margin'. A small 1% margin on top of the Crown's cost of borrowing is sufficient to ensure the programme is self-funding over the long term, while still keeping the homes as affordable as possible.

### **Can we build that many houses?**

Building 10,000 modest affordable homes a year is an ambitious but achievable target so long as it is well-planned and private-sector construction firms are given long-term certainty about the scale of the project. KiwiBuild will take us back to the higher rates of homebuilding seen in the 1950's, 1960's and 1970's.

We know from past experience that this is possible. From 2002 to 2004 consents increased by 10,000, so a significant ramp-up in building activity is certainly achievable. Also between 1972 and 1974, the number of residential buildings completed per year increased by 10,000, largely in response to the housing policies of Norman Kirk's Labour government.

Further, building levels in Christchurch alone are expected to rise by 3,000 just in the next year. In fact the bulk of the 20,000 new residential building in the Christchurch rebuild are predicted to be completed by the time the KiwiBuild project gets underway. KiwiBuild will provide further opportunities for the skills and workforce built up by the Christchurch rebuild.

Currently we have some scope to grow. Building levels are at an all-time low, with 17,000 fewer residential building consents than the recent peak of 32,000 consents in 2004.