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## Housing Infrastructure Fund for North-West greenfield growth area (Redhills)

For decision:  For noting:

Reason for inclusion in closed board meeting session	
1. Please state why this report is being considered in the closed board meeting as opposed to the open board meeting. Please refer to the 'reasons for confidentiality' and provide a direct reference to one of these reasons.	To protect commercial interests. To enable Auckland Transport to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
2. Please provide an estimated date for release of this report.	December 2023.

### Ngā tūtohunga / Recommendations

That the Auckland Transport (AT) Board (board):

- Notes that the drawdown of funding from the Housing Infrastructure Fund (HIF) has previously been approved by the board (in December 2021) for Redhills up to a total value of \$85 million as a joint Government and Auckland Council spatial priority area for growth.
- Notes the initial Infrastructure Funding Agreement (IFA) with developer Hugh Green Group Ltd (HGG) in Redhills has an estimated total cost to AT of [REDACTED] (including construction costs [REDACTED] and HGG land purchases [REDACTED], with term 5.5 years).
- Notes that budget is unlikely to be available for this scheme in the 2023/24 Capital Budget or the following three years in the Joint Transport Plan, noting that this programme sits in Group 3 of the Joint Transport Plan and has zero budget allocated.
- Delegate authority to the Chief Executive to execute necessary Agreements with developers, construction contractors or landowners to deliver arterial corridors at Redhills up to the Housing Infrastructure Fund (HIF) total value of \$85 million if sufficient budget becomes available.

### Te whakarāpopototanga matua / Executive summary

- AT has progressed its first IFA with developer HGG who has the largest land holding and developments planned in the Redhills area. The IFA will allow HGG to progress their staged development and AT to deliver the required arterial corridors adjacent to HGG land; AT is working with other developers, landowners and potentially construction contractors to complete the arterial corridors over time.

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2. The HIF is a Government initiative to accelerate growth projects to support housing in high growth council's where infrastructure funding is constrained. It established a \$1 billion contestable fund, which AT through Auckland Council successfully applied for \$300 million for transport and water infrastructure in the North West Growth Area – specifically \$202 million for transport, which under HIF becomes an interest free loan repaid with repayments commencing 7 years post drawdown.
3. The North West remains a joint Government and Auckland Council Spatial Priority Area for growth in the Auckland Plan and draft Future Development Strategy out for public consultation in June 2023. The board has previously approved the Supporting Growth Alliance (SGA) Indicative Business Case, HIF Detailed Business Case (DBC) and approved the use of \$85 million of HIF funding for Redhills.
4. Developer partnership opportunities to deliver arterial corridors have progressed and the first 'pathfinder' IFA with HGG is expected to be executed in quarter three 2023. AT's contribution to this is [REDACTED] and HGG [REDACTED] (inclusive of land). If the works are not progressed AT would lose this opportunity and need to undertake further upgrade to Fred Taylor Drive at significantly higher cost in the future.
5. There are current funding risks around alignment with the Joint Transport Plan and draft Regional Land Transport Plan, which will become clearer in June. There is also concern over the impact of the HIF drawdown on the future capital programme. This can be managed by limiting AT's exposure (i.e., through reduction of scope) and timing the repayments of the 49 percent local share in year 8-14 following the first claim, with limited impact on ATs overall Waka Kotahi New Zealand Transport Agency (Waka Kotahi) Funding Assistance Rate (FAR) over those years.
6. This report seeks delegation to the Chief Executive to sign/execute applicable agreements under AT Delegated Financial Authority (DFA) 2.4 or 2.7 for Redhills where the contract value is greater than \$20 million or term greater than 5 years. Total expenditure is to remain within the HIF funding cap of \$85 million and will be subject to funding availability within approved budgets.

**Ngā tuhinga ō mua / Previous deliberations**

Date	Report Title	Key Outcomes
September 2021 Design and Delivery Committee (committee)	Use of the Housing Infrastructure Fund mechanism for North-West greenfield growth areas	The committee endorsed the recommendation to approve the drawdown of the HIF for Redhills and progress route protection for Whenuapai as a priority. The committee had concerns over how greenfield growth is funded, developer obligations and whether rates are subsidising these projects. As noted in this report, rates are a small portion of the total share and developers would contribute significantly through mitigation and development contributions.

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December 2021 Board	Use of the Housing Infrastructure Fund mechanism for North-West greenfield growth areas	The board approved drawdown of the HIF for Redhills up to a value of \$85 million. Draw down on the HIF to advance investment in arterial transport corridors in Redhills will support transport outcomes, housing supply and help optimise transport investment through partnership opportunities with developers.
June 2023 Committee	Housing Infrastructure Fund for North West Greenfield Growth Area (Redhills)	The committee discussed the budget cap facing AT under the Joint Transport Plan and RLTP 2024-34, the impact of the front loading agreement on the future capital programme, and the need to understand alternative funding sources and their application in these investment planning processes. The committee accepted the report to the board unchanged noting the requested delegation to the Chief Executive to enter into agreements would be subject to overcoming both the Council capital constraints and AT's related budget cap.

**Te horopaki me te tīaroaro rautaki / Context and strategic alignment**

7. The HIF is a Government initiative to accelerate growth infrastructure projects to accelerate the short and medium-term supply of new housing where it's needed most. It established a \$1 billion contestable fund to enable high growth councils to invest up-front in the required infrastructure to ensure more housing can be built in a timely fashion.
8. Council Group made a successful application to the Ministry of Business and Innovation (MBIE) to access the HIF for a \$300 million investment in transport and three water projects in the North West Growth Area to enable the accelerated development of between 6,200 and 7,771 new dwellings. MBIE approved the DBC in May 2018.
9. Funding of \$202 million was approved by Waka Kotahi in August 2018 for Redhills arterial transport corridors (\$85.2 million) and Trig Road, Whenuapai (\$117.6 million). The board endorsed the HIF DBC in October 2019 and approved P95 amount of \$202 million. Drawdown of the Redhills HIF funding of \$85 million was approved by the board in December 2021.
10. The Waka Kotahi front-loading agreement for the HIF provides for flexibility should AT wish to limit its exposure (i.e., reduce scope rather than claim the full \$85 million drawdown for Redhills), but noting that discussions with Waka Kotahi have implied an expectation to apply the commitment to full delivery. Repayment of the 49 per cent local share can be timed from years 8-14 following the first claim to limit AT's and Auckland Council's repayment / debt exposure and have a net positive impact over this Regional Land Transport Plan (RLTP) / Long Term Plan (LTP) 2021-31 and next RLTP / LTP 2024-34 periods. The majority of the repayment would be in the financial years 2031-2037.
11. The 'pathfinder' approach to Redhills is focused on partnering with developers to deliver the majority of these arterial road corridors as mitigation for housing development. Public investment will be focused on optimising the strategic network to avoid rework, provide future flexibility and minimise AT costs. IFAs are being negotiated with developers for cost-share on the delivery of arterial corridors at Redhills.

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This type of arrangement will become increasingly prevalent across AT’s growth areas and with other partnering agencies such as Kāinga Ora.

12. These projects have been included in the RLTP and Council’s development contributions policy since 2018. The Joint Transport Plan and draft Regional Land Transport Plan are currently being developed and will become clearer in June 2023. While funding will be constrained over the next RLTP period the HIF projects are currently included and are well placed in this prioritisation. Additionally, recent Council policy changes with respect to Development Contributions in Drury may impact and provide additional funding headroom for the North West Area and HIF projects.
13. Investment needed to support the delivery of the strategic transport networks to support growth in Redhills (600 hectares of residential and commercial land) over the next 30 years is significant. This was estimated in October 2019 at [REDACTED] P95 un-escalated and exclusive of developer partnership opportunities and the HIF Funding; future AT investment will be the subject of future board and RLTP approvals.

**Ngā matapakinga me ngā tātaritanga / Discussion and analysis**

14. The first IFA with HGG will be ready for execution in mid-2023 with estimated total cost to AT of [REDACTED].
15. All necessary approvals have previously been obtained from the board to progress the Redhills project with drawdown of HIF funds up to \$85.2 million, with the exception of entering into agreements greater than \$20 million or terms greater than 5 years under DFA’s 2.4 or 2.7. The Delegations Manual requires specific board delegation to the Chief Executive of agreements greater than \$20 million or term greater than 5 years.
16. The first IFA with Developer HGG is in the final stages of negotiation and has a total estimated cost to AT of [REDACTED] (P95 estimate) for Stages A1 - A5 as per table following. The HGG IFA provides good value for money to AT by building once and eliminating rework, obtaining fair developer contribution, minimising AT land take, working in partnership with HGG to maximise each parties’ respective benefits and enabling an accelerated programme.
17. Legal, financial and engineering due diligence is in progress and will be completed on the HGG IFA prior to execution. AT costs are estimated at [REDACTED] including construction costs of [REDACTED] (P95 estimate including escalation, March 2023) for Stages A1 – A5 (see Attachment 1, Slide 6), with land costs of [REDACTED] (estimate October 2022).

**AT Estimates for Redhills Arterials construction and land costs, dated October 2022 (unless otherwise noted)**

Stage	Use of Funds / Description	Developer (construction)	AT value of portion (construction, P95)	AT land costs
A1- A5	Initial IFA with HGG for the upgrade/widening of Fred Taylor Drive and construction of Stage A Dunlop Road	[REDACTED]	[REDACTED]	[REDACTED]

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<b>B</b>	IFA with Universal Homes Ltd “UHL” for the upgrade/widening of Fred Taylor Drive and construction of Stage B Baker Lane (based on SGA and AT QS estimate only, no developer involvement)			
<b>C</b>	Subsequent IFA with HGG for the upgrade of Stage C Dunlop Road			
<b>Total</b>				

18. Total AT costs for stages A, B and C, including construction costs and land are [REDACTED] within the total HIF drawdown approved of \$85 million. This compares favourably to developer estimated construction costs of [REDACTED] (HGG and UHL). The remaining arterial road development (E, D, F, G and further Fred Taylor Drive widening) will require future investment which will be subject to separate board approvals over time as Redhills is developed. See map of stages A – G - Attachment 1, slide 5.
19. Draw down on the HIF to advance investment in arterial transport corridors in Redhills will support transport outcomes, accelerate housing supply and help optimise transport investment through partnership opportunities with developers. If the works with HGG are not progressed at this time, AT will lose the opportunity to “build once” with HGG the final form of the arterial roads and intersections. AT will need to upgrade Fred Taylor Drive and intersections, after HGG constructing a Do Minimum option, at significantly higher cost to AT in the future. AT will lose the benefit of the seven year interest free loan of the HIF and have higher construction costs allowing for construction escalation. There is reputational risk to AT should this not progress with stakeholders including local board, developers and wider communities; their expectation is that AT will progress the transport infrastructure to enable the Redhills intensive housing area.

**Ngā tūraru matua / Key risks and mitigations**

Key risk	Mitigation
Financial – property and construction costs increase.	The original estimates in October 2019 assumed a base cost exclusive of developer agreements and following re-baselining of costs there remains sufficient contingency to deliver in partnership with developers.

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<p>Reputational – stakeholders concern regarding the HIF and expectations around its use and timing.</p>	<p>Progressing Redhills and deciding not to drawdown the HIF for Whenuapai for now does not mean it cannot happen in the future as land use becomes more certain in Whenuapai.</p>
<p>Future funding / payback liability of the HIF drawdown.</p>	<p>Payback of the HIF will be for the 49% local share for 7-years (1-7) following 7-years (8-14) offset period (see paragraph 13 and 14). This will result in a slightly reduced FAR against the total AT capital programme in future years. The impacts of this are relatively small per annum (see table in Financial and resource impacts section below) and is offset by the benefits of proceeding in partnership with developers now.</p>

**Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts**

20. The HIF approved funding of \$202 million is being administered through Waka Kotahi via the National Land Transport Fund (NLTF) and FAR arrangements (see Attachment 1, slides 3 and 4). Waka Kotahi borrows funds from the Crown to front-load AT under a front-loading agreement, thereby not reflecting it as a liability in Council's accounts. The 49% local share is repaid over a 7-year offset period through a reduced FAR against the capital programme which Waka Kotahi will use to pay off their part of the loan. During the offset period, AT will have reduced financial claims on the NLTF.
21. Based on a draw-down period of 7-years, the offset period to Waka Kotahi would commence in FY31. For Council, this would reflect repayment of approximately \$6 million p.a. for Redhills if the full \$85 million was drawn down within this LTP period as opposed to the \$42.5 million assumed under a standard FAR approach (see table below). Council would have a net positive impact in this LTP period but less within the next LTP period. Funding impacts are updated for the development of the 2024 LTP or future LTPs as project funding is committed.
22. AT is required to recognise an asset in line with the spend profile below. Capital budget is unlikely to be available for this scheme in the 2023/24 Capital Budget or the following three years in the Joint Transport Plan, noting that this programme sits in Group 3 of the Joint Transport Plan and has zero budget allocated.

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**HIF Drawdown Option and Repayment for all of the Redhills Programme**

FORECAST (\$ Millions)	CTD	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	TOTAL
<b>POSSIBLE HIF DRAWDOWN FROM FY24</b>			<b>FY24 (1)</b>	<b>FY25 (2)</b>	<b>FY26 (3)</b>	<b>FY27 (4)</b>	<b>FY28 (5)</b>	<b>FY29 (6)</b>	<b>FY30 (7)</b>	<b>TOTAL</b>
			17.0	7.9	4.7	5.7	20.0	20.0	9.7	85.0
<b>POSSIBLE HIF REPAYMENT OF 49% LOCAL SHARE FROM FY32</b>	<b>FY31 (8)</b>	<b>FY32 (9)</b>	<b>FY33 (10)</b>	<b>FY34 (11)</b>	<b>FY35 (12)</b>	<b>FY36 (13)</b>	<b>FY37 (14)</b>			<b>TOTAL</b>
	6.5	6.0	6.0	6.0	6.0	6.0	6.0			42.5

**Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations**

23. Investment in this infrastructure will lead to more direct and efficient connections with an emphasis on mode share, including active modes and public transport access to the future rapid transit network at Westgate. The projects are expected to result in a reduction in carbon dioxide emissions of between 2,630 and 5,360 tonnes over 40 years compared with if this infrastructure was not developed.

**Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, Safety and Wellbeing Considerations**

24. These arterial corridors were part of the SGA programme, which was established to plan and route protect the strategic transport networks and support future urban growth. Vision Zero principles have been applied to the network approach, including sufficient corridor widths to ensure the construction of a safe and compliant design. These principals will be taken forward to the delivery phase.

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## Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

25. Significant stakeholder engagement has been undertaken throughout the SGA IBC and DBC with partners (including mana whenua and Council), key stakeholders, developers, landowners and the public. There is a high level of awareness by elected members and local boards have been very supportive of maintaining momentum in the North West.

## Ā muri ake nei / Next steps



26. Next steps for Redhills include executing the IFAs with HGG, purchasing property and construction activities.

27. Negotiations for the delivery of the remainder of Fred Taylor Drive and Stage B Baker Lane are currently being negotiated with UHL.

## Te whakapiringa / Attachment






Attachment number	Description	
1	North West Housing Infrastructure Fund (HIF) Update	Slide 2 – North West Indicative Strategic Network and HIF projects Slide 3 – HIF Funding Mechanism Slide 4 – AT HIF Frontloading Agreement with Waka Kotahi Slide 5 – Redhills Network Delivery Slide 6 – Initial HGG IFA – Stages A1-A5

## Te pou whenua tuhinga / Document ownership

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