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## Changes to Kāinga Ora financing arrangements

The Government has confirmed a financing change for Kāinga Ora – Homes and Communities enabling it to maintain momentum with its build programme as it continues to deliver much-needed housing across Aotearoa.

Minister of Finance Grant Robertson and Housing Minister Megan Woods announced an increase in Kāinga Ora borrowing capacity, and also confirmed all future financing for its build programme and renewal of older public homes will be met by borrowing through New Zealand Debt Management (NZDM), which will on-lend to Kāinga Ora. Kāinga Ora financing for this work has previously been met directly through the debt capital markets.

Centralised borrowing will lower borrowing costs at a whole-of-Crown level. This financing source will enable Kāinga Ora to deliver more housing, renew its older homes, and redevelop land through its large-scale projects, within the same funding envelope. As with other Crown Entities and SOEs, the inclusion of Kāinga Ora in the net debt indicator reflects its closeness to the Crown. Previously Kāinga Ora borrowings had sat outside the Government's net debt measure.

Matthew Needham, Chief Financial Officer, said the decision to switch borrowing recognises Kāinga Ora is delivering housing initiatives that are critical to the Government's aspirations in the housing sector.

“Kāinga Ora is delivering the largest public housing build programme in decades and the largest urban regeneration ever undertaken in New Zealand. We have delivered over 8,370 newly built public and supported houses in the last five years with more housing to come with over 4,800 homes under construction and contracted to be built. We are committed to meeting our housing supply commitments through to mid-2024 as outlined in the Public Housing Plan.” Needham said.

“Kāinga Ora works with our builders, contractors and developers to bring on more housing, and the construction sector, for reasons well canvassed, is experiencing headwinds. The cost of building a new home for Kāinga Ora is up 37% over the past two years. Rising interest rates mean the finance costs for the build programme are also increasing, borrowing to build through the NZDM provides a more sustainable option for Kāinga Ora and the flexibility to access the finance when we need it.”

Since 2018, through its Sustainability Financing Framework, Kāinga Ora has borrowed from debt capital markets. This provided flexibility and provided the ability to access the appropriate level of financing at the right time to deliver more homes at scale and pace and provided cash flow for the land redevelopments of its large-scale projects.

The change in financing arrangements have come into effect, and Cabinet also agreed to an increase in Kāinga Ora borrowing capacity of NZ\$2.75 billion.

Matthew Needham  
Chief Financial Officer