Drury Metropolitan Centre Fast-track

Auckland Council Specialist Memo

Annexure 1:
Funding and Financing
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11 August 2025

Funding and Financing Memo

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1. INTRODUCTION

1.1 This memorandum provides Auckland Council comments on the infrastructure Funding and Financing aspects of the Drury Metropolitan Centre fast-track approval application (**Application / Development**). It is structured as follows:

(a) Introduction

i. Executive summary

ii. Documents reviewed

(b) Infrastructure requirements

(c) Infrastructure funding and financing gap for this Application

(d) Recommendations

(e) Proposed conditions

(f) **Appendix A**: Infrastructure Funding and Financing tools available to Auckland Council

Qualifications and Experience

1.2 I am an infrastructure financing and funding specialist.

1.3 I am employed as Chief Advisor Growth Infrastructure Funding and Finance within the Policy, Planning & Governance directorate at Council. I have been working in this role for 5 years. I support Council group with expertise in funding and financing aspects for the alignment of significant infrastructure programmes. This is achieved through working with Crown and Crown entities, and other significant stakeholder groups to align strategic infrastructure investment for growth in the Auckland region.

1.4 Prior to my current position, I have held senior global commercial and consulting roles including Commercial Manager for Tāmaki Regeneration focusing on development and its financing and funding (2015 to 2019). I have a Masters in Land Economy from Cambridge University (1991) and have held executive roles focusing on the commercial implications of choices and decisions (1999 to 2004). I have been a Strategic Consultant and Director at PwC (and independently) and have worked with many businesses to achieve successful commercial planning (1994 to 1999, 2004 to 2015). These roles have been predominantly private sector based but have more recently moved into the public sector in both local and central government.

Code of Conduct

1.5 While I am providing this memorandum in a corporate capacity for Auckland Council, I have infrastructure funding and financing qualifications and experience, as outlined above, and to the extent that my advice addresses matters in respect of which I have expertise, I can confirm that I have read the Environment Court Practice Note 2023 – Code of Conduct for Expert Witnesses (**Code**), and have complied with it in the preparation of this memorandum.

Executive Summary

1.6 The Development requires significant infrastructure both within the Drury Metro Centre area and to connect it to the wider urban network. A significant amount of this infrastructure is not funded and is not currently programmed to occur. The Applicant has not provided any explanation of how this significant gap of infrastructure will be funded and aligned with the development. Within limited Council (and Crown) resources, supporting new development is typically a matter of prioritisation of resources.

1.7 There seems to be general agreement that there are a number of very significant transport infrastructure projects that will be needed to support the development in this area, and that these will not be funded by this Applicant alone, e.g. Mill Road Southern and Northern Connections. These projects are multi-billion dollar projects that are unfunded and given the scale of these projects, will be many years away from delivery. It would seem premature to be approving consent for the parts of the Application where there is considerable uncertainty about when the consents could be implemented / given effect to, given the uncertain funding and delivery status of the projects.

1.8 The Application proposes a long 15-year lapse period and links key infrastructure obligations to higher development thresholds, with the infrastructure required to meet those thresholds unfunded or lacking delivery certainty. This may allow significant development capacity to be held without certainty of when it will proceed. From a funding and financing perspective, this can create challenges for Council, including difficulty forecasting Development Contribution revenue and aligning infrastructure investment priorities. Delayed or unpredictable development sequencing may reduce the efficiency of planned infrastructure delivery and pose funding risks across the wider network.

Documents reviewed

1.9 The following documents have been reviewed in preparing this memorandum:

(a) Drury Metro Centre Fast Track Approval Application, Assessment of Environmental Effects and Statutory Analysis.

(b) The following technical assessments:

- Healthy Waters Technical Assessment
- Watercare Technical Assessment
- Auckland Transport Technical Assessment
- Parks and Community Facilities Technical Assessment
- Economics Technical Assessment.

2. INFRASTRUCTURE REQUIREMENTS OF THE APPLICATION

2.1 The Development requires significant infrastructure both within the Drury Metro Centre area and to connect it to the wider urban network.

2.2 The table below provides an indication of the funding status of the required transport infrastructure that I understand is under discussion for inclusions in thresholds / conditions to link land use and infrastructure:

Asset area	What is required	When will this be provided	Funding Status and Timing
Transport	Waihoehoe Road ultimate upgrade	Funded through RoRs. (Delivery underway) and AT IFA with developers(in design)	Funded and estimated completion date available.
	Drury Central Rail Station	Phase 1 funded by central government. Delivery underway. Additional funding will be required to complete the Station, such as for four tracking alignment.	Phase 1 funded and estimated completion date available. Ultimate upgrade unfunded.
	SH1 Six Laning Papakura to Drury	Funded through NZTA. Delivery underway.	Funded and estimated completion date available.
	Direct connection from State Highway 1 to the Drury Centre via a single lane slip lane from SH1 interchange to Creek Road (**Direct Connection**)	Previously Threshold (c) in Trigger Table in I450 of AUP. This connection is referenced in proposed condition 85. However, while a condition exists, delivery remains dependent on sequencing and broader infrastructure funding arrangements. The RLTP and the 30 Year DC Policy do not include this piece of infrastructure. There are no indications that NZTA would	Funding and timing unclear.

Asset area	What is required	When will this be provided	Funding Status and Timing
		plan to provide this Direct Connection. The RLTP and the 30 Year DC Policy assume that this Direct Connection is in place. Funding is not in place to accommodate adverse traffic impacts on other AT roads if this Direct Connection is not in place at the appropriate time. The Integrated Transport Assessment recognises (Table 11) that this is “not programmed”.	
	Drury South Interchange Mill Road Southern Connection Mill Road Northern Connection	Mill Road and Drury South Interchange are multi-billion $ projects. There are various stages of these projects. These are NZTA project. Within NZTA / Crown plans, there is no funding commitment for the Drury South Interchange, Southern and Northern Connections of Mill Road. Projects of the scale of Mill Road and Drury South Interchange, will not occur quickly. Business Cases, funding solutions and commitment, designations and delivery will not be done in months but will take many years. This is a project with uncertainty around when / if it will be delivered. The Integrated Transport Assessment recognises (Table 11) that these projects are “not programmed”.	Unfunded.

Asset area	What is required	When will this be provided	Funding Status and Timing
	Opaheke Northern Link	The 30 year DC policy assumes this will be built in stages, initially as a 2 lane arterial with FTN bus lanes added at a later date. The completion date for the later ultimate layout was 2049 The Integrated Transport Assessment recognises (Table 11) that this is "not programmed".	Indicative delivery dates out to 2049

2.3 The Mill Road Northern and Southern Connections are likely many years away from delivery, given the lack of funding status for these projects. It would seem premature to be approving part of the consent where there is such uncertainty about when aspects of the consents could be implemented / given effect to, given the uncertain funding and delivery status of the projects.

2.4 Infrastructure funding is a scarce resource that Council and Auckland Transport carefully manage through stringent processes. These processes plan and allocate funding based on where growth is expected to occur. This has included 30-year planning of the infrastructure required for Drury, as one of the Investment Priority Areas in Auckland. This has also led to the inclusion of projects planned for delivery beyond the LTP period for the Drury area, to be included in the Contributions Policy. This covers projects that are to be funded by Council and do not include projects to be funded and delivered by the Developer (for example, as assumed the Direct Connection is to be provided), or NZTA projects (such as Mill Road).

2.5 Opaheke Northern Link is included in the Contributions Policy in Year 2049.

2.6 In addition to transport infrastructure, it is also unclear the status of the funding for the required park infrastructure:

Asset area	What is required	Scheduled completion	Who is paying for – is it clear?
Parks	Neighbourhood Park	Unclear how the appropriate neighbourhood park is to be provided.	Unclear. Applicant has proposed a solution that is not supported as being adequate by Auckland Council.

Asset area	What is required	Scheduled completion	Who is paying for – is it clear?
			Unclear how an appropriate solution is funded.
	Civic Space	Unclear how the appropriate civic space is to be provided.	Unclear. Applicant has proposed a solution that is not supported as being adequate by Auckland Council. Unclear how an appropriate solution is funded.

3. URBAN GROWTH, INFRASTRUCTURE AND DEVELOPMENT CONTRIBUTIONS

3.1 Development Contributions (**DCs**) are the Council's main source of funding growth infrastructure. DCs can fund regional and local growth driven infrastructure requirements. DC catchment areas are calculated based on planned infrastructure spending across funding areas and expected growth/demand in each area. DCs are an uncertain revenue stream as they are contingent on when development occurs because the contributions are charged at the time of either resource or building consent. DCs are not only uncertain in terms of timing but also overall collection. Council may not collect all expected revenue if growth does not occur.

3.2 Where Council funds Growth infrastructure, if development does not occur as originally forecast, this can impact the DC to be charged. For example, if Council has already funded infrastructure but development occurs at a slower pace than forecast, then the interest costs associated with the infrastructure is likely to increase, which can lead to a higher DC charge. It can also impact Council's debt levels, which can impact the ability to funding future infrastructure.

4. NEW FUNDING AND FINANCING TOOLS

4.1 The Government has announced new funding and financing tools as part of Going for House Growth, including Development Levies to replace Development Contributions, updates to Targeted Rates, and changes to the Infrastructure Financing and Funding Act. However, these tools remain uncertain and will not be available until at least 2027 at the earliest. Once the new tools are known and legislation enables their use, it will become clearer how they interface with the significant infrastructure projects such as Mill Road.

5. RECOMMENDATIONS

5.1 The recommendations of this memorandum centre around ensuring funding certainty and protecting Auckland's infrastructure program to enable growth in a strategic manner throughout the region.

5.2 An infrastructure financing and funding solution must be aligned with appropriate thresholds and conditions for the development to ensure that the area can deliver the envisaged growth with required infrastructure.

5.3 It would seem premature to be approving consent for the parts of the Application where there is considerable uncertainty about when the consents could be implemented, given the uncertain funding and delivery status of the projects.

5.4 The Application proposes a long 15-year lapse period and links key infrastructure obligations to higher development thresholds, with the infrastructure required to meet those thresholds unfunded or lacking delivery certainty. This may allow significant development capacity to be held without certainty of when it will proceed. From a funding and financing perspective, this can create challenges for Council, including difficulty forecasting Development Contribution revenue and aligning infrastructure investment priorities. Delayed or unpredictable development sequencing may reduce the efficiency of planned infrastructure delivery and pose funding risks across the wider network.

6. PROPOSED CONDITIONS

6.1 While I understand that conditions can be used to link development progression to infrastructure thresholds, many of the infrastructure risks identified in this memorandum — particularly funding certainty, timing, and risk of displacement — relate to broader funding and investment decisions.

6.2 In the absence of a formal infrastructure agreement or funding arrangement between the relevant parties (which may be a more appropriate mechanism, rather than relying solely on consent conditions[1]), then if the Application is approved, any conditions imposed should, at minimum, address the matters raised in:

(a) Council’s planning memorandum prepared by Mr Nakamura; and

(b) the comments by Auckland Transport.

[1] But which I acknowledge is not feasible within the current fast-track timeframes.

APPENDIX A - INFRASTRUCTURE FINANCING AND FUNDING TOOLS AVIALABLE TO AUCKLAND COUNCIL

Defining Financing and Funding

1 Infrastructure ***Financing***: is borrowing used to cover the cash payments for purchasing or building infrastructure. As infrastructure provides benefits over a long period, either to developers as they roll out their developments or to residents through the improved amenity provided, many of the funding sources are received over time and can be appropriate that financing is used to pay for them. This financing can either be equity or debt. Generally, this is debt such as Council Debt, Crown Debt, Developer Debt or Private Finance. Any debt will need to be serviced and repaid later.

2 Infrastructure ***Funding***: is how the investment is finally paid for. Where financing has been used this repays the debt or equity. The table below shows the various ways that different types of debt can be funded:

Debt	Funding of this debt
Council Debt **Watercare Services Ltd Debt**	The sources of funds that can be used to repay the debt include: • Development Contributions (**DCs**) • General Rates • Targeted Rates • Crown Subsidies (where relevant) • Water Rates • Infrastructure Growth Charges
Crown Debt	The main method to repay this debt is through general taxes.
Private Finance	The method that is largely discussed for infrastructure to be financed via Private Finance is through the Infrastructure Funding & Financing Act 2020 (the **IFF Act**). The method to repay this Private Finance is through a levy. The IFF Act was enacted in 2020 and has not yet been used for a greenfields growth area in practice in New Zealand.
Developer Debt	If Developer Debt is used to pay for the infrastructure, this will be repaid in some way by the Developer (for instance, by using profits).

Types of Infrastructure Financing and Funding Tools

3 Set out below is a short summary of different financing and funding tools and some of the nuances and challenges associated with them:

4 Development Contributions (**DCs**)

4.1 DCs are the Council’s main source of funding growth infrastructure.

4.2 DCs can fund regional and local growth driven infrastructure requirements.

4.3 DC catchment areas are calculated based on planned infrastructure spending across funding areas and expected growth/demand in each area.

4.4 DCs can be set at regional and local (or sub-regional) funding areas.

4.5 Revenue flow, in some situations, precedes expenditure, but then continues long after investment.

4.6 DCs can be charged if there is a level of certainty that the projects / infrastructure can be delivered. This requires the projects to be identified in the LTP or Regional Land Transport Plan (**RLTP**) if they are planned in the next 10 years. This ensures there is confidence there is adequate financing for the project, such that the DCs can be collected.

4.7 The Council's DC Policy can be amended through standard 3 yearly review or on an ad hoc basis where projects and budget have been identified. This must address all the legislative tests for applying a DC – including certainty that the project will occur and financing is available.

4.8 DCs can also be included for the longer-term investment plans for the areas identified in the LTP as Investment Priority Areas to match the full costs of infrastructure required (which can take up to 30 years) with the full development anticipated in the area serviced. This is to be implemented by including projects planned for delivery beyond the LTP period in the Contributions Policy. The first update to the policy was implemented for transport, parks and community infrastructure in Drury in April 2023.

4.9 DCs are an uncertain revenue stream as they are contingent on when development occurs because the contributions are charged at the time of either resource or building consent.

4.10 DCs are not only uncertain in terms of timing but also overall collection. Council may not collect all expected revenue if growth does not occur.

4.11 DCs can only fund the growth portion of infrastructure provision (the non-growth portion, such as the renewals and level of service components, must be funded through other means such as General Rates).

4.12 An extensive process of Public Consultation and Decision making is required to confirm the DC Policy.

4.13 It is noted that the policy of the Council is to use DCs for growth related infrastructure provided by the Council, with Financial Contributions only used as set out in Schedule 6 of the Contributions Policy 2022 Variation A. This is discussed in Section 3 of the Contributions Policy 2022 Variation A[2]

5 Targeted Rates (**TRs**)

5.1 TRs can be applied when the Council is able to separately identify the groups of specific properties which benefit from infrastructure or services, or those who cause costs to the community.

5.2 The Council can levy a TR for one or more activities or groups of activities, or in relation to one or more categories of rateable land within the local authority area. It could be levied as an annual uniform charge on all or some rateable properties, or as a one-off payment.

5.3 TRs:

(i) Can be used for additional infrastructure that has not been included in DC funding or instead of DCs
(ii) Can be levied as a one-off payment or over time.
(iii) Can provide the Council with a certain revenue stream.
(iv) May be imposed on properties and people with no intention to develop.

5.4 An Extensive process of Public Consultation and Decision making is required to confirm the targeted rate.

6 Infrastructure Growth Charges (**IGCs**)

6.1 The IGC is a contribution towards the capital investment Watercare Services Ltd has made in Water and Wastewater bulk infrastructure to provide services to new or existing customers who increase their demand on its services.

6.2 Through the IGC, the cost of increasing the capacity of Auckland's bulk infrastructure is paid for by those who increase demand on the system with some resilience for future demand.

6.3 Without the IGC Watercare Services Ltd would need to recover a greater proportion of growth-related capital investment costs through operational charges. This would cost all customers a lot more for their water and wastewater services.

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[2] https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/development-contributions-policy/Documents/development-contributions-policy-2022-variation-a.pdf

6.4 IGCs:

6.4.1 Are generally paid at the time demand is placed on the network, which is typically at the time of construction.

6.4.2 Are set at the same standard charge across IGC areas, of which there are nine.

6.4.3 Only fund bulk infrastructure that is in planned growth areas (treatment plants, large pump stations and transmission pipes).

6.4.4 Do not fund connection pipes from a development area to the nearest bulk network pipe.

7 General Rates

7.1 Are used to fund non-growth infrastructure.

7.2 An extensive process of public consultation and decision making is required to confirm the General Rates as part of the LTP process.

8 Water Rates

8.1 Are used to fund non-growth Water and Wastewater infrastructure.

8.2 An extensive process of public consultation and decision making is required to confirm the Water Rates as part of the LTP process.

9 The Infrastructure Financing & Funding Act 2020 (**IFF Act**)

9.1 The IFF Act provides a financing and funding tool with the ultimate decision-maker being the Crown. The purpose of the IFF Act is to provide a funding and financing model to support the provision of infrastructure for housing and urban development that:[3]

9.1.1 supports the functioning of urban land markets; and

9.1.2 reduces the impact of local authority financing and funding constraints; and

9.1.3 supports community needs; and

[3] Section 3 of the IFF Act.

9.1.4 appropriately allocates the costs of infrastructure.

9.2 Special Purpose Vehicle(s) can be created for projects and enabled by the legislation to raise finance for the infrastructure. This is then funded by the collection of multi-year levies to repay the finance raised. The multi-year levy amount and term as well as who will pay for the infrastructure (the project beneficiaries) would be presented as part of a proposal and eventually agreed by Cabinet, based on the specifics of each funded infrastructure project, and recommended to the Governor-General in Council by the responsible minister. On completion of a specific infrastructure project, the asset would be vested in Council.

9.3 The IFF Act is a widely enabling piece of legislation that can be implemented in many ways. It has not yet been implemented in New Zealand for a greenfield development area. The two successful IFF projects in New Zealand to date have City-wide focus in the existing Wellington and Tauranga areas, and neither are in Greenfield areas. If land is zoned on the assumption that an IFF will be successful, in my view this is likely to be speculative and not without risk given the process involved. As such, there is currently a limited understanding of how to convert the theory in the IFF Act into practice.

10 Crown Infrastructure Partners – unique deal example

10.1 Prior to the enactment of the IFF Act, a bespoke deal was undertaken through Crown Infrastructure Partners (**CIP**) to facilitate urban development at Milldale in North Auckland. This deal at Milldale was unique with one landowner (Fulton Hogan) and limited infrastructure requirements. It used a specific set of agreements and legal structure. For example, Infrastructure Payments are used to repay the financing for five Bulk Housing Infrastructure projects required to facilitate the Milldale Development. A Milldale property owner's obligation to pay the Infrastructure Payment is set out in, and secured by, a registered Encumbrance over the property owner's land. The IFF Act was developed with the learnings from Milldale in mind to provide specific legislation that can be used in a greater number of scenarios.

11 Infrastructure Funding Agreements

11.1 Infrastructure funding agreements are contracts between the Council and private sector (e.g. developers) for the provision of infrastructure by the private party for specific developments to agreed standards. These agreements are a negotiated outcome between a developer and the Council. They set out clear expectations as to delivery of infrastructure, timing, and cost sharing, and can be entered into at any time. These agreements:

11.1.1 Can be difficult and time consuming to negotiate. This is particularly so where there is more than one landowner or developer involved (for example, a collector road requiring upgrades may have many adjoining landowners/developers and not all of those parties will necessarily be willing to enter into an agreement to pay for the upgrades).

11.1.2 May require the Council to be able to finance and fund any share of the infrastructure not covered by the developer.

11.1.3 May not seem fair and equitable in relation to other developments where infrastructure has been provided in other ways such as through DCs.

12 Co-Funding

12.1 For some of the infrastructure that the Council provides, co-funding arrangements are in place. An example of this is for transport where the NZ Transport Agency Waka Kotahi (**NZTA**) provides co-funding for the capital expenditure of transport infrastructure in Auckland alongside the Council.

12.2 NZTA, as part of the development of each National Land Transport Programme (**NLTP**), reviews and sets the Funding Assistance Rate for each local authority. This is in line with requirements under the Land Transport Management Act 2003. This is paid to local government from the National Land Transport Fund (**NLTF**) for local land transport activities that are approved for funding within the NLTP, such as local road maintenance and improvements, public transport services and cycling improvements. This is to recognise there are national and local benefits from investment in the transport network.

12.3 Auckland Transport and NZTA have specific processes and methodologies to agree on funding for projects on an ongoing basis and these processes take time to progress.

13 Additional Strategic Funding

13.1 In addition to co-funding through NZTA, there are other strategic funding packages that Crown provides on a periodic basis. For example:

13.1.1 The New Zealand Upgrade Programme (**NZUP**) – for a limited number of projects (now incorporated into Roads of National Significance and Roads of Regional Significance).

13.1.2 The Housing Acceleration Fund (**HAF**) – focused on very specific areas and criteria.

How the different infrastructure financing and funding tools work together

14 Each tool in isolation has complexity. Bringing the tools together into an overall infrastructure financing and funding solution has further complexity. Each tool needs to be

aligned to create an integrated funding solution. This involves all different parts of the funding and financing toolkit. They all must be aligned in *total quantum* and in *timing*. Equally, an integrated funding solution needs to bring together different processes, stakeholders and decision makers in order to produce a workable result.