

How will this fund work?

It's a one-off contestable fund which councils in high-growth areas can apply to for interim funding to bring forward the roading, water and other infrastructure required for new housing – especially where financing issues are holding up development.

It will accelerate the short and medium-term supply of new housing where it's needed most.

It will do that by investing up front in infrastructure to ensure more housing can be built in a timely fashion.

The fund will directly finance or own the infrastructure until councils receive revenue from the new houses, when people move in and start paying rates.

How will it help?

Infrastructure, and its financing in particular, is one of the three key constraints to building more houses – alongside land supply and consenting requirements.

Councils have strict debt limits which means some lack the headroom to invest in infrastructure now and then wait for future development contributions to recover the costs. The fund will help provide more infrastructure sooner by aligning the cost to councils with the timing of revenue from development contributions.

Who will be able to access it?

The fund will be available to areas that are classified as “high-growth” for the purposes of the Draft National Policy Statement on Urban Development Capacity - currently Queenstown, Christchurch, Tauranga, Hamilton and Auckland. In the NPS, “high-growth” is described as population growth exceeding 10 per cent in the 10 years to 2023.

What sort of projects will be eligible?

The fund will be tightly targeted at core infrastructure supporting additional new housing.

Councils in high-growth areas will be invited to put forward specific proposals for funding which will be prioritised based on criteria including the number of houses to be built as well as how quickly they can be brought to market.

To access the fund, local councils must outline how many new houses will be built, where they will be built and when they will be available. Ideally, they will have agreements with developers on these issues.

Who will manage the fund and how will it be distributed?

Options for managing the fund and processing applications will be worked through with councils.

There are existing models which are being considered.

With roads, for example, we've already accelerated priority Auckland transport projects through NZTA. We could use a similar model for roading projects under the new fund.

Another option is a special purpose vehicle along the lines of Crown Fibre Holdings, which was created to manage the roll-out of Ultra-Fast Broadband.

When will the fund be available?

The Government will call for applications later this year. In the meantime, councils can start identifying projects to put forward.

Is there any expectation that councils will need to pay the money back?

Yes. Councils will be expected to repay the funding they receive. This will occur over time or as development occurs, depending on the projects and funding mechanism that are ultimately decided.

Why is the fund not open to other councils?

The level of demand for new housing, and pressure on financial resources for additional infrastructure is greatest among those councils facing the fastest population growth. Prudent financial management suggests that resources should be allocated to the areas of most need and where the social and economic return on investment will be greatest.

Why a one-off fund?

Longer-term, councils need to find new ways of funding infrastructure through existing funding tools or potentially coming up with new ones. This is a short to medium term fund to enable the acceleration of new houses in high-growth areas rather than an on-going subsidy to councils.

How will the fund affect the Government's books?

Depending on the number and timing of applications, it will require the Government to temporarily borrow up to \$1 billion, which will increase net debt until it is repaid. Because it is intended to be repaid within 10 years, the fund is not expected to impact on the Budget capital allowance.

Any impact on OBEGAL will depend on the nature of the infrastructure projects agreed.

What else is the Government doing to increase housing supply?

The Government has a comprehensive plan to increase the supply of housing which the fund will complement. These initiatives include:

- Enacting the Housing Accords and Special Housing Areas Act and creating more than 200 special housing areas.
- Amendments to the Resource Management Act, Building Act, Construction Contracts Act and Local Government Act.
- Budget 2014 legislation to remove anti-dumping duties and import tariffs on

building materials.

- Developing under-used Crown land.
- Preparing the National Policy Statement on Urban Development Capacity.
- Proposed Urban Development Legislation that will enable creation of urban development authorities.