

Report No.	20-13
Decision Required	

INFRASTRUCTURE FINANCING

1. PURPOSE

- 1.1. This report provides members with an overview of urban development-related bills recently being consulted on by Government, and seeks approval of the attached draft submission on the **Infrastructure Funding and Financing Bill (the Infrastructure Bill)** to Parliament's Transport and Infrastructure Select Committee.

2. RECOMMENDATION

It is recommended that Council:

- a. receives the information contained in Report No. 20-13 and Annexes.
- b. approves the draft submission on the Infrastructure Funding and Financing Bill to be provided to Parliament's Transport and Infrastructure Committee.

3. FINANCIAL IMPACT

- 3.1. There is no financial impact as a result of this report. However, the enactment of these bills would have implications for the river management functions undertaken by the Council as urban development progressed in the region.

4. COMMUNITY ENGAGEMENT

- 4.1. Community engagement on both the Infrastructure Funding and Financing Bill and the Urban Development Bill has been undertaken by the Government.

5. SIGNIFICANT BUSINESS RISK IMPACT

- 5.1. There is no significant business risk associated with this report.

6. SIGNIFICANCE

- 6.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

7. BACKGROUND

- 7.1. Alongside the current changes to the **Resource Management Act (the RMA)**, the Government is progressing a suite of changes to fast-track urban development and remove barriers for the establishment of infrastructure associated with urban development.
- 7.2. While these group of bills are largely designed to assist high growth regions such as Auckland and Queenstown, given the current surge in growth across the Horizons region (with new substantial urban development projects being established in the Manawatū, Rangitikei and Whanganui districts, and Palmerston North City), there is likely to be a need

to use the provisions of these bills in the future. This also may allow the region to respond in a more agile manner to the ongoing changes required due to climate change impacts.

- 7.3. The two key bills are the Infrastructure Funding and Financing Bill and the Urban Development Bill; the latter being the second of two related Bills that grant substantive powers to Kainga Ora (formerly Housing New Zealand Corporation, and some additional functions held in the Ministry for Business, Innovation and Employment).
- 7.4. These two Bills are part of a five-phase plan the Government has to design a framework of legislation and non-legislative tools to support the development of high-quality, thriving, and resilient communities. Priorities include ensuring urban land is affordable, improving choices on where people live and the type of home they live in, improving their access to employment, education and services, and reducing emissions. This also includes the Land Transport (NZTA) Amendment Bill that Horizons recently submitted on.
- 7.5. The Infrastructure Bill introduces a new tool for funding infrastructure, by allowing Territorial Authorities (TAs) to form **Special Purpose Vehicles (SPVs)** to develop local infrastructure in an area, and recover these development costs through a special levy (collected alongside rates) within a defined zone (set by the “owner” of the SPV). The SPVs will be able to be in partnership with the private sector, and will not be subject to funding caps (rating caps) imposed by Government. SPVs can be led by TAs, the private sector or both. The Bill also provides for the creation of a “recommender” and a monitor (of the SPV and levy collection). Submissions to Select Committee on the Bill close on 5 March.
8. The Urban Development Bill provides for a wide range of powers to be given to Kainga Ora, that allow them to not be subject to district plan consenting requirements in certain circumstances, and to act as a consenting authority themselves. In addition, they will be able to acquire land under the Public Works Act – but with some strengthened powers around compulsory acquisition. The Bill does not allow Kainga Ora to be exempted from Regional Planning provisions. Horizons did not make a submission on the Urban Development Bill (closed 14 February 2020).

9. DISCUSSION

- 9.1. The provision of new funding tools for infrastructure is an important step for beginning to address some of the constraints (particularly capital) that Councils face when responding to rapid urban development growth within a region. This was highlighted in the recent New Zealand Productivity Commission’s report into Local Government Funding and Financing.
- 9.2. The Bill currently only makes provision for these tools (formation of SPVs and levies) to be available to Territorial Authorities, but not regional councils as of right. While conceivably, regional councils could participate in an SPV in partnership with a territorial authority, we would not be able to receive the same dispensation of these debt vehicles not being “counted” within our overall debt levels under the Local Government Act.
- 9.3. As urban development expands in the region, this has particular implications for our infrastructure planning, and for our 30 year infrastructure strategy. Our limited ability to fund to respond to this growth (for example, ensuring we allocate and plan for effective flood protection that is largely due to increased stormwater management) will be increasingly pressured if territorial authorities are empowered to accelerate urban development. Further, Kainga Ora may also choose to undertake significant development in our region at some stage, which would also increase the need for infrastructure development by the Council.
- 9.4. In order to respond to these pressures effectively, it is our view that regional councils also need to be provided for in the Bill. It should be noted that regional councils are already exempted from being able to charge development contributions under the RMA, and

therefore have a limited range of tools under the Local Government Act (through the charging of special rates). However, any access to tools would need to ensure that it was coordinated between the local territorial authority and the regional council; providing safeguards to residents and intending residents that they were appropriately levied, and not subsidising costs that should be borne across the region given the greater public good benefit.

- 9.5. A diagram giving an overview of the Infrastructure Act is attached as **Annex A**. It should be noted that the Milldale development referenced in the attachment had several distinctly different factors which are not replicated in the Bill. This includes the ownerships of Milldale being held by a single developer, and all residents being agreeable to the levy payments for infrastructure. The draft submission on the Infrastructure Bill is attached as **Annex B**.

10. CONSULTATION

- 10.1. No consultation was required in the preparation of this report. Formal consultation on the Bill is being conducted through the Parliamentary Select Committee process, with public submissions to be considered by the Transport and Infrastructure Committee.

11. TIMELINE / NEXT STEPS

- 11.1. Submissions to Select Committee are due by 5 March, with the aim for Government to pass this Bill before the election period begins in 2020.

12. SIGNIFICANCE

- 12.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

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ANNEXES

- A Infrastructure Funding and Financing Overview
B Draft submission - Infrastructure Funding and Financing Bill