

Delmore Fast-Track

25/06/2025 – Auckland Council Response

Annexure 1:

Funding and Financing

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Memorandum – Funding and Financing input: Auckland Council

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Subject: FTA159 – Delmore Fast Track – Auckland Council Application Reference:
BUN60444768

Date: 25 June 2025

1. INTRODUCTION

- 1.1 This memorandum provides Auckland Council comments on the infrastructure Funding and Financing aspects of the Delmore fast-track approval application (**Application / Development**). It is structured as follows:
- (a) Introduction
 - i. Executive summary
 - ii. Documents reviewed
 - (b) Infrastructure requirements
 - (c) Infrastructure financing solution for this Application
 - (d) New funding and financing tools
 - (e) Recommendations

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

Executive Summary

- 1.2 The Delmore fast-track Application represents out-of-sequence growth that would bring forward development by approximately 30 years from existing planned timelines. Auckland Council, Auckland Transport, and Watercare Services Limited have not planned for infrastructure in this area to support the Development proposed by the Application and have not allocated any funding within their current planning horizons.
- 1.3 The Development requires significant infrastructure both within the Delmore area and to connect it to the wider urban network. A significant infrastructure financing and funding gap exists for this Application. Some items have been indicated to be provided by the Applicant. This includes parts of the NOR6 road, various stormwater items, possible walking tracks/lookout, and a temporary wastewater treatment plant. There are no agreements confirming the scope of these proposed works or how ongoing operational expenditure (**Opex**) will be paid. In any event, there is a significant gap between the infrastructure proposed to be funded by the Applicant, and the total infrastructure requirements for the Development. The Applicant has not provided any explanation of how this significant gap of infrastructure will be funded to ensure appropriate development outcomes. Within limited Council resources, supporting new development is typically a matter of prioritisation of resources.
- 1.4 Without a confirmed funding solution, there is a risk that the Development could proceed without the full suite of supporting infrastructure, which may result in adverse impacts, or could face material delays to implementation. Additionally, there is a substantial risk that providing infrastructure for this development could displace planned investment in other areas of Auckland where funding is already in place. This would undermine the strategic and phased approach to infrastructure provision through which Auckland Council, Auckland Transport, and Watercare Services Limited seek to maximise the return on investment of scarce infrastructure funding resources.

Documents reviewed

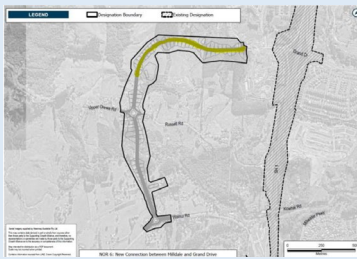
- 1.5 The following documents have been reviewed in preparing this memorandum:
 - (a) Delmore Fast Track Approval Application, Assessment of Environmental Effects and Statutory Analysis – Revision 1, dated 17 February 2025 (AEE)
 - (b) The following technical assessments:
 - Healthy Waters Technical Assessment
 - Watercare Technical Assessment
 - Auckland Transport Technical Assessment
 - Parks and Community Facilities Technical Assessment
 - Economics Technical Assessment
 - Strategic Planning Assessment.

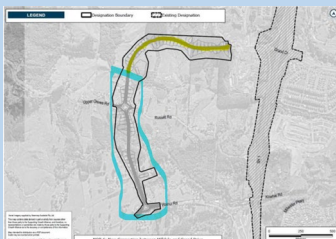
2. INFRASTRUCTURE REQUIREMENTS OF THE APPLICATION

- 2.1 The Development requires significant infrastructure both within the Delmore area and to connect it to the wider urban network. This includes transport networks, water supply, wastewater and stormwater systems, as well as parks and community facilities. Beyond the capital investment needed to build this infrastructure, substantial ongoing operational expenses will be required for maintenance and service delivery.
- 2.2 The scale of infrastructure required extends beyond what would normally be needed for direct effects mitigation. The Development will also trigger cumulative infrastructure needs that arise when multiple developments combine to create demand for additional network capacity. For example, NoR 6 and NoR 10 are key corridors between the Ara Hills and Milldale Developments. While the Applicant proposes to deliver a section of NoR 6 and local roads, including a connection to Upper Orewa Road via Road 17, these roads will not be sufficient to service the cumulative effects of the Development.
- 2.3 The current Long Term Plan makes no provision for either capital or operational expenditure in the Delmore area.
- 2.4 Set out below is the summary of the infrastructure that has been discussed is required both within the Delmore area, and to support its connection to the wider urban area in terms of both capital items and operational expenditure.


Capital Items

- 2.5 The table of Capital Items required draws on information from the Applicant and information from reviewing the technical assessments. It is noted that not all items proposed by the Applicant and in the technical assessments, may be considered acceptable/required by the other party.

Asset area	What is required	Scale	Who is paying for – is it clear?
Transport	27 x Internal local roads JOALs		Assume Applicant
	1 x Arterial Road Section of NOR6 – yellow line 	Applicant's Response to Review of Economic Assessment (dated 30/5/25) notes the cost to the Applicant of the section of the NoR they are to fund = \$10m	Assume Applicant. Applicant states they will provide (finance and fund) but no signed agreement including the scope, design or delivery of what is to be provided. It is also noted that: <ul style="list-style-type: none"> There is a short section of Grand Drive between the Applicant's site and the Huanui Drive intersection which the Applicant will

Asset area	What is required	Scale	Who is paying for – is it clear?
		McKenzie and Co NOR6 Realignment Assessment report notes a cost saving to the Applicant of \$5.5m from the realignment change. It is unclear if the cost to the Applicant of the section of the NoR they are to fund is \$10m less \$5.5m or if the total is \$10m	<p>need to construct. It is unclear if the Applicant is planning to fund this section.</p> <ul style="list-style-type: none"> Until there is funding for the remainder of NoR6, the Arterial road section of NoR6 that the Applicant is indicating they will construct, will then connect via the Applicant's local road network to a rural road <p>Impact: Assume Applicant provided. Scope unclear. No agreement in place. One part only of the required network</p>
	<p>Remainder of NOR6, NOR10, Wainui Rd upgrade, and intersections (blue highlighted) to connect Development to schools, employment, community (on other side of Motorway in Orewa).</p> <p>Note: No assessment undertaken by the Applicant on interim upgrades that could be appropriate.</p> 	<p>P95 Indicative estimate for the remainder of NoR6 that the Applicant is not funding = \$290m</p> <p>P95 Indicative estimate for NoR10 = \$170m</p> <p>Total estimate for remainder of NoR 6 and NoR10 = \$460m</p> <p>The estimates provided are un-escalated numbers. When escalated, these numbers can increase by many times. Land price can increase significantly over time particularly if land is urbanised</p>	<p>Applicant has <u>not</u> indicated commitment to fund.</p> <p>Applicant has not undertaken any work on staged alternatives to full upgrades to deal with demand from their development and connection to Upper Orewa Rd and beyond. In the absence of this the full cost of the upgrade for the remainder of NoR6 and NoR10 are included.</p> <p>No financing/funding in the 2024 to 2034 LTP/RLTP¹.</p> <p>Not planned to be paid for via AC/AT/NZTA until 2050+.</p> <p>Impact: Until 2050+, there would be large sections of a rural road with no footpath/cycleway and not appropriate for buses.</p>

¹ There is no funding for construction of NoR works – the only funding in the 2024 to 2034 LTP/ RLTP is a region wide budget for hardship purchases under the Public Works Act 1981 (PWA).

Asset area	What is required	Scale	Who is paying for – is it clear?
		in some way prior to purchase.	
	<p>the FDS identifies four infrastructure prerequisites which have informed the indicative timing of the future urban zoned land, all of which are expected to be delivered over the long-term:</p> <ul style="list-style-type: none"> • NoR 1 - New Rapid Transit Corridor, including a walking and cycling path; • NoR 2 – New Rapid Transpit Station at Milldale; • NoR 6 - New Connection between Milldale and Grand Drive, Ōrewa; and • NoR 10 - Upgrade to Wainui Road. <p>Note: NoR 2 is dependent on NoR 1 Rapid Transit Corridor Albany to Milldale being completed, which is costed at unescalated P50 of \$1.56bn, and proposed to be completed (in the DBC for route protection) in stage 4, late 2040s</p>	<p>NoR 6 and NoR 10 are costed in the section above.</p> <p>NoR 2 and NoR 1 could be in the \$1billion + range</p>	<ul style="list-style-type: none"> • With the area not planned until 2050+, funding plans for these significant roads/transport corridors are not in place. For information, the SGA Detailed Businesses Cases undertaken by Supporting Growth Alliance, for route protection proposed the following indicative dates for each NoR: <ul style="list-style-type: none"> ○ NoR 2: stage 3, 2040s ○ NoR 6: stage 3, 2040s ○ NoR 10: stage 2, late 2030s early 2040s ○ NoR1: DBC for route protection in stage 4, late 2040s. <p>The FDS has updated timing for the urbanisation of this area since these Business Cases were undertaken.</p> <p>Impact: Until 2050+, there would be no efficient integration into the wider network linking into employment, community, health, schools and other social infrastructure.</p>
Water	As noted in Watercare’s memo Watercare has identified that there are no connections available to	Upgrade of NH2 Watermain and	NH2 Watermain (\$785m) is funded in WSL 2025 to 2034 Budget.

Asset area	What is required	Scale	Who is paying for – is it clear?
	<p>the public water supply network before 2038 (at the earliest). The infrastructure that would be required to be expedited by any infrastructure agreement to enable the Delmore Project is:</p> <ul style="list-style-type: none"> Upgrade of Orewa 3 scheme which is dependent on NH2 watermain <p>Watercare has also noted that funding on its own does not ensure certainty of providing bulk infrastructure earlier than planned. Other matters such as, but not limited to, resourcing, statutory approvals, and construction timeframes constrain the ability to bring forward bulk infrastructure ahead of the planned programme.</p> <p>With no connection to the public water supply network, the alternative is a permanent private water supply servicing scheme.</p>	Orewa 3 Scheme = \$1.2billion	<p>Orewa 3 Scheme (\$400m) has a very limited funding of \$3m confirmed in WSL 2025 to 2034 Budget. There is a funding gap of \$397m.</p> <p>Applicant has <u>not</u> indicated commitment to fund this funding gap. Given the scale, complexity and cost of the bulk infrastructure upgrades required to support development of the Site, an infrastructure funding agreement to support this Application is unlikely to be feasible or beneficial</p> <p>Applicant has not provided any reference to a private water supply service scheme or any commitment to fund such a scheme.</p> <p>Impact: Until 2038+, there would be no water supply scheme unless the applicant finds an alternative solution.</p>
Wastewater	<p>As noted in Watercare's memo Watercare has identified that there are no connections available to the public wastewater network before 2050+. The infrastructure that would be required to be expedited by any infrastructure agreement to enable the Delmore Project is:</p>	<p>Army Bay WWTP Stage 2 Upgrade and Orewa to Stanmore Wastewater Trunk Network Upgrade = \$228 million</p>	<p>Orewa to Stanmore Wastewater Trunk Network Upgrade (\$65m) is funded in WSL 2025 to 2034 Budget.</p> <p>Army Bay WWTP Stage 2 Upgrade (\$163m) has no funding in WSL 2025 to 2034 Budget. There is a funding gap of \$163m.</p> <p>Applicant has <u>not</u> indicated commitment to fund this funding</p>

Asset area	What is required	Scale	Who is paying for – is it clear?
	<ul style="list-style-type: none"> Army Bay WWTP Stage 2 Upgrade Orewa to Stanmore Wastewater Trunk Network Upgrade <p>Watercare has also noted that funding on its own does not ensure certainty of providing bulk infrastructure earlier than planned. Other matters such as, but not limited to, resourcing, statutory approvals, and construction timeframes constrain the ability to bring forward bulk infrastructure ahead of the planned programme.</p> <p>With no connection to the public wastewater network, the alternative is a permanent private wastewater servicing scheme</p>		<p>gap. Given the scale, complexity and cost of the bulk infrastructure upgrades required to support development of the Site, an infrastructure funding agreement to support this Application is unlikely to be feasible or beneficial.</p> <p>Applicant has indicated an alternative temporary wastewater solution. There is no discussion of a permanent wastewater scheme.</p> <p>Impact: Until 2050+ there is no permanent wastewater solution identified.</p>
Stormwater	<p>12 x communal raingardens</p> <p>23 x open space “drainage reserve areas”</p> <p>Associated stormwater assets and land</p>		<p>Assume Applicant. Applicant states they will provide (finance and fund) but no signed agreement including the scope of what is to be provided.</p>
Parks	<p>1 x 2,500m² Neighbourhood Park</p> <p>1 x 3,200m² Neighbourhood Park</p>	<p>As an indicative estimate acquisition and development of two Neighbourhood Parks with key metrics met, = \$10m range</p>	<p>Applicant has <u>not</u> indicated commitment to fund. Applicant notes that proposed vesting to AC – presumably with AC acquiring the land at its cost.</p> <p>It is noted that:</p> <ul style="list-style-type: none"> The two neighbourhood park locations are generally

Asset area	What is required	Scale	Who is paying for – is it clear?
		(dependent on assumptions such as timing, land value and other factors).	<p>acceptable but key metrics are not met</p> <ul style="list-style-type: none"> Acquisition is generally a matter for the local board approval. <p>No financing/funding in the 2024 to 2034 LTP to purchase or develop this park.</p> <p>Not planned to be paid for via AC until 2050+.</p> <p>Impact: Until 2050+, there would be no Neighbourhood Parks unless the parks are provided at the applicant's cost as a private park with suitable key metrics.</p>
	Walking and tracks and lookout points within proximity to the neighbouring Nukumea Scenic Reserve		<p>Assume Applicant: Applicant notes that proposed to be retained in private ownership and managed by the residents' society or potential future ownership by AC or DOC.</p> <p>No signed agreement or legal commitment to this item.</p> <p>Impact: Unclear if this will occur.</p>
Community Facilities	This Application is not of a scale that on its own will trigger the need for a Community Facility such as a library. It will drive the need cumulatively with other growth, for additional community facilities.		<p>Additional Community Facilities are not included in the plans for this specific area and there is no financing/funding in the 2024 to 2034 LTP to purchase or develop Community Facilities such as a library within this area.</p> <p>Impact: Community Facilities would be provided through the wider network of facilities across Auckland which will require people from this area to travel to the facilities. Cumulatively the</p>

Asset area	What is required	Scale	Who is paying for – is it clear?
			growth will drive the need for additional Community Facilities which will require Capex costs.

Services: Opex

- 2.6 The table of Opex Items required draws from information from the Applicant and information from reviewing the technical assessments. It is noted that not all items proposed by the Applicant and in the technical assessments, may be considered acceptable/required by the other party.
- 2.7 It is noted that once new titles are created, rates will be paid. In AC strategic and financial planning, assumptions are made about the additional rates that will be paid as growth occurs. Assumptions are also made about the increased costs associated with this new growth. Rates fund a wide range of services provided by AC such as essential services like rubbish collection, public transport, park maintenance, libraries, water delivery, and environmental protection. Rates also support local events, community facilities, and various infrastructure projects. In the AC strategic and financial planning assumptions, a certain growth projection with certain associated Opex costs are assumed. Different areas do not incur equivalent Opex costs. For example, additional intensification in brownfields areas, generally does not result in large kms of new roads. However, in greenfields areas such as Delmore, many kms of new roads are created with the subsequent increase in renewals, maintenance and depreciation that comes with this. Indications are that greenfields developments may incur more opex to AC/AT than is recovered via rates.

Asset area	What is required	Scale	Who is paying for – is it clear?
Transport	<p>Opex (renewals, maintenance & depreciation) for additional roads stated to be vested in AC/AT</p> <ul style="list-style-type: none"> 27 x Local and/or Collector roads (8km total length) 1 x Arterial road (part of NoR 6 820m in length) 	<p>The renewals & maintenance components of the operating expenses on these roads has been estimated at \$167,000 per year for 5.9km of Local Roads, 2.1km of Collector Road and</p>	<p>No assumption in the 2024 to 2034 LTP/RLTP that Opex would be required for these roads</p> <p>Opex assumed by council from 2050+ when relevant roads are in the Council plans</p> <p>The Applicant has not indicated commitment to fund Opex for these roads for the period between proposed vesting and when in the Council plans.</p> <p>Impact: No plan for how Opex can be paid</p>

Asset area	What is required	Scale	Who is paying for – is it clear?
		820m of arterial Road	
	Opex for Bus Service assumed to exist as part of traffic modelling (unlikely to be funded from local fares)	To provide a basics bus service for the area (every 30 minutes, 6am to 10pm, 7 days) is expected to have a contract cost of \$1.2m per annum. Fares are only likely to cover 20% of the cost.	<p>No assumption in the 2024 to 2034 LTP/RLTP that Opex would be required for this bus service</p> <p>Opex assumed by Council from 2050+ when in the Council plans</p> <p>The Applicant has not indicated commitment to fund Opex for this bus service for the period between when it is required and when it is in the Council plans.</p> <p>Impact: No plan for how the Bus Service can be provided. Assumption of a bus service may need to be removed from traffic modelling, or Applicant to pay for Bus Service</p>
Water	Opex for water supply scheme	Information not available for opex for private water supply scheme.	<p>No opex assumed in the 2025-2034 Budget to support a public water supply scheme to support Delmore.</p> <p>Opex assumed by WSL from 2050+ when in the Council/WSL plans.</p> <p>The Applicant has not indicated commitment to fund Opex for a private water supply scheme.</p> <p>Impact: No plan for how Opex can be paid.</p>
Wastewater	Opex for wastewater scheme	Information not available for opex for private wastewater scheme.	<p>No opex assumed in the 2025-2034 Budget to support a public wastewater scheme to support Delmore.</p> <p>Opex assumed by WSL from 2050+ when in the Council/WSL plans.</p>

Asset area	What is required	Scale	Who is paying for – is it clear?
			<p>The Applicant has indicated willingness to provide Opex for a temporary wastewater scheme. They have not indicated commitment to fund Opex for a permanent wastewater scheme.</p> <p>Impact: No plan for how Opex can be paid on a permanent wastewater scheme.</p>
Stormwater	<p>Opex (renewals, maintenance & depreciation) for stormwater assets stated to be vested in AC:</p> <ul style="list-style-type: none"> • 12 x communal raingardens • 23 x open space “drainage reserve areas” • Associated stormwater assets and land 	Estimate not available at this time.	<p>No assumption in the 2024 to 2034 LTP/RLTP that Opex would be required for the raingardens, open space drainage reserve areas, stormwater assets and associated land.</p> <p>Opex assumed from 2050+ when in the Council plans.</p> <p>The Applicant has not indicated commitment to fund Opex for these stormwater assets for the period between proposed vesting and when in the Council plans.</p> <p>Impact: No plan for how Opex can be paid if vested.</p>
Parks	<p>Opex (renewals, maintenance & depreciation) for Parks:</p> <ul style="list-style-type: none"> • 2 x neighbourhood parks • 1 x walking tracks/lookouts 	Estimate not available at this time.	<p>No assumption in the 2024 to 2034 LTP/RLTP that Opex would be required for the parks / walking tracks.</p> <p>Opex assumed from 2050+ when in the Council plans.</p> <p>The Applicant has not indicated commitment to fund Opex for these park assets for the period between proposed vesting and when in the Council plans.</p> <p>Impact: No plan for how Opex can be paid, if parks vested.</p>

Asset area	What is required	Scale	Who is paying for – is it clear?
Community Facilities	Opex for Community Facilities in the wider Auckland area will need to be covered.		Impact: The community facilities costs are part of a wider Auckland network which this development will be need to pay their share of.

3. INFRASTRUCTURE FUNDING AND FINANCING GAP FOR THIS APPLICATION

- 3.1 As context **Appendix A** provides a summary of Financing & Funding tools available to Auckland Council. This summary explains the functions and limitations of the available tools and the need to bring together an integrated package of tools to provide infrastructure funding and financing solution.
- 3.2 The infrastructure financing gap for this Application exists because the requirements are substantial while no funding mechanisms are currently in place. Council's Long Term Plan and Regional Land Transport Plan do not include any infrastructure for Delmore, as this area was not anticipated for development within the planning period. Even if Council were to seek to change those plans, it lacks sufficient borrowing capacity to finance the required additional infrastructure investment in the short to medium term. There is no agreement with the Applicant regarding infrastructure provision. Some items, have been indicated to be provided by the Applicant. This includes part of the NOR6 road, various stormwater items, possible walking tracks/lookout, and a temporary wastewater treatment plant. There are no agreements confirming scope or how ongoing Opex will be funded. There is a significant gap between the infrastructure proposed by the Applicant to fund, and the total infrastructure requirements for the Development.
- 3.3 The Delmore area, is included as part of the general Contributions Policy for Auckland in that if land is consented, the Applicant would need to pay the Development Contribution appropriate for the identified address. To provide an indication of what this DC would be, the DC Estimator Tool can be used² with various assumptions. An example is shown below showing a DC of \$18,158 per HUE.

² <http://dcestimator.aucklandcouncil.govt.nz/>

88 Upper Orewa Road Upper Orewa
LOT 2 DP 418770

Existing use

For the non-residential vacant allotments: 0 allotment(s).

Proposed development

For the residential vacant allotments: 1 allotment(s), 0 allotment(s) with buildings.

Development contributions estimate

Activity	Proposed HUEs	Existing HUEs	Chargeable HUEs	Rate per HUE	DC Charge (\$ excl GST)
Reserve Acquisitions	1.00000	0.00000	1.00000	2,692.00	2,692.00
Reserve Development	1.00000	0.00000	1.00000	3,776.00	3,776.00
Stormwater	1.00000	0.00000	1.00000	0.00	0.00
Transport	1.00000	0.00000	1.00000	11,058.00	11,058.00
Community Infrastructure	1.00000	0.00000	1.00000	632.00	632.00
TOTAL					\$18,158.00

3.4 This DC is largely based on regional and sub regional items as shown below:

DC Policy 2022 Variation A		
reserve development auckland wide	\$ 3,776	\$ 3,776
reserve acquisition auckland wide	\$ 557	\$ 2,692
sub regional reserve acquisition	\$ 2,135	
community infrastructure auckland wide	\$ 632	\$ 632
stormwater	\$ -	\$ -
transport auckland wide	\$ 3,816	\$11,058
sub regional transport - north	\$ 2,285	
local transport silverdale/dairy flat	\$ 4,957	
	\$ 18,158	\$ 18,158

3.5 The Delmore fast-track Application represents out-of-sequence growth that would bring forward development by approximately 30 years from existing planned timelines. Auckland Council, Auckland Transport, and Watercare Services Limited have not planned for infrastructure in this area to support the development proposed by the Application at this point in time and have not allocated any funding within their current planning horizons or for the long term growth in this area. This compares to the 30 year planning of the infrastructure required for the Investment Priority Areas in Auckland, where a DC has been adopted to support the long term infrastructure requirements. This scale of the DC required in these areas shows the scale of DC to support the infrastructure for a planned area. The average DC price for the 2025/26 year for the two greenfield Investment Priority Areas are³:

- (a) Drury: \$64,000
- (b) Inner North West: \$72,000

³ https://infocouncil.aucklandcouncil.govt.nz/Open/2025/05/20250529_GB_AGN_11286_WEB.htm, Item 13, Paragraph 191

- 3.6 If the infrastructure required to support Delmore were included in Council's planning and DC policy, the development contribution per dwelling would likely be substantially higher, in line with other greenfield investment priority areas. As a simple example, if the DCs were paid on 1,250 Housing Unit Equivalents (**HUEs**) at the current example DC price of \$18,158, the total DC would total \$22.7m. If instead, the DC price for Drury (\$64k) & the Inner North West (\$72k) were used for this greenfield development, then the total DC for 1,250 HUEs would be \$80m to \$90m. This is over three times higher than \$22.7m.
- 3.7 If this Application is granted without a funding solution, Council may need to consider difficult trade-offs, such as reallocating money from other areas in Auckland, which would impact ratepayers through reduced services elsewhere or inadequate provision for other planned growth areas.
- 3.8 Alternatively, Council could decline to accept vested assets / land or simply not provide expected services such as bus routes or parks maintenance.
- 3.9 A further option would be to enter into an agreement with the Applicant for it to cover all of the necessary capital expenditure and operational expenses until the area's originally planned development timeframe of 2050 and beyond. The Applicant has not indicated a willingness to agree to provide this funding.

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 whether they are appropriate for Delmore's infrastructure needs.
- 4.2 These emerging tools focus primarily on capital costs rather than operational expenses. The Fast Track decision must therefore either determine the infrastructure funding likelihood based on currently available tools (which indicates a significant funding gap) or hope that new unknown tools will resolve both capital and operational funding needs, which introduces significant risk.

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.

Ensuring Funding Certainty

- 5.2 An infrastructure financing and funding solution must be fully developed and committed to ensure the area can deliver the envisaged growth with required infrastructure. Without the ability to pay for infrastructure, there is significant risk that the Development will occur ahead of necessary infrastructure or that the Development will stall, resulting in poor urban outcomes. The infrastructure required, including both direct and cumulative effects, needs to be fully scoped and understood across all asset

categories. An infrastructure financing and funding solution must be fully developed and committed to ensure the area can deliver the envisaged growth with required infrastructure.

- 5.3 Given the out-of-sequence nature of this Application and the absence of financing and funding in current plans, greater certainty is required. To provide funding certainty, the developer could enter into legally binding arrangements confirming responsibility for infrastructure delivery and associated operational costs. This commitment should cover construction of new and upgraded infrastructure, with clear agreements about which assets will vest to Council and which will remain private. For vested infrastructure, the Applicant should pay ongoing operating costs, maintenance and depreciation. For privately held infrastructure, agreements must ensure long-term provision with appropriate structures for operation and maintenance, preventing Council from inheriting failing assets by default.

Protecting Auckland's Infrastructure Programme

- 5.4 Infrastructure funding is a scarce resource that Council, Auckland Transport and Watercare carefully manage through stringent processes. These processes plan and allocate funding based on where growth is expected to occur. As this Application represents out-of-sequence development, it must not impact Council's debt profile or other funding commitments, nor result in diversion or delay of planned infrastructure investment elsewhere in Auckland.
- 5.5 This approach aligns with other infrastructure providers' policies. NZTA's Cost Sharing Guidance states that where developers seek to bring forward projects, they bear the full cost unless the agency considers it appropriate to reprioritise. Similarly, Hamilton City Council's Growth Funding Policy requires that unfunded growth projects should not increase Council's expenditure beyond that provided for in the Long Term Plan.

6. PROPOSED CONDITIONS

- 6.1 If the Application is granted, conditions should be imposed requiring certainty of infrastructure financing and funding before the Development proceeds. These conditions should ensure that the Development demonstrates how infrastructure will be paid for and confirms that required infrastructure provision will not displace planned investment in other areas of Auckland. Consideration could be given to conditions or covenants such as requiring private funding and private operational responsibility for infrastructure, and / or deferring development stages until infrastructure is funded and delivered.

APPENDIX A - INFRASTRUCTURE FINANCING AND FUNDING TOOLS AVAILABLE 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	The sources of funds that can be used to repay the debt include: <ul style="list-style-type: none"> • Development Contributions (DCs) • General Rates • Targeted Rates • Crown Subsidies (where relevant)
Watercare Services Ltd Debt	<ul style="list-style-type: none"> • 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 A⁴

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.
- 6.4 IGCs:

⁴ <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/development-contributions-policy/Documents/development-contributions-policy-2022-variation-a.pdf>

- 6.4.1 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:⁵
 - 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
 - 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

⁵ Section 3 of the IFF Act.

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.