Home for life
Green Party Policy Paper
The Green Party’s vision is a country where safe, secure, warm, and dry housing is an affordable reality for everyone.

Our Home for Life plan will help New Zealanders get into their own homes by establishing a rent-to-buy programme and by creating new opportunities for community housing providers to play a bigger part in solving the housing crisis.

1 **Progressive ownership**
As a part of a government-build programme, the Green Party will make 10,000 new homes over ten years available to people who can’t afford a deposit or a normal commercial mortgage, through progressive ownership rent-to-buy arrangements. This programme will work alongside any government plan to build more affordable homes. It will provide access to affordable, stable housing and get people out of expensive rentals and into their own homes.

2 **Working with community housing providers**
Community and social housing providers, including iwi, will be able to purchase an additional 5,000 newly built homes from the government through the progressive ownership programme. Community housing providers may choose to use these as emergency housing, rent them out as social housing, or sell them to tenants over time using their own rent-to-buy programmes.

3 **Innovative housing finance**
To enable the community housing sector to scale up and help solve the housing crisis, the government will issue low-interest loans to community housing providers to build new, energy efficient homes. We’ll fund these by supplying long-term partially-guaranteed housing bonds to investors who want to see their money put to use to solve the housing crisis. This will provide investors with safe, socially responsible investment options that help solve the housing crisis.
Aotearoa New Zealand will need another 300,000 homes in the next decade. Auckland alone is already missing at least 40,000 homes, according to the Unitary Plan, and needs 13,000 new homes a year just to keep up with population growth.

Home ownership has fallen to the lowest level since 1951 because houses have become too expensive. By some measurements, New Zealand is the most expensive place to buy a house in the world, relative to income. The average house price in Auckland is more than $1 million, and cities like Hamilton, Tauranga, and Wellington are heading the same way with house prices shooting upwards.

Meanwhile, incomes have been rising much slower. A family earning the average income has no chance of saving a deposit for a house in Auckland and paying rent at the same time. An affordable home is out of reach for far too many people.

It doesn’t have to be like this. Building affordable homes is not just possible, it’s vital.

Any plan to meet this challenge needs to be led by the government, embrace new ideas from the non-government sectors, and allow flexibility.

For much of Aotearoa New Zealand’s history, governments used their low cost of borrowing to finance affordable homes for New Zealanders.

For example, in the 1950s, the State Advances Corporation provided 3 percent interest rate mortgages when commercial rates were over 5 percent and in the 1960s people could capitalise their Family Benefit to pay off their home.

But in the early 1990s the government retreated from this role.

Unaffordable housing is holding Aotearoa New Zealand back, impacting family and community wellbeing. Getting access to affordable homes is crucial to ensuring children thrive and making sure the economy is working for everyone.

It is time for the government to pick up its tools again.

The new Home for Life plan’s rent-to-buy system and housing bonds sit alongside the existing parts of the Green Party’s plan to fix the housing crisis:

- Freeing Housing New Zealand from the requirement to return a dividend, and instead enabling it to invest in building more homes (our Homes Not Cars policy).
- A Warrant of Fitness for all rental homes, to ensure everyone’s home is warm, dry, and safe.
- Changing the Residential Tenancies Act for more transparent rent-setting and greater security of tenure, through longer default lease terms and rights of first refusal for tenants.
- A capital gains tax (excluding the family home) to dampen property speculation and make the tax system fairer.
- Closing loopholes used by property speculators, such as negative gearing and the combined collateral exemption.
- Restricting residential land sales to citizens and permanent residents only.
- Fixing planning rules to rein-in expensive sprawl and build new homes close to where people work, study, and play.
- Updated energy efficiency standards to help reduce power bills and warm up homes, including reinvigorating the home insulation scheme which National has let wither.
Progressive home ownership

The Green Party’s progressive ownership rent-to-buy programme will provide an affordable pathway for families to own their own homes.

It fits alongside any government plan to build affordable homes, such as Labour’s KiwiBuild plan that would see 100,000 new homes built in ten years.

Under the Green Party’s plan, at least 10 percent of these new homes will be available for progressive ownership. People will be able to enter into rent-to-buy agreements with the government for these new homes, saving more than $100 a week compared to a commercial mortgage.

Progressive home owners will pay a low weekly or fortnightly “rent” payment to cover the government’s cost of capital. They will also pay additional weekly or fortnightly payments to purchase equity (shares) in the house.

Over time, with each regular payment, ownership of the houses will transfer from the government to the people who call them home.

Both payments will rise gradually with inflation. The total weekly payment will be no more than 30 percent of the purchasers’ weekly household income. Rates payments will be split fairly between the government and the purchaser, based on the ownership share at the time.

This will provide significant savings to families, compared to the cost of a normal commercial mortgage.

<table>
<thead>
<tr>
<th>Type of home</th>
<th>Purchase price</th>
<th>Normal mortgage with 10% deposit – weekly payment</th>
<th>Home for Life Progressive ownership – weekly payment</th>
<th>Years until full ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland standalone home</td>
<td>$550,000</td>
<td>$605</td>
<td>$450</td>
<td>30</td>
</tr>
<tr>
<td>Auckland terraced home/apartment</td>
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<td>$528</td>
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<tr>
<td>Non-Auckland standalone home</td>
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<tr>
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<td>$350,000</td>
<td>$391</td>
<td>$300</td>
<td>29</td>
</tr>
</tbody>
</table>

Table: Example Home for Life payment plans

Graph: A progressive ownership path to full ownership

(House price $400pw initial payment; inflation-adjusted payments at 2%; Crown borrowing costs 3.6%)
Currently, people who rent are building up someone else’s wealth. Our rent-to-buy programme changes that. Progressive ownership allows people to build up an asset for their retirement, or to sell later and buy a more expensive house with a conventional mortgage.

Eligibility will be limited to individuals who earn less than the median income in their region or households that earn less than the median household income in their region. An asset test will also apply to make sure that the plan is targeting people who genuinely cannot afford to buy a home with a normal commercial mortgage. If demand exceeds supply, progressive ownership houses will be allocated by ballot.

All people in the progressive ownership programme will need to complete a household budgeting course from a provider approved by the Ministry of Social Development. We will ensure budgeting providers are adequately resourced for this. Other social and practical assistance may also be available to help people maintain stable living situations. The progressive ownership programme will be administered by Housing New Zealand.

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**Working with the community housing sector**

The government can and must build homes itself, at a much greater scale than National has done. But the community housing sector has the experience and the tools to play an important role too. Throughout Aotearoa New Zealand, community partnerships, iwi, trusts, and other organisations house thousands of families affordably. We want to see that number grow.

A modified version of the rent-to-buy programme will be available to registered community housing providers. Over ten years, at least 5,000 new houses will be available for community housing providers to purchase using progressive ownership, in addition to the 10,000 for individuals and families.

Community housing providers will provide a deposit or private sector finance to pay for between 30-50 percent of the initial cost of building a new, highly energy efficient home. The government will fund the remaining stake through Housing New Zealand. Over time, community housing providers will buy out the government’s stake with regular payments that rise with inflation.

We are committed to working with different community housing providers and iwi to accommodate their individual situations. Māori are disproportionately affected by the housing crisis, and we will work with iwi to turn this around.

What the community housing providers do with these houses is up to them. Options include using them to provide short-term emergency housing, longer-term social rental housing, or incorporating them into their own rent-to-buy programmes to sell to tenants over time.

This is not designed to transfer existing state homes to the community housing sector. It will apply to new builds only and they must be highly energy efficient, with at least a 6 star Homestar rating or a similar equivalent.6

This is not the only way we will work with the community housing sector but if it works well we would look to scale it up over time. We would also like to explore other shared equity models.
Making property investment productive

At the moment, a lot of housing investment is passive and unproductive. Speculators, including speculators from overseas, buy up existing houses and flick them on for easy profit, sending prices higher and shutting Kiwi families out of the market.

While property investment can be attractive for “mum and dad” investors, being a landlord isn’t always easy. The Green Party will develop new investment products such as housing bonds that transform property speculation into productive investment that is good for the whole country.

As an alternative to becoming private landlords, investors will be able to purchase housing bonds from the government. The money raised through housing bonds will be lent to community housing providers to build affordable homes with.

Our plan would see the government act as a matchmaker between the community housing sector and private sector investors. By issuing housing bonds to investors and low-cost loans to community housing providers, the government can lock in the current low cost of finance for community housing providers over the long term.

These long term housing bonds would be backed by a partial government guarantee, to attract investors by lowering the perceived investment risk. With a capital gains tax on investment properties in place, housing bonds will be an attractive investment option for small and larger investors alike.

Many countries, like the UK, Austria, and Switzerland, have very successful housing bond programmes. In New Zealand, council-backed housing bonds are a feature of the Queenstown market, where they have helped house 25 families since 2011. Australia has been investigating such programmes, and a similar pilot scheme was recently run in Auckland.

We would plan to raise $50 million in the first five years and lend it all to community housing providers, minus modest administration costs. If this is successful, we would look at making the programme permanent and raising much more money.

At a cost of around $450,000 each to build, $50 million would finance at least 100 new homes, or potentially many more if community housing providers can also access normal commercial loans to cover some of their costs.
Housing bonds will be aimed at “mum and dad” investors as well as large institutional investors like Kiwisaver funds and the Super Fund. Overseas investment will be allowed as the investors will not own the houses. The promise of a guaranteed reasonable rate of return and putting money to work to help fix the housing crisis is likely to be popular.

The exact details will be confirmed following consultation with the finance sector. There are likely to be several tranches of bond, each with a different risk and return profile to suit different types of investors.

The outcome is that the government acts as an enabler, connecting the expertise of the community housing sector with keen investors, to help solve the housing crisis. Investors don’t have to become landlords or employ property managers, and tenants get the benefits of experienced institutional landlords from the community housing sector.

This will not be the only form of funding available to the community housing sector, rather it is an innovative new form of funding to complement existing funding sources.

### Cost implications

**Progressive ownership**

The progressive ownership rent-to-buy programme is not a home-building programme so does not carry a cost for building homes. It is designed to work in conjunction with any government build programme, including Labour’s Kiwibuild programme, which has been costed at $2 billion. Government-led building will keep the overall building cost low through economies of scale, and will use efficient building techniques including prefabrication.

We estimate that each home’s rent-to-buy plan can be established for $1,000-2,000 in legal and administration fees. Home-buyers and community housing providers will need to cover this cost upfront.

There is an ongoing cost to the Crown associated with administration and property rates. This will vary over time as more houses are built (increasing the Crown’s cost) and at the same time the Crown’s equity share in individual houses decreases (decreasing the Crown’s cost). We estimate that the annual cost of administration and rates will never be more than $66.75 million, plus inflation.

Progressive ownership will therefore involve more government investment than a build programme in which all houses are sold at market rates, but this will be offset by the creation of financial assets (the Crown’s equity share in the houses, which is initially 100 percent, and the rent-to-buy agreements that are essentially contracts for people to pay the Crown in the future).
Progressive ownership houses will technically be owned by special purpose legal entities, managed by Housing New Zealand. People will be buying fixed value shares in a legal entity, rather than a house itself. This is to avoid the Crown suffering a fiscal loss as the value of the house rises over time but the buyers only pay off the original price.

Progressive ownership will avoid increasing private foreign debt, because it doesn’t rely on commercial bank loans. New Zealand’s gross private foreign debt is currently $235 billion, and the banking sector is responsible for $160 billion of that.  

**Housing bonds**

Housing bond and loan administration will be the responsibility of Housing New Zealand and the Treasury’s Debt Management Office, with costs shared with community housing providers. The Housing Bonds would be administered alongside the government’s existing bond programme, with the funds raised ring-fenced for housing, similar to the ring-fenced earthquake recovery bonds after the Canterbury earthquakes. The exact nature of administration costs will be confirmed following the detailed design of the financial instruments in consultation with the housing and financial sectors.

The housing bond programme may carry a cost on the government’s books relating to the partial guarantee of the bonds. For example, $50 million of fully guaranteed bonds would carry a cost of $50 million plus interest. However, this will be offset by the loans to community housing providers, which will be an asset on the government’s books. The exact value of this asset will depend on if, like with student loans, discounts below commercial interest rates have to be accounted for. The cost would be equivalent to the difference between commercial interest rates and the low interest rate for community housing loans. That will depend on how the Treasury treats this programme.

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1 Based on medium population projections in National Family and Household Projections: 2013 (base) – 2038.


3 Based on Labour’s KiwiBuild programme.

4 Based on ANZ’s standard 18-month fixed term rate of 4.89% at 16 November 2016, using the sorted.org.nz mortgage calculator.

5 Based on the Treasury’s Budget 2016 projected Government Ten Year Bond rate for the year ending June 2018, i.e. after the next election, which is 3.6%, and an annual inflation rate of 2.0% throughout the progressive ownership period.


7 Based on Labour’s KiwiBuild programme.

8 Based on the Treasury’s Budget 2016 projected Government Ten Year Bond rate for the year ending June 2018, i.e. after the next election, which is 3.6%, and an annual inflation rate of 2.0% throughout the progressive ownership period.

9 For example, in Australia the Australian Housing and Urban Research Institute has suggested a mix of fixed-interest, government guaranteed 10-year bonds for institutional investors; fixed term, fixed interest, lower yield, long-term bonds for retail investors; and zero interest bonds that convert a direct grant into a long-term revolving loan, aimed at government investors.

10 Based on Housing New Zealand 2015/16 Annual Report figures that show each property costs just over $2,032 in annual administration costs (cost of delivery per housing unit) and Housing New Zealand pays an average of $2,418 annual rates per property, including water rates where applicable.