

5 March 2020

Committee Secretariat
Transport and Infrastructure Committee
Parliament Buildings
Wellington

Via email: ti@parliament.govt.nz

Infrastructure Funding & Financing Bill

Thank you for the opportunity to submit regarding the Infrastructure Funding and Financing Bill.

Through our three membership brands, the Wellington Chamber of Commerce, Business Central and ExportNZ, our organisation represents around 3,500 businesses across the central and lower North Island. Our organisation is one of the four regional organisations that make up the Business New Zealand family and is also accredited through the New Zealand Chambers of Commerce network.

The Wellington Chamber of Commerce has been the voice of business in the Wellington region since 1856 and advocates policies that reflect the interests of Wellington's business community and the development of the Wellington economy as a whole. Business Central represents employers and provides employment, health and safety, and human resources advice, and advocates policies that reflect the interest of the business community.

Business Central supports this Bill and the intent behind it to facilitate new housing construction by giving local authorities a new funding and financing tool.

A lack of supply fundamentally causes new Zealand's housing problems. This shortage of stock is causing house prices to become unaffordable, rents to rise, and an escalation in unmet housing demand. There are many local and central government policies required to increase housing supply. Still, this Bill addresses one of them – the ability of councils to fund the required roading, water, and other infrastructure to service new housing developments.

The provision in this Bill to allow councils to create special purpose vehicles ('SPV') is not a silver bullet to solve all infrastructure funding constraints they have. However, it is a worthy addition to their funding options, particularly high-growth councils. We agree with the Minister that SPVs

will "complete rather than replace" a council's standard planning and funding processes. It will assist councils to access private debt finance to get infrastructure built sooner than would otherwise be the case. SPVs also create a direct, transparent link between those paying the contributions and the construction of new infrastructure that benefits those new ratepayers.

Given that the assets built under an SPV arrangement will ultimately vest back to the local council after a set number of years, it is appropriate for that council to be responsible for the ongoing operation and maintenance of the infrastructure. It will also ensure the assets, whether they are roads, wastewater, or other assets, fit within the council's existing networks. This differentiates them from private infrastructure, such as that built through a public-private partnership ('PPP'), which could require the private owner to maintain the asset for the life of the contract.

The case for using SPV with greenfields development is clear. The thorny issue remains whether the public would accept an SPV for a brownfields development, with existing homeowners paying a levy. In principle, we support SPVs for brownfields development; but strongly note the need for political leadership to ensure ratepayers understand the benefits of any new infrastructure built and the reasons for needing to levy existing property owners. How those current property owners then express their approval or disapproval of the proposed infrastructure is still to be decided. Securing a mandate for an SPV is vital; otherwise, it risks alienating support for the whole concept, which is needed to fund greenfields developments.

The set-up and administration of the levy system contained in this Bill is appropriate, and we endorse the ability of councils to use existing rates collection systems. This is the most acceptable method for property owners and utilises well-known legislation.

The ability to levy different land differently is sensible; for example, asking free-standing houses to pay more than apartments as currently occurs at Milldale.

The statutory powers the Bill confers on SPVs through existing Resource Management Act process will aid the efficient and effective construction of infrastructure. We support the ability of an SPV to seek, hold, or receive a designation or to compulsorily acquire land through existing regimes.

The role of the Minister for Urban Development as a check and balance on the process is welcome and will hopefully protect ratepayers.

Our final question relates to cost overruns when building the infrastructure. What happens if there is a blow-out and the infrastructure comes in at a significantly higher cost that cannot be absorbed by the SPV? Section 31(1)(c) states a levy order must, "specify the eligible costs that are to be met by the levy". Is this a specific capped dollar amount, or can a levy order just contain a general description of the costs required to complete construction of the infrastructure? This is manageable for a greenfields development because it means any new homeowners or property owners enter into the contract to pay the levy willingly and with full knowledge of its costs. However, for a brownfields development, imposing a more costly levy than initially consulted on when the project gained approval would be extremely problematic.

Thank you again for the opportunity to submit.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Milford". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John Milford
Chief Executive
Wellington Chamber of Commerce, Business Central