Date: Tuesday 18 September 2018
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Komiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS UNDER SEPARATE COVER

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TABLE OF CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Finance and Performance Committee - Information Report - 18 September 2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. 5 September 2018 – Letter from Mayor Phil Goff to Auckland Transport relating to the Final Statement of Intent for 2018-2021</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>B. 10 September 2018 – Workshop – Development Contributions</td>
<td>7</td>
</tr>
</tbody>
</table>

Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
5 September 2018

Dr Lester Levy
Chair
Auckland Transport

BY EMAIL

Tēnā koe Lester


Thank you for providing the Auckland Transport final Statement of Intent for 2018-2021 (SOI). This document was approved by Finance and Performance Committee (the Committee) on 21 August 2018.

The committee noted the substantial uncertainty that Auckland Transport was dealing with during the period of preparing the SOI, in particular that key plans and documents such as the Auckland Transport Alignment Project, Auckland Regional Land Transport Plan, Auckland Plan and the Long-term Plan were being worked on concurrently. These circumstances have made the preparation of the SOI challenging.

Under the Local Government Act a board may, by written notice to the shareholder, modify a statement of intent at any time. We would suggest consideration of the following matters.

1. **Road safety improvements**
   Road safety is a key priority for Auckland Transport which is clearly signalled in other public documents and statements. Its level of emphasis in the SOI could be elevated to improve consistency, including a review of related performance targets.

2. **Climate change**
   My letter of 16 February 2018 referred to climate change and the implications for Auckland Transport’s planning and operational processes in terms of working to reduce the transport system’s environmental impact. Content relating to climate change could be strengthened. Further, Council welcomes the opportunity to work with Auckland Transport to develop an evidence-based benchmark for future carbon emission reductions.

3. **Placemaking**
   Reference to the Letter of Expectations’ instruction to collaborate with Panuku Development Auckland in the identification of non-strategic assets for redevelopment or disposal could be strengthened.

4. **Relevant council committee resolutions**
   There have been resolutions of Auckland Council committees, such as the Planning Committee meeting of 4 September, which should be incorporated into any updated SOI.
Future performance monitoring

When reviewing the final SOI, the Committee noted Auckland Transport’s commitment to work collaboratively with Auckland Council during 2018/19 on future methods to monitor, measure and report performance on:

- arterial productivity
- journey time improvement for rail
- sustainable mode share from travel planning programmes
- rollout of new and improved bus and transit lanes
- uptake and promotion of public transport
- city centre walking plan
- New Zealand Transport Agency co-funding levels.

I confirm that Auckland Council is looking forward to working with Auckland Transport on these issues and receiving updates on progress through quarterly reporting.

Other matters

Councillors raised a number of other matters related to Auckland Transport at the committee meeting. These are likely to be raised at appropriate opportunities over the next few months, and are worth noting for referencing during your first quarterly update:

- Emphasising the strategic priority of the AMETI Eastern Busway
- Thinking to date on the role of the transport system in reducing our environmental impact and particular focus on Auckland Transport’s responsibilities in this space
- Opportunities to reduce stormwater generation and alleviate sediment/heavy metals/waste impacts on receiving environments, including methods to measure impact of these over time
- Providing updates on collaborative work with council’s Resource Consenting department
- Clarity of the regional ferry strategy, specifically when it will be confirmed and implemented
- Clarity of confirmation and implementation of the regional freight strategy
- How our newly adopted ‘age friendly city’ affects its relationship to safety, especially public transport transfers and end of journey safety
- Concern over the need to review the Roads and Streets Framework and the perceived risk this has of diluting effectiveness
- The development of an open streets events programme in conjunction with council parent
- Update on the rail station gating programme
- How engagement with stakeholders will be improved, with consideration given to lessons that have been learnt during previous projects
- Plans to increase the target of paid parking zones from four centres, and review of the 2015 Parking Strategy to consider whether it remains fit for purpose following the change in focus over the last three years
- Three month review of central bus network routes and times
- Further discussion on options, budget impacts and tradeoffs (if any) in relation to the above matters.
Thank you again for your contribution to the Auckland Council group, and we look forward to working with you through the coming year in achieving our common goals.

Yours sincerely

Phil Goff
MAYOR OF AUCKLAND

Councillor Desley Simpson
ACTING CHAIR
FINANCE AND PERFORMANCE COMMITTEE
Minutes of the workshop of the Finance and Performance Committee held on Monday, 10 September at 2.00pm in Meeting Room 1, Level 26, 135 Albert Street, Auckland.

Attendees

Deputy Chairperson
Cr Desley Simpson, JP, presiding

Members
Cr Josephine Bartley
Cr Dr Cathy Casey
Deputy Mayor Bill Cashmore
Cr Chris Darby
Cr Hon Christine Fletcher, QSO
Cr Penny Hulse
Cr Daniel Newman, JP
Cr Greg Sayers
Cr Sharon Stewart, QSM
Cr Sir John Walker, KNZM, CBE
Cr Wayne Walker
Cr John Watson

From 2.09pm
From 2.06pm, until 3.45pm
From 2.13pm, until 3.37pm
From 2.06pm
From 2.02pm
From 2.02pm
From 2.27pm
From 2.06pm, until 3.23pm
From 2.04pm

Apologies

Chairperson
Cr Ross Clow

Members
Cr Fa’anana Efeso Collins
Cr Linda Cooper, JP
Cr Alf Filipaina

Leave of absence

Absent

Members
Mayor Hon Phil Goff, JP
Cr Richard Hills
IMSB Member Terrence Hohneck
Cr Mike Lee
IMSB Chair David Taipari
• **Purpose:** The purpose of the workshop is to discuss the new Development Contribution Policy and direction.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apologies</td>
</tr>
<tr>
<td></td>
<td>Cr E Collins, Cr L Cooper and Cr A Filipaina (for absence); Cr W Walker (for lateness); and Cr R Clow (for leave of absence).</td>
</tr>
<tr>
<td>2</td>
<td>Declaration of interest</td>
</tr>
<tr>
<td></td>
<td>There were no declarations of interest.</td>
</tr>
<tr>
<td>3</td>
<td>Introduction to development contributions</td>
</tr>
<tr>
<td></td>
<td>Andrew Duncan and Ross Tucker gave a PowerPoint presentation on an introduction to development contributions, the proposed timeline and policy issues. A copy of the PowerPoint presentation is attached to these minutes.</td>
</tr>
<tr>
<td></td>
<td>2.02pm Cr G Sayers entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.02pm Cr S Stewart entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.04pm Cr J Watson entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.06pm Cr D Newman entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.06pm Cr C Fletcher entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.09pm Cr W Walker entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.13pm Cr J Bartley entered the meeting</td>
</tr>
<tr>
<td></td>
<td>2.27pm Cr P Hulse entered the meeting</td>
</tr>
<tr>
<td></td>
<td>3.23pm Cr W Walker retired from the meeting</td>
</tr>
<tr>
<td></td>
<td>3.37pm Cr P Hulse retired from the meeting</td>
</tr>
<tr>
<td></td>
<td>3.45pm Cr C Fletcher retired from the meeting</td>
</tr>
</tbody>
</table>

The workshop ended at 3.50pm.
Development Contributions
Finance and Performance Committee
10 September 2018
Purpose and agenda

Purpose
To provide an update on key contributions policy issues

Agenda
1. Context: growth, capital programme and legislation
2. Policy issues
   - Payment timing
   - Demand factors review
   - Waivers and remissions
3. Proposed timeline and consultation approach
Strategic context

- Delivering housing development means working closer with developers
- Policy is an opportunity to set out how we determine:
  - the infrastructure we will build and finance
  - infrastructure developers need to build and finance
  - how infrastructure will ultimately be paid for
- Opportunity for us to better integrate our planning and funding
The role of development contributions

What do we finance and what do developers finance?

- **Regional infrastructure**: Council build and finance. All developments pay a share on the same basis across the region.

- **Local infrastructure**: Council build and finance. Developments pay different amounts in different areas.

- **Developer infrastructure**: Developers build and finance.
Greenfields/30 year view

FULSS - $150k per house for greenfields development
- Investments not in council or government budgets
- Council working with government on costs, financing and funding issues
  - Auckland Development Plan
  - Infrastructure Investment Implementation Plan

Not practical to include in contributions policy now
- requires cost and deliver certainty
- even if DC price rises, council constrained by debt limits
- council and government exploring other financing and funding models (e.g. HIF and CIP)
Contributions Policy 2018 - Capex

- **$26b** Total capital investment

  - LTP (reflecting RLTP and ATAP)

  - $7.2b Growth related CAPEX

  - Level of Service CAPEX

  - Renewal CAPEX

  - $2.9b DC Revenue

  - NZTA funding

  - RFT

  - Funded beyond LTP

  - Borrow

  - Spend

  - DCs collected as growth occurs

### Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>2018 DC</th>
<th>2015a DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>$1.1b</td>
<td>$725m</td>
</tr>
<tr>
<td>Storm water</td>
<td>$530m</td>
<td>$545m</td>
</tr>
<tr>
<td>Parks and community infrastructure</td>
<td>$1.3b</td>
<td>$956m</td>
</tr>
<tr>
<td>Total</td>
<td>$2.9b</td>
<td>$2.26b</td>
</tr>
</tbody>
</table>
## Distribution of growth capex (indicative)

<table>
<thead>
<tr>
<th>Area</th>
<th>Transport</th>
<th>Stormwater</th>
<th>Parks &amp; Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,100m</td>
<td>$530m</td>
<td>$1,300m</td>
</tr>
<tr>
<td>Regional</td>
<td>$780m</td>
<td></td>
<td>$420m</td>
</tr>
<tr>
<td>Sub-regional</td>
<td>$250m</td>
<td>$210m</td>
<td>$620m</td>
</tr>
<tr>
<td></td>
<td>across 5 areas</td>
<td>across 2 areas</td>
<td>across 4 areas</td>
</tr>
<tr>
<td>Local catchment</td>
<td>$70m</td>
<td>$320m</td>
<td>$260m</td>
</tr>
<tr>
<td></td>
<td>across 5 areas</td>
<td>across 37 areas</td>
<td>across 18 areas</td>
</tr>
</tbody>
</table>
Contributions Policy 2018 - Charges

- Draft Contributions Policy 2018 reflects growth share of capex in:
  - LTP 2018-2028
  - RLTP
  - Provision for HIF and CIP projects
- Growth share of capex up by $2 billion
Development impact of charges

House prices are set by the market

CBRE - announcing and building infrastructure raises land prices
  • large unearned windfall gains for land owners

Higher DC price lowers prices for developable land
  • market adjusts land price for true cost of infrastructure
  • impacts developers who have overpaid for land
Legislation

- Local Government (Community Wellbeing) Amendment Bill 2018 scheduled to be passed in December
- Provides for DCs to fund libraries and pools
- Staff will consider implications once passed
- Provides an opportunity to adjust capital programme within borrowing constraint
Policy issues

Item 9

Attachment B
Payment timing

Contributions payment generally required at consent granting
  o incorporates council’s cost of interest

Developers have a strong preference for timing closer to sale of land/houses
  o mismatch timing of cash flows increases their funding requirements
  o need to work within restrictions imposed by banks and other lenders

May 2018 proposal to extend timing for residential construction
  o 5 or more dwellings at CCC – 12-18 months later than at present
  o Others 6 months after building consent – 6 months later than at present

Option to require payment at first trigger on all development
  o eg: Resource consent, building consent
Payment timing (con’t)

- No option impacts on ratepayers
  - interest costs modelled into DC price
  - security of payment strong – bad debt minimal over time

<table>
<thead>
<tr>
<th>Early payment</th>
<th>Status quo</th>
<th>Extension for residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$27,500</td>
<td>$27,750</td>
</tr>
<tr>
<td>Payment up to two years earlier for subdivision and non-residential</td>
<td>No change</td>
<td>6 – 12 months later for residential construction</td>
</tr>
</tbody>
</table>

- Extension would reduce short-debt debt headroom by about $20m
- Could explore more flexible payment timing options – with interest costed in
Demand factors

• Different kinds of development place differing demands on infrastructure
  o housing development requires more parks and community investment
  o retail development requires more transport investment

• Some development types therefore pay more or less for particular types of infrastructure

• Review of demand factors undertaken to ensure costs allocated fairly
Review of demand factors

- Transport
  - reviewed local and international trip generation research
  - determining factors that apply to Auckland context
  - no material change to residential
  - increases proposed for commercial and retail
  - decreases proposed for production and distribution
- Stormwater – no material change
- Parks and community facilities
  - Comprehensive research underway
  - Complete in January – subsequent policy amendment if indicated
  - Data may also support/input to wider council decision making
Remissions and waivers

Māori Development
- many barriers to developing Māori land
- Māori gifting land to council for parks
- redress
- Māori aspirations

Social Housing
- one part of response to housing crisis
- working with central government
- funding for infrastructure

What is council’s role?
How do we best achieve outcomes?
Who pays and how?
Remissions and waivers

- Current policy does not provide for remission of DC charges
- Support for DCs can be provided through remissions or grants
  - same outcome for developers
  - costs for both funded by rates
- Remissions would provide certainty of cost for developers but less certainty for council
- Grants would provide:
  - certainty of cost to council but less certainty for developers
  - greater transparency of decisions – oversight by committee
  - greater flexibility – can support more than just DCs
Grants

• Māori Development: Māori Cultural Initiatives Fund
  o $1m per annum for Marae and Papakāinga development on Māori land
  o Includes grants for DCs, but also assists with: capability building, planning costs, capital costs
  o Options for expansion to be considered this year

• City Mission grant included in the 10-year Budget

• Social housing: No funding currently available
  o Current community grants exclude social housing (responsibility of central government)
Item 9

Attachment B

Proposed timing

Policy issues
Proposed timeline

Develop draft policy
May - Sep

Consultation
19 Oct – 15 Nov

Analyze submissions and draft final policy

Local Board cluster workshop
Briefing
Mid – late October

Governing Body Meeting
Approval to consult
18 October

Local Board reporting
Formal feedback
November

Governing Body Meeting
Adoption
13 December
Proposed consultation

Consultation commences
19 Oct

HYS events

HYS event stakeholders

Consultation closes
15 Nov

HYS Manukau
30 Oct am

HYS CBD
31 Oct am

HYS Takapuna
5 Nov am

HYS TBC
6 Nov evening

HYS CBD
7 Nov pm

HYS stakeholders
1 Nov pm

HYS Stakeholders
8 Nov pm