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Item 6: Infrastructure Acceleration Fund: Council-led Expression of Interest

Council



12 August 2021

REPORT R26071

Infrastructure Acceleration Fund: Council-led Expression of Interest

1. Purpose of Report

- 1.1 To approve Nelson City Council's (Council) Expression of Interest (EOI) to the Infrastructure Acceleration Fund (IAF).

2. Summary

- 2.1 Council is committed to creating affordable housing development opportunities within the city centre and, where available, using Council-owned land to enable this. Council has two sites on Achilles Avenue and Rutherford Street which have the potential for housing development. Council is working closely with Kāinga Ora on potential housing development proposals for these sites. Council has agreed to consult on the proposal to dispose of these two sites to Kāinga Ora and the public feedback documents will be coming to Council for approval on 26 August 2021.
- 2.2 Infrastructure upgrades would be required to support this development if it were to proceed. Those upgrades would also provide additional capacity for other residential development within the city centre area (whether or not the Kāinga Ora proposal proceeds). Officers have drafted an EOI seeking financial support from the IAF to help fund that infrastructure to improve housing outcomes within the city centre at a faster rate. Council approval of the EOI is required. The EOI must be submitted by 18 August 2021.
- 2.3 By itself the Kāinga Ora development would provide at least 175 new social and affordable housing units. The infrastructure identified in the EOI would also enable future development of up to 850 additional housing units within the city centre.
- 2.4 Any successful EOIs will be invited to submit a more detailed proposal in October-December 2021, at which point Council will receive further advice on any changes required to its capital works programme and how this is to be delivered.

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3. Recommendation

That the Council

- 1. Receives the report Infrastructure Acceleration Fund: Council-led Expression of Interest (R26071) and its attachments (A2714336, A2716458, A2721398 and A2716315); and**
- 2. Approves Nelson City Council's Expression of Interest to the Infrastructure Acceleration Fund for infrastructure projects to enable residential capacity within the city centre, noting that Council has yet to consult on or make a decision on the sale of 69 to 101 Achilles Avenue and 42 Rutherford Street to Kāinga Ora (A2721398 of Report R26027); and**
- 3. Delegates the Mayor to make any necessary minor editorial amendments to the Expression of Interest prior to submission as detailed in Report R26017; and**
- 4. Notes that a further report will be brought to Council once Kāinga Ora has decided if this Expression of Interest will be invited to respond to a Request for Proposals process detailing:**
 - The required level of Council investment in infrastructure to support the qualifying development; and**
 - Whether or not this funding is included in the Long-Term Plan 2021-31 and which year(s); and**
 - The impact of prioritising any capital projects that support qualifying development on the phasing of other capital projects within the Long-Term Plan 2021-31 work programme; and**
 - The capacity of Council to deliver multiple additional infrastructure projects within the required timeframe; and**
- 5. Agrees that the Report (R26027), attachments (A2714336, A2716458, A2721398 and A2716315) and the decision remain confidential at this time.**

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4. Exclusion of the Public

- 4.1 This report has been placed in the confidential part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:
- Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities
 - Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

5. Background

- 5.1 The Housing Minister, Hon. Dr Megan Woods, announced on 22 June 2021 that at least \$1Billion of grant funding is available for territorial authorities, developers and Māori under the IAF (part of the \$3.8Billion Housing Acceleration Fund). The Minister also provided information about the objectives, eligibility, and evaluation criteria for the IAF.
- 5.2 It is expected that the IAF will receive a large number of EOIs and that the IAF criteria will be strictly applied, meaning that not every EOI will make it to the next round.
- 5.3 The IAF is designed to allocate funding to new or upgraded infrastructure (primarily transport, three waters and flood management infrastructure) that unlocks housing development in the short- to medium-term (with construction by December 2029) and enables a meaningful contribution to housing outcomes in areas of need. Nelson is identified as a tier two urban area, and projects must, therefore, provide a minimum of 100 additional dwellings. In summary, the four eligibility criteria are:
- 5.3.1 Must be for new or upgraded infrastructure;
 - 5.3.2 Wholly or primarily for dwellings;
 - 5.3.3 Minimum 100 additional dwellings (Nelson);
 - 5.3.4 Must be an eligible cost.
- 5.4 The IAF funding is being administered by Kāinga Ora, which has provided further guidance on the process (see Attachment 1). The application process consists of three steps:
- 5.4.1 An EOI to be lodged by 18 August 2021;
 - 5.4.2 Applicants with successful EOIs will receive a Request for Proposals (RFP) seeking more detailed information on their Proposals by October-December 2021;

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- 5.4.3 Applicants with successful Proposals at the RFP stage will then be progressed to negotiation prior to Ministers' final funding decisions by March-October 2022.
- 5.5 Four evaluation criteria have been developed by Kāinga Ora: They are summarised as follows:
 - 5.5.1 **Housing outcomes** (40%): how will the proposal, if delivered, contribute to the housing outcomes that are the purpose of the Infrastructure Acceleration Fund?
 - 5.5.2 **Impact of funding** (20%): how critical is this funding to advancing the infrastructure and housing development?
 - 5.5.3 **Cost and co-funding** (20%): how cost-effective is the Proposal and is everyone paying their fair share?
 - 5.5.4 **Capability and readiness** (20%): if funding is approved, how certain is it that the project will advance, and at what pace?
- 5.6 Kāinga Ora will also take account of the following broader considerations:
 - 5.6.1 Greenfield/brownfield developments;
 - 5.6.2 Timing of housing delivery;
 - 5.6.3 Construction sector capacity;
 - 5.6.4 Capacity of the fund; and
 - 5.6.5 Regional spread of funding allocation.
- 5.7 Kāinga Ora also provided an addendum on 26 July 2021 noting:
 - 5.7.1 No extension to the deadline;
 - 5.7.2 That all "internal development infrastructure" is not considered enabling infrastructure and is therefore not eligible for funding under the IAF; and
 - 5.7.3 That affordable housing is preferred over social housing.
- 5.8 Applicants must submit a separate EOI for each specific housing development.

6. Discussion

- 6.1 Council received the confidential report "Kāinga Ora Housing Developments" (R25874) on 1 July 2021. The report sets out an expression of interest from Kāinga Ora to purchase 69 to 101 Achilles Avenue and 42 Rutherford Street for social and affordable housing development. Section 6.23 of that report notes:

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Any development of the Achilles Avenue and Rutherford Street sites for intensive housing will need to be supported by a capacity upgrade for water and wastewater. Intensive living in the city centre also needs to be supported by public open space and amenity upgrades. It is noted that Kāinga Ora are exempt from paying development contributions. Subject to confirmation of funding criteria, initial proposed priorities for the fund may include:

- *Bridge Street Linear Park if adopted as part of Te Ara o Whakatu*
- *City Centre Ring Road Water Main upgrade*
- *Localised wastewater pipeline upgrades and possible pump station upgrades*

- 6.2 The full Council resolution from that report is attached for information (Attachment 2). Relevant extracts include:

That the Council:

Agrees to consult on a proposal for the sale of 69 to 101 Achilles Avenue to Kāinga Ora for a social and affordable housing development, subject to confirmation of any Public Works Act offer back obligations; and

Agrees to consult on a proposal for the sale of 42 Rutherford Street to Kāinga Ora for a social and affordable housing development, subject to confirmation of any Public Works Act offer back obligations; and

Notes that officers will bring back to the 12 August 2021 Council meeting draft expressions of interest to the Infrastructure Acceleration Fund to confirm Council support; and

- 6.3 Council has been working on an EOI from Kāinga Ora for it to purchase and develop housing on Council-owned land on Achilles Avenue and Rutherford Street. Officers believe that the infrastructure required to support this proposal, if it proceeds, is a good fit with the IAF, and Council is asked to approve the Council-led EOI (Attachment 3). In summary:

- 6.3.1 The proposal identifies that housing developments on the two Council sites combined may enable approximately 175 new housing units (a conservative estimate), comprised of a mix of social and affordable housing, through a developer such as Kāinga Ora;
- 6.3.2 Investment in the following infrastructure is required to service the Kāinga Ora development (refer Attachment 4):

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- City centre (potable) water supply upgrade – construction of a water supply ring main from the trunk main on Bridge Street near Tasman Street along Bridge Street, Rutherford Street, Halifax Street and Collingwood Street; and
- City centre stormwater upgrade – construction of a new stormwater main along Bridge Street and associated green infrastructure, and a new flood gate for the Halifax Street stormwater outfall into Saltwater Creek;
- City centre wastewater upgrade – Pump Station Upgrade on Paru Paru Road and renewal/upgrade on Rutherford Street, Achilles Avenue and Bridge Street wastewater infrastructure;
- Linear Active Transport Corridor – a corridor to enable residents to safely access the city centre east to west, offering access to high-quality, well-maintained green public spaces is proven to improve our physical and mental health by encouraging higher levels of walking and cycling, along with increased passive activity and sociability.

6.4 The total cost (all figures uninflated) of the infrastructure, as part of this EOI, is approximately \$62 million, of which approximately \$29.4 million is currently provided for within the Long Term Plan (LTP) as detailed below:

- Transport/CBD development – total cost \$27.5 million of which approximately \$8 million is included in the LTP over years 2023 to 2026;
- Water – total cost \$7.3 million, of which approximately \$6.1 million is included in the LTP, over years 2026 to 2030;
- Wastewater – total cost of \$22.7 million, of which approximately \$14.9 million is included in the LTP, over years 2024 to 2031; and
- Stormwater/Flood Protection – total cost of \$4.5 million, of which approximately \$400,000 is included in the LTP over years 2024 to 2026.

6.5 An amount of approximately \$32.6 million is being applied for as part of the Council's EOI to the IAF – this being the shortfall between the cost estimate and what's currently in the LTP.

6.6 However, by submitting this EOI, Council will need to consider re-phasing some of this work in order to meet the IAF timelines (construction completed by 2029). Should Council's EOI be approved, Council will be invited to submit a fuller proposal (current timeline: October-December 2021). Officers will bring a further report to Council at that time with further analysis of the impacts on the LTP work programme and delivery thereof.

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- 6.7 The infrastructure covered by the EOI would support this project if it proceeds. It would also however provide additional capacity for other residential development within the city centre area, whether or not the Kāinga Ora proposal proceeds. As well as providing capacity for at least 175 new social and affordable housing units as contemplated by the Kāinga Ora proposal, it would also support future development of up to 850 additional housing units within the central city over the longer term. To realise this additional housing capacity, additional works on Council's Infrastructure (water and sewer) estimated at \$2 million will be required. This is not part of this EOI to Kāinga Ora.

7. Options

- 7.1 Council is presented with two options with respect to its own EOI – approve or not approve. Officers support option 1 approve the draft EOI, without modification and acknowledging that Council has yet to seek and consider the views of the community on the proposal to sell 69 to 101 Achilles Avenue and 42 Rutherford Street to Kāinga Ora and that following any decision to sell, sale and purchase negotiations with Kāinga Ora would occur. By the time RFPs are requested for the successful EOIs, Council would have made a decision on whether to divest the land or not.

Option 1: Approve the draft EOI – Recommended option	
Advantages	<ul style="list-style-type: none">• Consistent with previous Council decisions• Consistent with Council priorities in relation to housing affordability, infrastructure and partnership working with central government• Brings central government funding into the city to assist with infrastructure development• The infrastructure provided will enable future central city residential development at a faster pace. It will also contribute to the City Centre Programme Plan key moves
Risks and Disadvantages	<ul style="list-style-type: none">• Council is yet to seek community views and make a final decision on the Kāinga Ora proposal• If the EOI is successful, further work will be required in October-December 2021 to prepare a more detailed response to the next stage RFP. This will impact on the workload of key staff and ability to deliver this year's capital work programme.• If the RFP is successful, Council will potentially need to amend its LTP to reflect changes in the phasing of proposed infrastructure to align with the 2024-2029

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	deadline. This may mean that other infrastructure projects have to be deferred
Option 2: Decline the draft EOI	
Advantages	<ul style="list-style-type: none">• No immediate impact on Council's LTP programme
Risks and Disadvantages	<ul style="list-style-type: none">• Lost opportunity to fund infrastructure that will provide significant benefits to the central city infrastructure and development potential• Council will not receive central government funding for infrastructure upgrades that Council is planning to do in the future

8. Conclusion

- 8.1 The timeline for responding to the IAF has been limited and officers have focused on developing an EOI that provides the infrastructure to support not only the Council-led affordable housing development (in partnership with Kāinga Ora for two Council sites) if it proceeds, but also to unlock further development and intensification in the city centre generally that will deliver significant benefits to Nelson.

9. Next Steps

- 9.1 Kāinga Ora will assess each EOI and invite successful applicants to respond to a detailed RFP process (October-December 2021).
- 9.2 Officers will report to Council on this application and provide Council with information on the impacts of those projects on Council's capital works programme as set out in the LTP.
- 9.3 Officers will identify what additional resource is required to develop detailed proposals, and the implication for the current year's work programme.
- 9.4 Kāinga Ora will negotiate with Council (and developers) for funding and delivery of any proposals that are approved. At that stage Council may have to consult on changes to its LTP if significant changes are required to its capital works programme.

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Attachments

- Attachment 1: A2714336 - Infrastructure Acceleration Fund EOI Addendum 1 - 26 July 2021 [↓](#)
- Attachment 2: A2716458 - Council Confidential Resolution 01July2021 [↓](#)
- Attachment 3: A2721398 - NCC IAF EOI [↓](#)
- Attachment 4: A2716315 - EOI Application - IAF Services Plan [↓](#)

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Important considerations for decision making
1. Fit with purpose of Local Government <p>The Government has specifically asked territorial authorities to participate in this EOI process. Affordable housing development supported by good quality local infrastructure promotes social, economic, and environmental wellbeing.</p>
2. Consistency with community outcomes and Council policy <p>The recommendations in this report fit with the following community outcomes:</p> <ul style="list-style-type: none">• Our urban and rural environments are people friendly, well planned and sustainably managed• Our infrastructure is efficient, cost effective and meets current and future needs• Our communities are healthy, safe, and resilient• Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement
3. Risk <p>The IAF process is a two-stage process and there is no guarantee that any EOI submitted by Council will be successful. There will be additional officer time required if this EOI is successful in moving to the second stage RFP. This could impact on Council's wider work programme for this financial year, particularly for the City Development Team and Council's Infrastructure Asset Managers and Capital Projects team.</p>
4. Financial impact <p>This EOI has a requirement for infrastructure to be provided by Council to support the development objectives. For some work, budget has been provided in the LTP. If the application is successful, Council may have to re-prioritise and re-phase its infrastructural programme over the next 5-10 years. Further analysis of these impacts will need to be undertaken for the next phase.</p> <p>There are significant positive financial impacts if Council is successful in attracting central government funding for its infrastructure programme</p>
5. Degree of significance and level of engagement <p>This matter is of low significance to the community given the stage in the process. This decision is in line with Council's LTP priorities of housing intensification and affordability, using Council land and partnering with</p>

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government including Kāinga Ora to bring housing supply to the market in Nelson. Council has already agreed to consult further on the Kāinga Ora development. Further consultation may be required if any of the other projects proceed to the RFP stage, depending on the level of investment in infrastructure that is required from Council.

6. Climate impact

Climate change impact will need to be considered during the design phase of any development that progresses. For this EOI sustainability and climate resilience have been included in the design outcomes sought by Council. Council will work with Kāinga Ora in determining design options that address climate change impact in the development of their concept plans

7. Inclusion of Māori in the decision-making process

Māori have not been involved in preparing this report.

8. Delegations

This matter is a cross-committee matter as it falls within the delegations of both the Infrastructure Committee, and the Urban Development Subcommittee and is therefore a matter for Council.