

Attachment E: Housing and Growth Infrastructure

Context

Auckland is growing at a rapid pace, particularly over the last 10 years. Growth between 2021 and 2031 is expected to be 260,000 people. With this growth comes both increased pressure for infrastructure to service new communities, and pressure on the Council's ability to fund the infrastructure.

Infrastructure requirement

Auckland Council has already committed to high levels of growth investment, most notably through major projects such as the CRL, the Central Interceptor, and the Eastern Busway. Discretionary growth infrastructure spend beyond these large scale projects is limited.

Auckland Council has also committed to working with the Crown to unlocking areas within the Auckland Housing Programme (AHP) and the Auckland Council and Crown Joint Work Programme on Auckland Housing and Urban Growth (JWP). For many of these areas detailed assessments have been undertaken which indicate significant additional infrastructure investment. These assessments have provided an insight into the scale of the challenges we may face in other areas.

There are also ongoing pressures from private plan changes, with more than 78 private plan changes notified, lodged, or requested since the moratorium on private plan changes ceased 2 years ago. While these plan changes, if approved, could deliver a substantial amount of new housing they will also require significant infrastructure investment.

Current funding approach

Auckland Council's current financial strategy is to primarily finance this kind of housing-related growth infrastructure through borrowings which are repaid over time from development contributions or Watercare's infrastructure growth charges which are paid by developers as and when they develop their land.

Development contributions are only payable on development. If no development occurs, then no payment is required. Developers can adjust the timing of development and their liability for development contributions to match the market and their cash position. However, this means that the council sometimes has to make major investments in infrastructure with no certainty of when costs will be recovered. The focused approach within this workstream of the development of the 10-year Budget 2021-2031 (LTP) provides a steer for the review of the council's Development Contributions Policy which is now underway.

Council's constrained financing capacity

Even before the disruption from COVID-19 Auckland Council was facing borrowing constraints. Maintaining prudent levels of borrowing is a core tenet of our financial strategy. We define this prudence in terms of the ratio of debt to revenue.

Investment decisions like the City Rail Link and the Central Interceptor will address existing congestion and water quality issues while providing bulk infrastructure for Auckland's growth. Investments such as these, however, mean we expect to be at our debt-to-revenue limits over the short and medium term. Exceeding these limits would not only increase our borrowing costs in the short term but also put an additional cost on future ratepayers in terms of servicing and repayment. Any action to accommodate these costs (such as higher increases in rates or fees) would need to consider factors such as the overall impact of the increases (affordability), the matching of incidence with benefit (fairness), and the spread of the cost over time (intergenerational equity).

Given these constraints we cannot prudently borrow the additional funds required to support all the infrastructure investment required under the current model.

Overview of Housing and Growth Infrastructure workstream

The housing and growth infrastructure workstream in the development of the 10-year Budget 2021 - 2031 has examined the key growth areas across the Auckland Region starting with existing Auckland Council Group priority areas. Information was collated to outline the infrastructure projects required, as well as anticipate housing and employment yield for each area.

As set out in the Consultation Document for the LTP, a focused approach has been recommended to respond to growth infrastructure pressures. This means the focusing both funding and staff resources within these focus areas as a priority. This does not mean that other growth infrastructure projects will stop but there will be more rigour and cross council group agreement and alignment before they proceed.

Consultation options

The consultation document set out three options for addressing this challenge over the long-term plan. These were:

- Status quo – limited funding capacity and scattered and uncoordinated investment
- Focused strategy – no increase to funding levels and targeted investment
- Increased funding – increase to funding and investment levels (pulling funding levers) and targeted investment (bigger response to growth pressures).

Option 1 – Status Quo

Existing housing and growth infrastructure spend is scattered across different development areas. Often it is responsive to private plan change pressures from developers and the Crown. This leads to uncoordinated infrastructure provision

Status Quo would allow for this approach to continue to the degree to which our limited funding envelope will allow. It does not allow for us to target growth funding towards joint work programmes with the Crown (AHP, Auckland Transport Alignment Project and the JWP).

The lack of focus also restricts our ability to use new funding tools like those enabled through the Infrastructure Funding and Financing Act 2020.

Option 2 – Focused Strategy

A focused strategy would involve Auckland Council making deliberate choices around the areas to be supported with infrastructure investment in the long-term plan. This would enable us to clearly communicate where we will support growth infrastructure and, by omission, where we will not.

Within this option finances are still constrained so it will require a prioritisation of project areas and prioritisation within those areas. Criteria can be used to enable this prioritisation in line with the lenses that have been applied to this long-term plan of Recovery/Auckland Plan outcomes, Climate Change, Māori Outcomes and timing in line with the Development Strategy.

A Focused Strategy also provides the opportunity for a more efficient infrastructure investment and better coordination across asset types and with the Crown. It enables a focus on joint programmes with the Crown (the AHP and JWP), supporting areas such as Mangere, Mount Roskill, Northcote, Tāmaki, Oranga, Drury and Redhills. Many of these areas have received funding from the Crown through Housing Infrastructure Fund, Shovel Ready fund and the New Zealand Upgrade programme. It also provides an opportunity to support development around jointly funded and regionally significant projects like the CRL and align with future investment decisions in the Auckland Transport Alignment Project (ATAP).

By focusing our limited capacity growth investment on some select areas it means that some areas will need to slow down or stop. As such, greater scrutiny will be put on areas that are out of sequence and/or are not supported by existing growth infrastructure commitments.

Option 3 – Increased Funding

An Increased Funding option requires the pulling of funding levers to target investment. This will enable a stronger response to growth pressure, but existing funding levers are insufficient to cover the significant cost of the infrastructure across all areas and prioritisation will still be required.

Additional funding will put Auckland Council in a better position when negotiating Infrastructure Funding and Financing Agreements or investigating IFF schemes. It will also enable more benefit by being able to better leverage off Crown investment.

Public feedback

As part of the consultation, no specific question was asked as to whether people supported or did not support the proposed focused approach to providing housing and growth infrastructure. However, views on this issue were specifically sought through the open “What is important to you?” question in the Consultation Document’s feedback form. Around 3000 submission points were recorded against this workstream. As there was no specific question, there are no quantitative metrics around a level of support or otherwise for a focused approach. However, a qualitative assessment of the feedback is provided below:

A focused approach

A small number of people who commented on the council’s proposals relating to housing and growth infrastructure stated support for the focused approach within the Consultation Document. Within this, there was particular support for further growth and intensification along public transport corridors e.g, the City Rail Link. A number of comments stated that the infrastructure needs to be built in advance of the housing.

Need for more infrastructure

Around 40% of the comments related to infrastructure (1223 comments). A significant number of these comments called for more infrastructure across the region, not only in the focused areas. Overall comments recognised the need for improved infrastructure (and additional community facilities) with higher density development i.e. more infrastructure is needed, and it should align with (and come before) growth. A number of submissions mentioned the lack of infrastructure in specific areas such as the West (Huapai and Kumeū featuring strongly), the South and Rodney. There was strong commentary that no more houses should be 'allowed' without the infrastructure in place.

Who should pay?

157 submission comments related to who should pay. Many felt strongly that it should be developers and/or Central Government who should pay, not Auckland Council. Other comments considered that housing and growth infrastructure should be funded by contributions from new developments and rates should only be used for maintenance. Some considered that Auckland Council are allowing too much infill housing without developers paying for the water and sewerage infrastructure.

Brownfield vs greenfield growth

461 comments related to brownfield vs greenfield growth. A number of people commented that Auckland should not be allowed to 'sprawl' and that development should occur within existing urban areas. Comments in support of this were around protecting agricultural land and meeting climate change goals. However, this was countered with concerns around quality of denser housing typologies (see theme below) and the need to improve infrastructure networks to support this growth in existing urban areas.

Growth rates

Around 10% of comments related to Auckland's growth with around half of those comments with a negative sentiment. Some examples were comments that Auckland should stop growing, that growth should be directed elsewhere in the country and that either Auckland Council or Central Government had the power to do this. This was proposed as a solution to housing affordability over increasing supply. Several comments considered growth should stop all together until the infrastructure catches up.

Housing affordability

A strong theme came through the feedback around housing affordability, with around 23% or 677 comments relating to this theme. People are concerned about homelessness (particularly in Auckland's city centre), and about the ability for first home buyers to buy a house in Auckland. Some landlords were also concerned about rising costs and putting these costs onto their tenants.

Several initiatives were suggested such as supporting co-housing, utilising empty houses (a number of people quoted the 30,000 figure of empty houses). Others shared frustrations of not being able to buy a house and that Auckland Council should do whatever it can to enable more housing.

New Information

Work has been ongoing with asset owners to identify capital projects within the focus areas. The growth share of the overall capital programme proposed in the 10-year Budget 2021-2031 is \$8.96

billion. Of this \$2.91 billion is proposed to be allocated into infrastructure investment in focus areas, of which \$475 million is for Drury, \$981 million for the North-west and \$729 for the AHP. This is for infrastructure to support growth only, and does not include renewals. A brief summary of each area is provided below:

Auckland Housing Programme

The Auckland Housing Programme (AHP) areas include Northcote, Oranga, Māngere, Mt Roskill and Tāmaki. Within these areas Kāinga Ora is undertaking a significant redevelopment process to deliver social, affordable, and market housing. Kāinga Ora anticipates that the private sector will also develop within these areas and considers that up to 45,000 dwellings in total could be delivered. Crown investment of \$188 million by way of the shovel-ready programme is underway.

All of the AHP areas were built between the 1940s – 1960s. There are challenges around the site layout and poor existing infrastructure i.e. no stormwater networks in parts of Tamaki and Mt Roskill. Assets in some of the areas are unmapped and assets were not built to accommodate the growth now planned.

For the AHP, the total of \$729 million includes key projects for infrastructure upgrades required for brownfield infrastructure including; stormwater upgrades and integration with the separation programme, transport upgrades and mode shift, park upgrades and improvements, water and wastewater upgrades. (Note: This total is slightly lower than that presented at the 28 April 2021 workshop as we have reduced the Healthy Water's component to growth only.)

North-West

The North-West includes the areas of Red Hills, Whenuapai and Westgate. It has the potential for up to 14,900 homes over 30 years. Factors to consider are the areas of Red Hills that have 'live zoning' i.e. someone can come forward with a resource consent but the infrastructure is still in development. This decision was made by the Independent Hearings Panel through the Auckland Unitary Plan process. There is also an Auckland Council led plan change underway in Whenuapai

The \$981 million of proposed spend includes key projects such as transport upgrades and modal shift, along with water and wastewater trunk supply. It is noted that some of these bulk projects service a much larger area. There is also \$100 million of shovel ready funding for north-west motorway bus improvements and HIF funding for phase 2 of the Northern Interceptor.

Drury

Drury has the potential to deliver 22,000 new homes for up to 60,000 people and between 12,000 – 19,000 new jobs. There are a number of private plan changes underway and fast-track consents being processed. Council staff are working with Treasury and the Ministry of Housing and Urban Development (MHUD) on alternative ways to fund and finance infrastructure.

A total spend of \$475 million is proposed for Drury. This is to deliver key transport upgrade and mode shift projects along with water and wastewater trunk supply. The New Zealand Upgrade programme has proposed \$2.4 billion for infrastructure investment in Drury, which currently includes Mill Road, rail electrification, rail stations, motorway widening and intensification. The NZ Upgrade Programme is a Crown fund and is in addition to the \$475 proposed.

CRL stations

There is a significant redevelopment opportunity, particularly around the Mt Eden station with some preliminary work showing the potential for apartment units, possibly supported by some type of employment that complements the existing area.

Work is underway collaboratively between Kāinga Ora, CRL and Panuku to unlock these locations. It is early on in this work with a focus on foundation outcomes at this stage and local boards have been briefed. Infrastructure upgrades required to support these proposals are still not fully understood and this work is up to 12 months away. As such budget is yet to be allocated.

Other growth projects

The council will also invest an additional \$6.77 billion in other infrastructure capital projects that support growth across the Auckland region. A number of these projects are significant in scale and are already committed and underway. Examples include the Central Interceptor and Eastern Busway. Note this does not include CRL spend.

Feedback from asset owners

In addition to the data received from asset owners within the council group about investment in projects within the focus areas, several complexities to the delivery of infrastructure in a coordinated way were highlighted through discussions. A summary of these points is provided below.

Auckland Transport

At a high level, there is alignment with ATAP and the focus areas. This is also reflected in the draft RLTP. Spending across the focus areas has been identified within larger buckets, and work is continuing to narrow down to a project level and the split of the costs with Kāinga Ora and other developers. Within the Auckland Housing Programme there is a good understanding of the projects required.

Watercare

Water/wastewater bulk infrastructure is a lead infrastructure. When undertaking a bulk infrastructure project growth capacity will be considered. Most bulk infrastructure projects service a large area and can be difficult to track back to specific areas. Within the Auckland Housing Programme, many of the Kāinga Ora projects are funded through Shovel Ready Infrastructure Projects. Watercare do have some projects outside of the focus areas which have other drivers including discharge consent renewals to service existing populations. The impact of these projects on other infrastructure providers needs to be considered.

Community Facilities

There are a number of community facilities projects within areas outside of the focus areas. This reflects community facilities role as a 'lag' infrastructure that may not be required on day one. Renewals are also a significant part of investment for Community Facilities, some of which have a growth component built in, particularly in brownfield redevelopment areas like the Auckland Housing Programme.

Healthy Waters

Healthy Waters take a risk-based approach to investment within existing areas. Where the existing area is mostly impervious options are limited i.e. CRL sites. Where there is significant flooding a network solution is required. Similar to other asset providers, Healthy Waters is feeling the pressure from private plan change requests outside of the focus areas.

Alternative funding

Work with asset owners also identified that even with taking a focused approach, Auckland Council will not be able to fund all the required infrastructure in the focus areas. To address this gap, work is underway with Treasury and MHUD to look at alternative funding and financing through use of the Infrastructure Funding and Financing Act 2020.

The review of Auckland Council's Development Contributions Policy offers an opportunity to look at funding of future projects in these areas, particularly if asset owners can identify projects outside of the 10-year timeframe of the long-term plan.

There are new funding options being announced by Central Government, most recently the Housing Acceleration Fund. The work undertaken on this workstream will put Auckland Council in a good position to bid for further funding once the process and criteria for the fund are announced. This process will sit outside of the 10-year Budget 2021-2031 timeframes.

Summary / Implications

The Housing and Growth Infrastructure workstream in the development of the Long-term Plan 2021 – 2031 has highlighted the strength and importance in naming of focus areas. These focus areas have already influenced decisions on ATAP and show aligned commitment to the joint spatial priority areas with Central Government.

There are implications of taking a focussed approach to housing and growth infrastructure. Through discussions with council group asset owners it is clear that pressures will continue outside of the focus areas and there will be different drivers for different asset owners to undertake projects. By taking a focused approach it forces a discussion across asset owners as to the implications of allowing projects to proceed and each project will need to be discussed and assessed on a case by case basis.

If the council agrees to the focused approach after considering the public feedback then this approach will be reflected within the council's Infrastructure Strategy, in addition to capital spend across the focus areas being identified within the 10-year Budget 2021-2031.

Even with the focused approach, there is still a funding gap within the focus areas, as well as ongoing growth pressures. To plug this gap, work is ongoing on alternative funding and financing options within the focus areas, and more broadly within growth areas. There are also opportunities within the review of the council's Development Contributions Policy.