



UDINZ Feedback on Infracom's Discussion Document: “Developing an enduring National Infrastructure Plan”

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UDINZ

creating urban communities together



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About the Submitter

The Urban Development Institute of New Zealand (UDINZ) was formed in 2019 and was officially launched in 2020. It has a national board and currently has three chapters respectively in the Auckland, Wellington and Canterbury regions.

It has in excess of 205 (predominantly organisational) members from across the development ecosystem.

UDINZ was formed with the intention of bridging the gap between the public and private sectors and the various disciplines working in urban development so as to remove barriers to quality urban development. We do this by bringing insights and industry together for the benefit of people and communities.

The intention is to share knowledge, international best practice and new technologies and increase transparency across the system to reduce uncertainty for all that are part of development processes.

The objective is resilient, sustainable and healthy communities for all in Aotearoa.

Around 86% of New Zealanders live in urban areas, but there is little consensus about what makes a "sense of place" in those communities. There are many contributing factors. UDINZ focuses on issues that its members broadly agree are relevant and compelling and in relation to which UDINZ can effect change. It aims to lead the development of an "NZ Inc" approach.

UDINZ:

- Defines and advocates for a new urban development paradigm for Aotearoa New Zealand;
- Provides an environment for the sector to work together including with central and local government agencies to build relationships and understanding that reduce uncertainty and increase consistency between policy jurisdictions, as well as aligning policy and implementation;
- Runs events that bring the sector together to showcase best practice and discuss issues;
- Facilitates collaboration around best practice-connecting and coordinating people working in urban development;
- Builds knowledge through provision of data, evidence-based research and domestic and international learning as well as case studies demonstrating different approaches and best practice; and
- Provides and supports talent development and training in areas particular to the advancement of good urban development.

Introduction

Matters being consulted on

The New Zealand Infrastructure Commission – Te Waihanga is seeking feedback on the National Infrastructure Plan discussion document: “Developing an enduring national infrastructure plan”

Reason for submitting

Infrastructure is an enabler for housing and urban development and vice versa and UDINZ therefore takes a real interest in what is happening in the infrastructure space particularly, given more recently, developers (as a proxy for those who benefit from the infrastructure - homeowners) are being regarded as a party that will help fund infrastructure.

For that reason we have released discussion documents on the issue of paying for infrastructure.

To date we have worked on papers :

- A paper prepared alongside KPMG entitled “**Paying for Growth in the Water Sector - Key Choices for New Zealand**” authored by Ilze Gotelli , Joey Shannon and Cato Jorgenson; and
- Our **Strategic Growth Corridors report** released in conjunction with Arup authored by Harriet Dempsey, Greer Oliver, Marty Swaffield and our own Adrienne Miller.

We have supplied links to Te Waihanga by email (and have included links below FN 1.) as we do think the part played by the development community as a potential funder of infrastructure and their motivations for investing (or not) does need to be factored into the wider picture.

We also refer you to our recent **UDINZ submission on the Auckland Council Development Contributions Policy** (with extracts attached in Appendix A)

Information on this consultation has been shared with our members and they have been encouraged to participate in workshops and respond to the issues

raised. However due to the time of the year and the extent of reform currently underway, we have been unable to canvass fully the views of our membership on the issues raised in the discussion document. We look forward to involving more of our membership at the next stage of development of the Infrastructure Plan, perhaps in dedicated development community sessions.

We have provided short responses to the various questions raised can elaborate upon those as you progress this work.

As noted above, we have also included in Appendix A excerpts from our recent submission on the Auckland Council Development Contributions policy. That submission took an in principle approach provides developer perceptions on development contributions and the role of this community in helping pay for infrastructure.

While those developing in an area may be compelled by policy to contribute, the decision on whether to develop in any particular location is a discretionary one and its in everyone's best interest to understand the drivers for that.

Private capital will only be deployed on housing and urban development when the conditions are appropriate. There are international examples (for example the “Windfall tax”) where that understanding was lacking and as a result the mechanisms deployed drove investment to adjacent areas

There is real potential for unintended consequences impacting the feasibility of development, densification and housing supply and affordability when these factors are not well understood.

“Testing our Thinking” Questions

<p>Section one: Why we need a National Infrastructure Plan</p>	<ul style="list-style-type: none"> 1. What are the most critical infrastructure challenges that the National Infrastructure Plan needs to address over the next 30 years? 	<p>The Te Waihanga Strategy and work on critical infrastructure challenges is as a general rule well thought through and supported by good evidence. We see the most critical challenges as:</p> <ul style="list-style-type: none"> Taking a connected and system-based approach to what we develop and prioritise. Carefully considering who bears the burden of paying for current and future infrastructure (capex/opex/renewal) and whether that burden falls fairly on those who will benefit from the infrastructure. Keeping people and communities at the centre of infrastructure planning. Infrastructure is there to serve the needs of such communities and their aspirations now and into the future. Their differing needs also need to be considered to ensure all benefit equitably from interventions. Urgently addressing decarbonisation and infrastructure resilience and adaptation to current and future climate-related impacts. Maximising value from current infrastructure assets and delivering affordable and flexible infrastructure that can adapt to changing conditions (economic, social and environmental). Such work also needs to consider and accommodate fairly disaggregated infrastructure and precinct or site based interventions that extend the capacity of conventional infrastructure Addressing changing demographics and patterns of living and working which may change our needs
	<p>2. How can Te ao Māori perspectives and principles be used to strengthen the National Infrastructure Plan's approach to long-term infrastructure planning</p>	<ul style="list-style-type: none"> The Te Ao Māori perspective is an integral framing tool in that it applies long term horizons to decision-making and places our stewardship of the natural world and the wellbeing of people at its centre. There is also a recognition in Te Ao Māori that we need to work with and not surmount the natural world. Our members seek to build resilient, sustainable and healthy communities for all in Aotearoa and these focus areas are likely to resonate with our members. Our members include iwi organisations and our members are also increasingly partnering with such organisations. As well funded organisations with a long term focus, aggregated land holdings and a community focus iwi organisations are an important part of our future in Aotearoa.

Section two: Long-term expectations	3. What are the main sources of uncertainty in infrastructure planning, and how could they be addressed when considering new capital investments?	<ul style="list-style-type: none"> Building bipartisan support for infrastructure projects that are integrated with areas for urban intensification, so both the public and private sector are aligned on the location of investment would be a game changer
Section three: Existing investment intentions	4. How can the National Infrastructure Pipeline be used to better support infrastructure planning and delivery across New Zealand?	<ul style="list-style-type: none"> The pipeline needs to provide certainty, not only about what and where infrastructure is to be developed, but when. Timing of infrastructure announcements must critically align with value capture mechanisms so that such instruments do not eat into the headroom required for housing. Where it does and the value has already been paid for in a land purchase, there is no incentive for development because the delta between land value and resultant consumer price is not sufficient to accommodate the cost of delivering housing (refer our report with Arup).
Section four: Changing the approach	<p>5. Are we focusing on the right problems, and are there others we should consider?</p> <p>6 What changes would enable better infrastructure investment decisions by central and local government?</p> <p>7. How should we think about balancing competing investment needs when there is not enough money to build everything?</p> <p>8. How can we improve leadership in public infrastructure projects to make sure they're well planned and delivered?</p> <p>9. How can we build a more capable and diverse infrastructure workforce that draws on all of New Zealand's talent?</p> <p>10. What approaches could be used to get better value from our infrastructure dollar?</p> <p>11 What strategies would encourage a better long-term view of asset management and how could asset management planning be improved?</p> <p>12. How can we improve the way we understand and manage risks to infrastructure?</p> <p>13. How can we lower carbon emissions from providing and using infrastructure?</p>	<ul style="list-style-type: none"> When balancing competing investment needs in a situation where there is not enough money to build everything, life sustaining infrastructure that impacts human lives and wellbeing should take priority. There is an interdependency between infrastructure, but water is probably top of this hierarchy because of health impacts. Infrastructure benefits are not just limited to economic development, but include broader benefits such as health and wellbeing of populations. Better consideration needs to be given to approaches that extend the life and capacity of infrastructure We must recognise too not all of it will be networked and "big infra", it could be localised infrastructure or interventions at a site or precinct level that extend or enhance capacity. The role of blue green infrastructure is critical to resilience and must not be deprioritised. Future interventions may be technology-enabled optimisations of existing infrastructure, rather than "big civils plays". The need to effectively involve community (and diverse groups within it) in infrastructure planning and decision making – a "do with, not to" approach is critical. Nature-based solutions and demand-side management are beneficial and valid infrastructure solutions. A longer-term focus on resilience – current focus seems to be about the here and now; is it sitting in the right space under asset management? The role of infrastructure in protecting and enhancing the natural environment.

Section four: Changing the approach (CONT)

14. Are any changes needed to our infrastructure institutions and systems and, if so, what would make the biggest difference?

15. How can best practice network pricing be used to provide better infrastructure outcomes?

16. What regulatory settings need to change to enable better infrastructure outcomes

- It would be helpful to add a greater variety of technical experts not just engineers, economists and those with finance backgrounds. As we look to optimise existing assets or change usage pattern, human behaviour is also important. Economics cannot always explain human behaviour. There is a risk when the primary skill sets are economic that we view problems only from that perspective.
- A longer term system wide focus that is less transactional is also important. With learning too from iwi on the approach to take.
- More predictable and consistent consenting that happens faster and in a more cost effective way should be a priority;
- Greater collaboration and certainty of funding as between central and local government is critical;
- We support the point made in the paper about a balance being required between forward planning to provide certainty and adaptability/flexibility to adapt to where and how people choose to live and work (and therefore where developers will decide to invest).
- We agree that Local capability does need to be built but not just in leadership, right across the supply chain, so that NZ Inc can lead and deliver projects – a strong and consistent pipeline (as well as formal training) is required for that.

1. Reference is made above to the following two reports part of our UDINZ Paying for Growth series:

- Paying for Growth in the Water Sector Report prepared in conjunction with KPMG

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- Strategic Growth Corridors Report prepared in conjunction with Arup

https://static1.squarespace.com/static/5db7acd63d173coe010dc9bo/t/674f8fa56bc4e37ca8cca193/1733267428443/2412+Strategic+Growth+Corridors_report_lr.pdf



Appendix A:

Excerpts from Submissions on Auckland Council Development Contributions Policy



Overarching - “in principle” comments*

Infrastructure shortfall does need to be funded

UDINZ recognises the infrastructure deficit and accepts the concept that all beneficiaries of infrastructure should pay their fair share. We are also accepting of the notion that those conducting developments (developers) are used by local government to collect contributions towards additional infrastructure from the consumer(s) that will ultimately benefit from that new infrastructure (as long as it is indeed them that benefit). To that point some have questioned whether sufficient consideration has been given to those who actually benefit and to some of the cost of additional infrastructure being borne by the entire ratepayer base (or indeed taxpayer base). Some argue all in the community benefit from the increased housing supply (increased rateable/tax base, essential workers housed, enhancement of affordability etc).

Cross subsidisation suspected

Development contributions should be better aligned to the areas and individuals that benefit from the infrastructure. There appears to be significant cross-subsidies between existing and future ratepayers, and between areas of growth. Legally recovery must occur over the life of an asset, not in a foreshortened period (see below)

Public need confidence in methodology

It is not clear in all instances how costings on infrastructure have been arrived at and whether they are robust and defensible. Not all of the supporting material has been provided and is being progressively “drip fed” to the sector. It is the job of Council to establish the basis for charging, not the role of the development community to check the veracity of the costs (see process concerns below).

It is suggested that all costings should be independently audited (with an opinion, which the public can rely on, confirming methodology, calculations and assumptions are consistent with legislation and Auckland Council Policy) and conventional discounting practices applied for future spend.

Analysis we have seen (FIG 1) suggests infrastructure costs are in some areas loaded to the end of the 30 year period with minimal delivery in the first ten years. It leads one to question whether the infrastructure required for housing development happening now will be delivered in a timely fashion. It also suggests existing residents may not have been and will not be equitably bearing their share of costs.

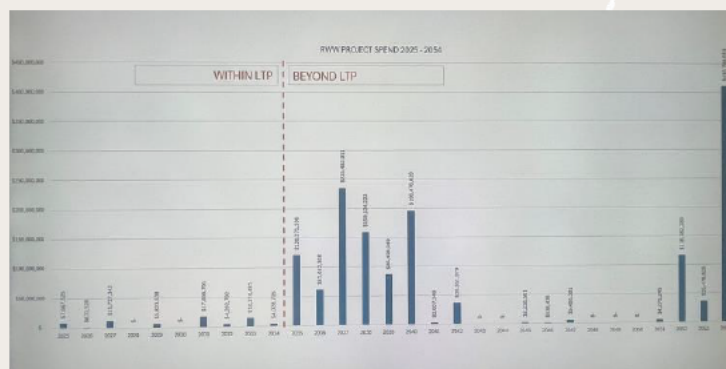


Figure 1

Greater confidence in LT Plan than 30 year projections

There is some concern with the move to a 30 year period of infrastructure projections. The development community is generally comfortable with the rigorousness of the LT Plan (financially viable, deliverable, aligned to policy and subject to Audit Office review). That comfort and confidence is just not shared in relation to the 30 year projections.

People are rightly asking is the program deliverable from both a constructability and feasibility perspective within the timeframes. Delayed delivery impacts the promises the development community has made to residents around the level of amenity they can expect in the form of infrastructure.

Increases are greater than had been expected

The increases are unreasonably large compared to current development contributions (in many instances double or triple current levels) and further consideration should be given to alternative ways to fund the required infrastructure.

Affordability & market health

The policy further undermines the affordability of housing for first home buyers and presents a significant barrier to smaller developers.

Absence of staged implementation will drive perversities

The absence of a staged transition may lead to inequitable and supply-reducing outcomes for eg: (a) Those that have land already and are sufficiently progressed will submit Resource Consents as soon as possible; (b) Where they have land, but are not ready or are concerned about feasibility with DCs they will delay their plans; and (c) Those that do not yet have land will simply eschew the area with the higher development contributions in favour of adjacent neighbouring suburbs.

Overarching in principle comments (cont)

Many will take the first approach and seek to “run the orange” i.e. seek to get consents in prior to the policy coming into play. This means the ratepayers generally, will bear a greater burden. It also places a consent resourcing burden on Council in the interim. A staged implementation could have lessened the all or nothing impact.

Council should consider whether they need a staging plan. It's important that developers who've invested in land for housing are able to proceed with those plans- some of which may already have finance- unimpeded by the constraints the new policy may impose. A period of 18 months or so would permit those plans already in train to be submitted, perhaps with phased increases thereafter.

DCs influence on housing supply (via development feasibility) and prices

Our members fundamentally disagree, based on their collective experience, with the economic analysis suggesting that higher DCs do not generally lead to higher house prices, at least in the short term (although longer term it may have that effect).

While there is an impact from the wider housing market, higher DCs are obviously factored into feasibility analysis and ultimately what developers seek to charge for the product they produce (they do not have an ability to exponentially absorb such costs).

Consumer appetite for a resultant price is the most likely determinant of go/ no go decision-making.

DCs impact feasibility

We are hearing implementation of the Development Contributions policy will result in a re-evaluation of the feasibility of projects and potentially prevent some proceeding. This decreases certainty about future growth and development. In a worst case scenario, this could result in investment in infrastructure that is not utilized to the level anticipated.

Impact Economically on viable yield

No consideration seems to have been given to the impact that the DC policy will have on overall yield. It might not be economically feasible to develop to the yield/intensity that that Council has zoned for (and

projections of 30 year supply). This could itself have implications for projected infrastructure investment – most likely by over estimating quantum and cost.

Perception of double dipping

Any payment must not involve double dipping.

There is a suggestion in some instances that the costs of infrastructure included in the projected spends by Council has already in fact already been completed by Central Government (Kainga Ora). Some in the development community say these are already baked into the cost of land (for instance the superlots in Mangere, Roskill and Tāmaki) and paid for by the land developer and so an attempt by Council to also recover contributions equivalent to the costs of such infrastructure would be “double dipping”. It is also not clear whether any funding from third parties such as grants, developer funded works, and any funding from financial contributions and targeted rates is excluded from projections and if so how this will be accommodated.

For example, there is a line item for Aorere and Waikowhai transport projects, but it is understood this has already been delivered.

Council will need to confirm further work is intended and required to be able to legally recover any costs in this regard. The counterfactual is that superlots in those areas will be cross subsidizing growth elsewhere in the suburb.

Recognition of Averted Spend

Similarly there needs to be recognition of the contribution made by Developers to constructing infrastructure (including expediting delivery of infrastructure planned for later decades) or in undertaking works that extend the capacity of the existing Infrastructure network whether traditional infrastructure or blue/green infrastructure (ie recognise averted spend). It seems there are no remissions provided for by the policy - i.e. even if the developer builds infrastructure on behalf of the Council, development contributions must still be paid. This is inequitable and does not incentivise innovation or collaboration between the private sector and Council.

Overarching in principle comments (cont)

Addressing Watercare “red zoned” areas

Consideration needs to be given to the impact of developers not being able to connect as a result of capacity constraints caused by overdue network upgrades in existing residential areas yet to be completed. Delayed discharge of stormwater separation responsibilities of Auckland Council also potentially a contributor to the issue. This will, amongst other things, reduce the pool of contributors.

Cost of overdue infrastructure unfairly borne

Developers are becoming increasingly concerned that the purchasers of newer housing (their customers) are being asked to pay for well overdue infrastructure upgrades that should be funded by a much wider group including existing home owners.

Calculations best not based on consenting data

In Para 43 of the paper which was presented to the governing body of Auckland Council reference is made to the assessments of population size (in turn shaping infrastructure demand) based on consenting numbers. It is a known fact consents sought are not necessarily a good predictor of the number of dwellings completed. Adjustments need to be made for this.

Verbatim Member comments

“The sheer increase in cost is just too high at a time when the building industry is facing severe pressure and stress, a housing crisis, and battling with increasing costs. These further increases are going to result in damage to the already high cost of building, hamper consumer confidence, and result in a significant reduction in the number of developers.

“New Zealand is in a housing crisis, due to the collision of low housing availability and housing affordability. House prices have increased dramatically and we need more homes to satisfy current demand and to stabilise the housing market. Further increases to development contributions will only discourage building activity in the city, as consumers weigh up the cost of building here as compared with cheaper parts of the country.

“I’m concerned we allow for community infrastructure works, such as that undertaken by schools, charitable organisations or charitable trusts and to support the principles in the preamble to Te Ture Whenua Māori Act 1993. Council should definitely exempt social housing developments undertaken by Community Housing Providers and the Crown (as well as iwi trusts), where the organisations in question own the land and are undertaking the development directly. Consideration should also be given to relief in situations where social housing providers opt to purchase market housing from a private developer for the purpose of social housing, rather than undertake the development themselves. .

Not including the proposed exemption may disincentivise the development of social housing.

“There are grounds for imposing the cost of some local public goods on landowners who benefit. The cost of supplying public goods such as neighbourhood parks, reserves, outdoor recreation facilities and stormwater systems that exclusively or predominantly service or enhance a development and are located within a development, may be appropriately imposed on relevant households and businesses by requiring the developer to pay for, or provide, the facilities. There should be a close connection between the subdivision or development on the one hand, and the relevant infrastructure and facilities on the other.

“Mount Roskill is identified as an area that DCs will go up dramatically. So much so that it would make it near impossible to commit to buying land there. KO has done a great job with the Roskill South and Waikowhai redevelopment. The land price they are asking for currently reflects those upgrades and value added by these works. They openly have gone over budget so the increased DCs feel like a clawback for historical cost blowouts. How can that area still have such a huge forecast for upgrades?

“It is questionable whether a 30-year view of infrastructure requirements will enable compliance with the fairness, equity, proportionality, and causal requirements of the Act.

“The horizons are too long and far out to be able to properly model impacts, but there is a real concern that this can only impact feasibility, supply and affordability.

Verbatim Member comments (cont)

“

A mistake when assessing what is feasible is to build price on a cost up basis. Good developers know to work back from what the market will sustain to assess feasibility. No point building housing no one can buy or afford. A good example is say a developer working on an affordable housing option in Glen Innes/Tamaki Housing there sell for around \$700k. After fees and GST a developer is with about \$600k to deliver a completed house, buy the land and connect it. It's just not possible to do within \$600K. The proposition is not bankable because the increases in DCs and IGCs (which are a \$90k charge to be absorbed within that cost structure) erode margin required by the banks to cover risk and interest costs. You essentially end up with a negative return.

Property Development Breakdown

Selling Price	\$700,000
Less: Fees and GST	-\$100,000
Available for land, buildings & connections	\$600,000
Required Profit (15%)	\$90,000
Increases from prior year:	
Development Contributions Increase	\$85,000
Infrastructure Growth Charge Increase	\$5,000
Total Increases	\$90,000
Required Profit	\$90,000
Less: Total Increases	-\$90,000
Leftover EBIT	\$0

EBIT = Earnings Before Interest & Tax

“

Has anyone actually deep dived into the demand factors and their relevance in driving a compact city? Seems to me that we are operating with some dated legacy figures. There also seems to be a bit of 'opinion' involved.

Process concerns

Consultation malaise from experience on Drury.

Many of those who might comment or participate have been jaundiced by their experience of the Drury Development contribution consultations and have indicated they are unwilling to engage again with a process which is not genuinely interested in the feedback of those participating - the investment of cost and time is just not warranted. Why does this matter? There are concerns as a result of the above that the real and practical implications of the policy will not be elicited by the consultations.

Pre-consultation on this policy not productive, and regarded as potentially disingenuous

UDINZ, and we believe other industry associations, were requested to convene members to meet with Council officials prior to the draft Development policy being presented to the Governing Body of Auckland Council (as it transpired on Thursday, 26 September 2024 10.00am). A group of members dutifully turned up ready to listen and engage. A significant amount of feedback was given by those in attendance.

We expected (not unreasonably) that, having engaged in good faith we would be notified of the policy going up to Council's Governing body for consideration. No such notification was received. We identified ourselves that this was to occur and notified our members accordingly. We did then forward this notification, as a courtesy, to Council and indicated that we looked forward to official consultation commencing. Again however, the formal consultation commenced without any notification to us as a stakeholder group. Scant if any of the feedback provided during the pre-consultation seems to have made its way into the policy or has even been referenced in the material we are now considering.

Some have gone as far as to suggest that the pre-consultation was designed to "take the heat out of concerns" and "wear down" participants. As notes were taken by numerous officers present during the pre consultation in this instance, please ensure this material is noted in the feedback collected on the policy.

Not all of the members present at that time are willing to engage further.

Respective roles of Council and community in relation to consultation

The approach with this "consultation" seems to us to be flawed in that Council seems to have had an expectation that the consultation process will road test their assumptions and approach. By contrast, the community should be able to expect that the proposals put forward by Council should be robust and comprehensive and consistent with Council's policy and legislative powers. It is not the public's job to disprove Council's assumptions or identify shortcoming in the approach taken.

By way of example:

- (i) in the transport program there are, in each neighborhood, a number of interventions that don't align with Auckland Council/Auckland Transport /Central government policy; and
- (ii) the Tāmaki stormwater investments haven't allowed for causation factors other than growth (eg Climate change) when allocating costs between existing ratepayers and development contributions.

A Missing step: desired level of service

One could say that the real focus of the process should have been on putting a range of alternative service levels with corresponding costs to the community for them to feedback on the level of service required which also would have operated to better inform the community on the respective costs of the various alternatives.



UDINZ

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