



Aide-memoire

Housing Infrastructure Fund: Next Steps			
Date:	31 March 2021	Security level:	In Confidence
Priority:	Medium	Report number:	AMI20/21030489

Information for Minister(s)	
Hon Dr Megan Woods Minister of Housing	

Contact for discussion				
Name	Position	Telephone		1 st contact
Hilary Eade	Kaiaki	04 831 6032	s 9(2)(a)	✓
Joey Shannon	Lead, Infrastructure Fund Policy			

Other agencies consulted

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> See Minister's notes <input type="checkbox"/> Needs change <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) _____

Comments

Date returned to HUD:



Aide-memoire

Housing Infrastructure Fund: Next Steps

For: Hon Dr Megan Woods, Minister of Housing

Date: 31 March 2021

Security level: In Confidence

Priority: Medium

Report number: AMI20/21030489

Purpose

1. This note provides an update on next steps for the design of the Infrastructure Fund.

Background

2. In March 2021, Cabinet agreed that a Housing Acceleration Fund be established [CAB-21-Min-0061 refers].
3. The main component of the Housing Acceleration Fund is an Infrastructure Fund (\$3.75 billion) which aims to unlock land for housing development and directly overcome funding and financing constraints faced by councils and other infrastructure providers.
4. Cabinet agreed that you would report back on the design of the Infrastructure Fund by 30 June 2021. You have directed officials to work towards taking a paper to Cabinet on 24 May 2021.

Design of the Infrastructure Fund

5. There are two broad components to the Infrastructure Fund:
 - a. Funding to enable Kāinga Ora Large Scale Projects
 - b. Funding through a competitive process for other infrastructure to enable other housing development, with a degree of priority provided across our urban growth partnerships, place-based partnerships and public housing plan priority areas.
6. These two components are functionally very distinct, and have different paths advancing their development. For the Large Scale projects, s 9(2)(j)

Design of the competitive process

7. In contrast, for the 'competitive process' it is necessary to first design the process itself working with partners across Government. A well-designed fund is necessary to ensure that funding is targeted at areas of greatest need and opportunity, that it does not displace other investment and that it balances being flexible and pragmatic with meeting high standards for probity and fairness. In designing the fund we are having regard to the following indicative design principles:
 - a. Reflect Government's strategic direction and priorities for housing and urban development
 - b. Coordinated with and complementary to other central and local government investment in land, infrastructure and housing

- c. Targeted locations and cohorts experiencing the greatest housing supply and affordability challenges
 - d. Sufficient competitive pressure on local government to achieve the greatest financial and non-financial commitments
 - e. Transparent, with a clear line of sight between what is being funded and what is delivered as a result
 - f. Financially sustainable, including with respect to ongoing maintenance costs
 - g. Cost and risk exposure proportionate to public benefits, leveraging third party contributions and concessions
 - h. Maintaining high standards for probity and good practice.
8. Kāinga Ora and the Treasury will be our key partners in developing this advice, but we will also engage with the Department of Internal Affairs, the Ministry of Transport, Waka Kotahi, the Infrastructure Commission, Crown Infrastructure Partners and Te Puni Kokiri on the design of the Fund, including learning from recent experience with comparable funds.
9. While we don't propose to consult local Government explicitly on the design of the competitive process, we will use our ongoing engagement through our place-based partnerships to inform settings.
10. At this stage, we anticipate that the Infrastructure Fund will be provisionally allocated across three processes (with flexibility to shift funding between processes as appropriate) focussed on:
- a. **Kāinga Ora Large scale projects** (Auckland Housing Programme and Porirua).
s 9(2)(j)
 - b. **Competitive process (programme based)** – for areas of New Zealand with a more complex set of housing development constraints, greater need, and which are likely to require coordination of central and local government investment from a range of sources, including complementary funds. These areas will require a joined-up programme-based approach to seeking funds working closely with central government officials while maintaining a competitive process.
 - c. **Competitive process (project based)** – for areas where individual investments in infrastructure are sufficient to unlock housing growth and it is more practical to focus on individual projects. This would operate through a more standard open, contestable process.
11. We will provide you with further advice and detail on the proposed approach next week including advice on how we determine which areas are eligible for a programme versus project-based approach. This advice will also provide options for alternative ways of structuring the competitive process component of the infrastructure fund.

Pace and trade offs

12. Under any approach there will be an ability to achieve some relatively quick wins. However, for the bulk of the competitive process funding there will be a trade-off between moving very quickly and achieving the greatest impact from the funding.
13. In particular, a very rapid process will be able to allocate funding that could help unlock some land for housing faster, it will not allow the Government to secure complementary actions from local government to address other barriers, aligning with broader government investment or managing sector capacity constraints. Our experience with the shovel ready projects is that moving at pace has not necessarily had the expected impact.
14. We would like to discuss your expectations about the pace at which funding should be allocated in this context.

Managing stakeholder expectations

15. Ongoing engagement with local government, iwi, developers and housing providers will be critical to maximising the Infrastructure Fund's impact and ensuring that its design is responsive to local needs, barriers and opportunities.
16. Given that the design criteria will not be finalised until May, we will need to strike a careful balance between gathering relevant information to inform the fund's design, ensure key partners in priority locations are well positioned to submit quality applications when the fund opens, and managing expectations and probity.

Key messages

17. To this end, we propose using the following key messages when engaging with external stakeholders (particularly councils):
 - a. The Infrastructure Fund has been established to support a mix of Government and non-government led housing developments.
 - b. Cabinet will be confirming the detailed design of the Infrastructure Fund, including eligibility and assessment criteria, by June. We expect the contestable part of the Infrastructure Fund to be open for applications shortly thereafter.
 - a. We will be looking to prioritise those locations facing the biggest housing supply and affordability challenges, but not exclusively.
 - b. We anticipate being able to move quickly to support compelling applications in places where the housing and infrastructure needs are well understood, and we have established relationships with local government, iwi and others. Other places will take more time.
 - c. The Infrastructure Fund isn't just about increasing the supply of build ready land. We also want to:
 - i. increase the pace, scale and density of housing development
 - ii. increase the proportion of homes that are affordable for low-to-moderate income houses, whether to rent or own
 - iii. support good access to public transport, jobs, education, and amenities
 - d. We are wanting to complement, rather than displace, private (e.g. via the Infrastructure Funding and Financing Act) and local government infrastructure investment.
 - e. The Government also expects local councils to play their part by opening up land and enabling intensification, particularly through implementation of the National Policy Statement on Urban Development.
 - f. We will also be looking to stage the government's investment in a manner that strikes an optimal balance between realising quick wins and providing the sector with a steady stream of work to support investment in plant, machinery and people.

Timeline for advice

18. A May Cabinet paper requires very quick development and iteration of advice with you in respect of design settings. While we can work through many of the critical design choices in the available time, there is likely to be significant outstanding choices that will require delegation from Cabinet or a follow-up paper. Nevertheless, we anticipate that following a May Cabinet Paper you would be able to announce:

- a. The general structure for the competitive process and key features such as:
 - i. who can apply

- ii. which types of activity are eligible to be funded
 - iii. the decision making criteria
- b. How the competitive process differs (if at all) for different regions
 - c. Specific timelines for the competitive process going forward.
19. For the Large Scale Projects, announcements will likely need to align with council decision-making processes, confirmation of funding through the Long Term Plan s 9(2)(j)
20. We propose the following timeline for development of advice working toward Cabinet Committee on the week of 31 May.

Milestone	Date
Initial briefing on options for the overall structure of the competitive process, including the potential role of priority regions in the Fund	8 April
Advice on proposed approach to negotiation with councils on LSPs in the next couple of weeks	8 – 15 April
Officials work on design of key fund settings and engagement with infrastructure agencies	12- 30 April
More detailed advice on key fund settings for the competitive process and the LSP funding, including proposed timing, and identification of issues unable to be settled for May Cabinet paper	22 April
Draft Cabinet Paper covering both components of the Infrastructure Fund	29 April
Feedback, iteration, agency and Ministerial consultation	30 April – 12 May
Cabinet paper lodged	13 May
Cabinet Development Committee	19 May
Cabinet	24 May

Next steps

21. We will provide you with initial advice on the design of the competitive process component of the Infrastructure Fund on 8 April.