

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Strategic Growth Committee will be held on:

Date: Thursday 1 October 2020
Time: 9.30am
Meeting Room: Council Chamber / Audio Visual link
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Strategic Growth Committee *Komiti Rautaki Whakatupu* OPEN AGENDA

Membership

Chairperson Cr D Macpherson
Heamana

Deputy Chairperson Cr Ryan Hamilton
Heamana Tuarua

Members	Mayor P Southgate	Cr A O’Leary
	Deputy Mayor G	Cr R Pascoe
	Taylor Cr M Bunting	Cr S Thomson
	Cr M Forsyth	Cr M van Oosten
	Cr M Gallagher	Cr E Wilson
	Cr K Naidoo-Rauf	Maangai J Whetu
	Maangai O Te Ua	

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
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Menetia Mana Whakahaere

24 September 2020

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Purpose

The Strategic Growth Committee is responsible for:

1. Guiding sustainable physical development and growth of Hamilton to meet current and future needs, including oversight of strategic land-use planning, boundary alignment, and existing and alternative planning, funding and financing models for growth-related projects.
2. Driving collaboration with neighboring Councils, Iwi, private sector and central government to meet Hamilton's growth ambitions.

In addition to the common delegations, the Strategic Growth Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To monitor and provide advice on the overall development and implementation of urban growth and development strategies, strategic land use, and spatial plans (e.g. Hamilton to Auckland Corridor and Hamilton-Waikato Metropolitan Spatial Plan), and long-term network infrastructure planning in line with national policy requirements.
2. To provide direction and monitor Council's approach to the levying and use of rates for growth, as well as development contributions.
3. To develop, and monitor the implementation of the infrastructure Activity Management Plans to inform the 2021-31 Long Term Plan to ensure that Council looks after its existing assets and provides agreed levels of service.
4. To provide direction on and assess proposals for seeking alternative funding models, such as special purpose vehicles and infrastructure funding and financing.
5. To provide direction on strategic priorities for network infrastructure aligned to city development, and oversight of strategic projects associated with those activities.
6. To provide advice on the development and implementation of the Long Term Infrastructure Strategy.
7. To assess proposals for Private Developer Agreements that exceed the Chief Executive's delegations for Unfunded Growth Projectsⁱ and, if appropriate for Unfunded Growth Projectsⁱ to recommend such agreements to the Council for approval.
8. To provide direction regarding Council's involvement in and with Urban Development Authorities, regional alliances, plans, initiatives and forums for spatial planning (for example, Future Proof, strategic boundary land use agreements and joint council growth related discussions).
9. To consider the impacts of land use and urban development on the environment.
10. To provide clear direction on Council's strategic priorities to organisations and groups, for which Council facilitates funding, aligned with these Terms of Reference, and to oversee those funding arrangements and receive their strategic and business plans and annual performance reports.
11. To monitor and oversee the delivery of Council's non-financial performance and non-financial key projects, against the Long Term Plan, excluding key performance indicator reporting which is the responsibility of the Finance Committee.
12. To oversee the development of the City's Smart City Strategy.

The Committee is delegated the following powers to act:

- Approval of purchase or disposal of land for network infrastructure, or parks and reserves for works and other purposes within this Committee's area of responsibility that exceeds the Chief Executive's delegation and is in accordance with the Annual plan or Long Term Plan.

The Committee is delegated the following recommendatory powers:

- Adoption of the Long Term Infrastructure Strategy to the Council.
- Approval of additional borrowing to the Finance Committee.
- Approval of city boundary changes to the Council, including in respect of Strategic Boundary Land Use Agreements.
- Approval of infrastructure Activity Management Plans to inform the 2021-31 Long Term Plan to the Council.
- The Committee may make recommendations to Council and other Committees

Recommendatory Oversight of Policies and Bylaws:

- *Development Contributions Policy*
- *Growth Funding Policy*
- *Hamilton Gateways Policy*
- *Sale and Disposal of Council Land Policy*

ⁱ Unfunded Growth Projects are defined in the Growth Funding Policy as:

- a) Not funded projects
- b) Funded projects but which are proposed to commence earlier than the sequencing and timing established in the long term plan; and/or
- c) Funded projects but which are now proposed to occur beyond the scale, scope and cost prescribed or anticipated for those projects in the long term plan.

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum – *Aatea koorero*

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for five minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Committee Room prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6439.

Council Report

Item 5

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Tyler Gaukrodger **Authoriser:** Amy Viggers
Position: Governance Advisor **Position:** Governance Team Leader
Report Name: Confirmation of the Open Strategic Growth Committee Minutes - 20 August 2020

Report Status	<i>Open</i>
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Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Committee confirm the Open Minutes of the Committee Meeting held on 20 August 2020 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic Growth Committee Open Unconfirmed Minutes - 20 August 2020

Strategic Growth Committee

OPEN MINUTES

Minutes of a meeting of the Strategic Growth Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton and via audio visual link on Thursday 20 August 2020 at 9.31am.

PRESENT

Chairperson	Cr D Macpherson
<i>Heamana</i>	
Deputy Chairperson	Cr R Hamilton
<i>Heamana Tuarua</i>	
Members	Mayor P Southgate
	Deputy Mayor G Taylor – Audio/visual link
	Cr M Bunting
	Cr M Forsyth – Audio/visual link
	Cr M Gallagher
	Cr K Naidoo-Rauf – Audio/visual link
	Cr A O’Leary – Audio/visual link
	Cr R Pascoe
	Cr S Thomson – Audio/visual link
	Cr M van Oosten – Audio/visual link
	Cr E Wilson – Audio/visual link
	Maangai J Whetu – Audio/visual link
	Maangai O Te Ua

In Attendance:	Jen Baird - General Manager City Growth
	Chris Allen – General Manager Development
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Blair Bowcott - Executive Director Special Projects
	Ben Scott - Community Advisor
	James Clarke - Director of the Mayor’s Office
	Paul Bowman – Team Leader Economic Growth and Planning
	Amy Triggs – Senior Policy Analyst
	Luke O’Dwyer – City Planning Manager
	Karen Saunders - Growth Programmes Manager
	Greg Cartens – Growth, Funding and Analytics Unity Manager
	Maire Porter - City Waters Manager
	Andrew Parsons - Strategic Development Manager
	Nigel Ward – Communications Team Leader
	Lucie Robinson – Project Manager

Governance Staff:	Becca Brooke – Governance Manager
	Amy Viggers – Governance Team Leader
	Tyler Gaukrodger and Narelle Waite - Governance Advisors

1. **Apologies – *Tono aroha***
Resolved: (Cr Macpherson/Cr Bunting)
 That the apologies for early departure from Cr Forsyth and Cr Bunting are accepted.
2. **Confirmation of Agenda – *Whakatau raarangi take***
Resolved: (Cr Macpherson/Cr Bunting)
 That the agenda is confirmed noting the following:
 - a) that the late attachment 4 (Future Proof Update) for Item 10 (Open Information Only Reports) is accepted as part of the agenda; and
 - b) notes that item C2 (Peacocke East-West Arterial Alignment) will be taken at 1.30 to accommodate external presenters.
3. **Declarations of Interest – *Tauaakii whaipanga***
 No members of the Council declared a Conflict of Interest.
4. **Public Forum – *Aatea koorero***
Lui Brame (Waikato Regional Housing Initiative representative) spoke to item 7 (Housing Development Strategy). He outlined support of the plan and the efforts that Waikato Regional Housing Initiative was undertaking to address housing demand. He responded to questions from Members concerning the housing development and biodiversity.

Peter Southwick (Waikato Community Land Trust representative) spoke to item 7 (Housing Development Strategy). He spoke in support of the development of a housing strategy, and provided an example of the work that was undertaken in Queenstown to address housing affordability.
5. **Confirmation of the Strategic Growth Committee Open Minutes 18 June 2020**

Resolved: (Cr Macpherson/Cr Hamilton)
 That the Committee confirm the Open Minutes of the Strategic Growth Committee Meeting held on 18 June 2020 as a true and correct record.
6. **Chair's Report**

 The Chair spoke to the report, and responded to questions from Members concerning the Hamilton Urban Growth Strategy, growth scenarios, the timeline for the review of the District Plan, the National Policy Statement on Urban Development Capacity (NPS-UDC), challenges Council is facing with respect to growth and how priorities will be considered in the development of the Long Term Plan.

Staff Action: *Staff undertook to circulate a work programme (timeline) for the development of structural plans, infill strategies and the review of the District Plan.*

Staff Action: *Staff undertook to organise a drop in session concerning development uplift.*

Resolved: (Cr Macpherson/Maangai Te Ua)
 That the Strategic Growth Committee receives the report.
7. **Housing Strategy Development**

 The Senior Policy Analyst outlined the report. Staff responded to questions from Committee Members concerning the process and timeline for the development of the strategy, potential outcomes, objectives that would be included as part of the action plan to be developed and how

that strategy may link into the review of the District Plan.

Resolved: (Cr Thomson/Cr van Oosten)

That the Strategic Growth Committee:

- a) receives this report;
- b) approves the development of a housing strategy; and
- c) delegates Deputy Mayor Taylor, Cr Thomson, Cr O'Leary, Cr Wilson, Cr van Oosten, and Maangai Te Ua to work with staff to develop a Draft Housing Strategy, noting that the strategy will be brought back to the Strategic Growth Committee for final approval.

The meeting was adjourned 11.25am to 11.40am.

8. Water Reform - Memorandum of Understanding

The Strategic Development Manager spoke to the report, noting that it addressed Central Government's announcement of a reform programme and establishment of Taumata Arowai, the new Water Services Regulator. The Executive Director Special Projects then noted that the Mayoral Forum had previously voted unanimously to support the programme. They responded to questions from Members concerning the details of the Water Reform Memorandum of Understanding (MoU), potential projects, potential costs and risk to Council.

Resolved: (Cr Macpherson/Cr Hamilton)

That the Strategic Growth Committee:

- a) approve the Water Reform Memorandum of Understanding (MoU) (set out in **attachment 1**) be signed by the Council;
- b) delegate Blair Bowcott, Executive Director Special Projects, and Andrew Parsons, Strategic Development Manager (alternate) as the primary point of communication for the purposes of the MoU and water reform programme (refer page 6 of the MoU in **attachment 1**);
- c) note that staff will report back to the 17 September 2020 Council meeting to seek approval to lodge the stimulus package proposals, delivery plans, and sign the funding agreement set out in **attachments 2 and 3**;
- d) approve the Chair of Strategic Growth Committee, Chair of Infrastructure Operations Committee, Chair of Economic Development Committee, the Chair of Finance Committee and the Chair of Environment Committee (or Deputy Chairs of each committee as alternates) if to work with staff to recommend the list of projects for the Delivery Plan for the Council to consider at its meeting on 17 September 2020, and to work with staff to provide direction during the reform programme to the end of tranche 1 (June 2021);
- e) note that the MoU and funding agreement cannot be amended or modified by either party, and doing so would void these documents;
- f) note that participation in the initial stage is to be undertaken in good faith, but is a non-binding approach, and the Council can opt out of the water reform process at the end of the term of the agreement as noted on page 5 of the MoU (**attachment 1**);
- g) note that the Council has been allocated \$8,730,000 of funding (with a further regional pool yet to be allocated), which will be received as a grant as soon as practicable once the signed MoU and funding agreement are returned to the Department of Internal Affairs, and a delivery plan has been supplied and approved (as set out on page 5 of the MoU **attachment 1**); and
- h) note that the delivery plan must show that the funding is to be applied to operating and/or

capital expenditure relating to three waters infrastructure and service delivery, and which:

- i. supports economic recovery through job creation; and
- ii. maintains, increases, and/or accelerates investment in core water infrastructure renewal and maintenance.

9. IFF and Rotokauri Detailed Business Case Update

The Project Manager spoke to the report noting that since the report was written the Infrastructure Funding and Financing Act 2020 had received Royal Assent. Staff responded to questions from Members concerning Development Contributions in Rotokauri, swale management, design to address safety concerns, financial implications, current negotiations with Crown Infrastructure Partners, economic risks and Council's financial obligation.

During the discussion of the above item 9 (IFF and Rotokauri Detailed Business Case Update) item 11 (Resolution to Exclude the Public) and public Excluded items were taken to accommodate staff availability.

11. Resolution to Exclude the Public

Resolved: (Cr Macpherson/ Cr Hamilton)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Strategic Growth Public Excluded Minutes 18 June 2020) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987	Section 48(1)(a)
C2. Peacocke East-West Arterial Alignment)	
C3. Peacocke Update - Contract Awards		
C4. Peacocke Update Public Excluded - Amberfield		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to enable Council to carry out commercial	Section 7 (2) (h)

	activities without disadvantage	Section 7 (2) (i)
	to enable Council to carry out negotiations	
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)

The meeting went into a Public Excluded session at 12.40pm.

Cr Bunting and Cr Naidoo-Rauf retired from the meeting during the Public Excluded session of the meeting

The meeting moved back into an Open session at 5.24pm.

9. IFF and Rotokauri Detailed Business Case Update - Continued

Staff responded to questions from Members concerning the development of Rotokauri and the development timeline.

Resolved: (Cr Hamilton/Cr Macpherson)

That the Strategic Growth Committee:

- a) receives the report, noting that:
 - i. the Infrastructure Funding and Financing Act 2020 has received Royal Assent, having passed through the House of Representatives, and that Hamilton City Council played a significant role in the creation of this legislation;
 - ii. the draft Rotokauri Detailed Business Case, incorporating feedback from previous decisions, will be provided to Elected Members on Friday 21 August 2020;
- b) requests that staff prepare a report for the 17 September 2020 Council meeting to consider an 'Agreement in Principle' of the Rotokauri Detailed Business Case, subject to 2021-31 Long Term Plan consultation, and commercial negotiations with developers and Crown Infrastructure Partners; and
- c) requests that staff provide advice on any enabling work required, as part of the report for the 17 September 2020 Council meeting, and any funding required in the 2020/21 financial year to enable continued commercial negotiations with Crown Infrastructure Partners and developers in Rotokauri.

Deputy Mayor Taylor, Crs Wilson, Thomson and Forsyth Dissenting.

Mayor Southgate retired from the meeting (5.24pm) during the discussion of the above item. She was not present when the matter was voted on.

Cr van Oosten retired from the meeting (5.27pm) during the discussion of the above item. She was not present when the matter was voted on.

10. Open Information only reports

The reports were taken as read.

Resolved: (Cr Macpherson/Maangai Te Ua)

That the Strategic Growth Committee receives the following information only reports:

- General Managers Report
- Development Contribution Remission Quarter 4 2020
- Peacocke Programme Update
- Future Proof Update

The meeting was declared closed at 6.00pm

Attachment 1

Item 5

Council Report

Committee: Strategic Growth Committee

Date: 01 October 2020

Author: Tyler Gaukrodger

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance Team Leader

Report Name: Chair's Report

Item 6

Report Status	<i>Open</i>
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Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Strategic Growth Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report



Chair's Report

The recent meeting with the Waikato District Council was one successful result of the series of discussions on issues between the two Councils that have cropped up over the last few years; the Strategic Land Agreement on the Agenda is another, and it will set the scene for a more nimble approach to boundary issues in the future, by not locking us into a particular year for swapping any particular piece of land, and by agreeing on the formula for financial disbursements at the time of the handover.

We are overdue making similar arrangements with Waipa District Council for land at the current southern edge of the city, on the western side of the River. There are landowners in the area that are effectively in the city to all intents and purposes, but who cannot be serviced fully by a Council based in Te Awamutu or Cambridge. It is fair that they also get some more surety over the process and plans for the future of their areas.

There is one proposed development in that area that has a version of a mini-Tamahere consented, literally right on our boundary – that developer agrees with us that an urban-style development would be far more appropriate on our boundary, but neither we, nor Waipa DC can leave him, and the others knocking on our door, hanging without some end in sight.

Future development between Peacocke/Rukuhia and the Airport are also something we will want to keep an eye on, with issues like the airport industrial precinct, a future airport rail link, the siting of any future terminal building, and future residential areas are all things HCC needs to have a rational long-term plan for.

While the Metro Spatial Plan will give an excellent overview of how we think the greater Hamilton/Kirikiriroa area will develop over time, we also need to pay attention to the next layer down of spatial planning, which will need to ensure the right sort of development happens in each local area, in order to give affect to the MSP. I worry that the thinking in this space is still patchwork, piecemeal or even non-existent in some cases.

Chair's Recommendation

That the Strategic Growth Committee receives the report.

Councillor Dave Macpherson
Chair, Strategic Growth Committee
Hamilton City Council

Council Report

Item 7

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Blair Bowcott **Authoriser:** Blair Bowcott
Position: Executive Director Special Projects **Position:** Executive Director Special Projects
Report Name: Memorandum of Understanding - Strategic Relationship with Auckland Council

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek approval from the Strategic Growth Committee that the Strategic Relationship Memorandum of Understanding between Auckland Council and Hamilton City Council be signed.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Growth Committee:
 - a) approves the Strategic Relationship Memorandum of Understanding between Auckland Council and Hamilton City Council;
 - b) delegates the Chief Executive to finalise the Memorandum of Understanding subject to any feedback from this meeting and the Auckland Council; and
 - c) approves the Mayor and Chief Executive to sign the Memorandum of Understanding on behalf of Hamilton City Council.

Executive Summary - *Whakaraapopototanga matua*

3. Hamilton City Council and Auckland Council share a range of common interests as neighbouring metropolitan Councils, and are collaborating in significant matters including growth management, water, passenger rail and logistics.
4. To acknowledge and formalise these common interests, and to provide a structured engagement process, a strategic relationship agreement is proposed in the form of the Memorandum of Understanding (Attachment 1).
5. Staff consider the matters low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

6. At the Infrastructure Operations Committee on 30 June 2020 it was resolved:
That the Infrastructure Operations Committee:

a) *Notes that a Strategic Relationship Memorandum of Understanding between Hamilton and Auckland Councils is being developed which will be reported back to the Strategic Growth Committee for consideration.*

7. Hamilton City Council and Auckland Council are local authorities with common interest in a range of local government, economic, strategic planning and public infrastructure initiatives.
8. These common interests have been illustrated in Auckland Council's Council Controlled Organisation, Watercare, requesting assistance from HCC in respect of issues concerning Auckland's water supply and storage deficit. The Councils and Watercare agreed to work together collaboratively to explore solutions. Auckland Council is also a member of Future Proof, with significant interests in the Hamilton to Auckland Corridor, particularly growth in the Northern Waikato, the Passenger Rail service, Urban Growth Agenda matters and ports/freight and logistics.
9. It is considered advantageous for the two councils to formalise a strategic relationship agreement where these wider common interests can be addressed through a more structured engagement framework, and thus recorded in a Memorandum of Understanding (MOU). The MOU will be flexible to accommodate changes over time.

Discussion - *Matapaki*

10. The MOU is considered a good platform for the two councils to establish:
 - formal and informal meetings
 - Mayor to Mayor – 6 monthly
 - Chief Executive to Chief Executive – 6 monthly
 - Management and operational meeting on a quarterly basis
 - other meetings as reasonable required to address matters of common interest
 - common interest topics
 - collaborative and Open Approach
11. The MOU has been drafted and agreed by senior staff from both Councils and is now ready for formal consideration and approval by Elected Members.
12. Staff recommend that Hamilton City Council enters in to the MOU with Auckland Council.
13. The draft agreement (Attachment 1) is being presented to Auckland Council on 24 September 2020.
14. To enable the MOU to be signed in a timely manner after both Councils consider it, and to reflect any feedback that may be given on the MOU, it is recommended the Chief Executive be delegated to finalise any changes with Auckland Council.

Financial Considerations - *Whaiwhakaaro Puutea*

15. There are no financial considerations to this recommendation,

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

16. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements.
17. The MOU has been drafted and reviewed with input from the City Solicitor – Lachlan Muldowney.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

18. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
19. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
20. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

21. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

22. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

23. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Auckland City Council/Hamilton City Council Strategic Relationship Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

BETWEEN Hamilton City Council (**HCC**)

AND Auckland Council (**AC**)

(Councils)

BACKGROUND

- A. HCC and AC are local authorities with common interests in a range of local government, economic, strategic planning and public infrastructure initiatives (**common interests**).
- B. These common interests have been recently illustrated in AC's Council Controlled Organisation, Watercare, requesting assistance from HCC in respect of issues concerning Auckland's water supply and storage deficit. The Councils and Watercare have agreed to work together collaboratively to explore solutions.
- D. Through that recent collaboration the Councils have identified that it would be beneficial to both Councils for them to formalise a strategic relationship agreement whereby these wider common interests can be addressed through a more structured engagement framework.
- E. The Councils agree that the framework for that engagement should be recorded in this Memorandum of Understanding (MOU) with the purpose and intent being to build a partnership between the Councils in respect of matters of common interest and thereby achieve more integrated local government decision making.
- F. The Councils recognise that their common interests will evolve and change over time and that this MOU needs to be flexible in order to accommodate those changes.

AGREEMENT

Formal and informal meetings

1. The Councils will establish a schedule for direct communications at an elected member, management and operational level. As a minimum that schedule will establish;
 - a. Mayor to Mayor meetings on a 6 monthly basis
 - b. Chief Executive to Chief Executive meetings on a 6 monthly basis

- c. Further management and operational meetings on a quarterly basis.
2. In addition to these scheduled meetings each Council will make their respective representatives available as is reasonably required to efficiently address any matters arising which affect their common interests.

Common Interest Topics

3. Without limiting the full range of existing common interests and those which may arise in the future, the following topics represent some of the areas of common interest which currently exist and which may be addressed between the Councils;
- Strategic priorities
 - Central Government engagement
 - Economic development
 - Local Government funding and financing
 - Exchange and sharing of intellectual property and resources
 - Covid 19 recovery strategies
 - Update
 - Annual Plan/LTP intentions
 - Economic stimulus
 - Watercare's request for assistance and ongoing strategic management
 - Urban Growth Agenda matters
 - Hamilton – Auckland Corridor Plan and key initiatives of interest
 - Commuter rail service Hamilton – Auckland
 - Other transport planning initiatives, e.g. mass transit options
 - Funding and financing of infrastructure
 - General growth management
 - Ports/freight/logistics
 - Upper North Island Supply Chain Study
 - Role of Waikato and Ruakura, link to Ports of Auckland, Horotiu and Port of Tauranga.
4. Through their engagement under this MOU the Councils will continue to explore and identify any further or evolving areas of common interest and will address those matters under the framework of this MOU.

Collaborative and Open Approach

5. Before each formal meeting the Councils will establish an agenda of common interest topics for discussion.
6. Each Council will operate on an open, transparent and 'no surprises' basis where matters of common interest are concerned. On a case by

case basis the Councils will each make all reasonable endeavours to communicate their respective positions on matters of common interests which affect the other party in a timely manner ahead of broader public pronouncements. The Councils will jointly communicate on matters of common interests where they both agree to do so.

7. The Councils will work in good faith to achieve 'win-win' outcomes in respect of matters of common interest where possible.
8. Each Council will apply sufficient internal resources to ensure effective collaboration on the management of matters of common interest.

General

9. Any matters of dispute or disagreement will be addressed promptly and directly. If disputes remain unresolved they will be addressed directly between the respective Mayors and Chief Executives of the Councils.
10. The Councils agree to adhere to the terms of this MOU unless and until formal written notice is given from one Council Chief Executive to the other that the MOU is terminated.
11. The Councils agree to respect each other's confidential information (and put appropriate management processes in place where required), and confirm that nothing in this MOU restricts each Council's autonomy, purpose, role and functions under the Local Government Act 2002 and related legislation.

Dated October 2020

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Mayor/Chief Executive

Hamilton City Council

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Mayor/Chief Executive

Auckland Council

Item 7

Attachment 1

Council Report

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Blair Bowcott **Authoriser:** Blair Bowcott
Position: Executive Director Special Projects **Position:** Executive Director Special Projects
Report Name: Strategic Boundary Agreement between Hamilton City Council and Waikato District Council

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek approval from the Strategic Growth Committee of the draft Strategic Land Agreement between Waikato District Council and Hamilton City Council be adopted.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Strategic Growth Committee:
 - a) approves the Strategic Boundary Agreement between Hamilton City Council and Waikato District Council;
 - b) delegates the Chief Executive to finalise the Strategic Boundary Agreement subject to any feedback from this meeting and Waikato District Council;
 - c) approves the Mayor and Chief Executive to sign the Strategic Boundary Agreement on behalf of Hamilton City Council.

Executive Summary - *Whakaraapopototanga matua*

3. The Waikato District Council (WDC) and Hamilton City Council (HCC) Governance Group was formed to ensure that the combined focus of both Councils was about improving the wellbeing of our interconnected communities. A range of matters have been discussed including the principles and practical application of boundaryless planning and thinking, the growth around the periphery of Hamilton and the Hamilton-Waikato Metropolitan Spatial Plan.
4. The WDC/HCC Governance Group recognised that the 2005 Strategic Land Agreement no longer meets the needs of the identified urban growth pressures for Hamilton.
5. The WDC/HCC Governance Group has agreed a proposed new Strategic Boundary Agreement, which was discussed at the WDC/HCC Joint Elected Member workshop on 18 September 2020.
6. The proposed new Agreement is intended to provide a degree of certainty and a collaborative approach for both Councils, around the future expansion of Hamilton and transfer of land to the City from WDC, noting five-yearly reviews and a finite 15-year term.
7. The Councils will continue to work collaboratively on all matters concerning the potential transfer of land from within the WDC territorial boundary to within the HCC territorial boundary. All such engagement will be informed by other collaborative processes relating to

strategic land use including but not limited to Future Proof, the Hamilton - Auckland Corridor Plan and the Hamilton - Waikato Metropolitan Spatial Plan.

8. The Councils agree to consider the principles of boundaryless planning, infrastructure provision and funding when considering strategic land use planning, and any potential transfer of land.
9. Staff consider the decision has low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

10. In 2005 Hamilton City Council (HCC) and Waikato District Council (WDC) signed a Memorandum of Understanding (MOU) regarding the future urban boundaries of Hamilton City.
11. The purpose of the 2005 MOU was to put in place an agreement between the two Council as to how, where and when the future expansion of Hamilton would occur.
12. The intention was that the two Councils would collaborate on the boundary issue.
13. The goal of the 2005 MOU was *"to ensure that the future expansion of Hamilton City takes place rationally in a well ordered and coordinated manner into the most suitably located surrounding areas in the best interests of the present and future inhabitants of the City."*
14. At the time of signing the Agreement in 2005, the boundaries of the future Waikato Expressway were seen as relevant to the future urban boundaries.
15. The MOU provided for the Agreement to be revoked or amended by mutual agreement but was open ended.
16. However in 2020 it is acknowledged that the 2005 Agreement is not meeting the needs of either HCC or WDC, and it is appropriate for an updated agreement to be adopted.

Discussion - *Matapaki*

17. Under the 2005 Agreement, land transfers were noted/occurred as follows:
 - i. R1 – land between Morrinsville Road and Greenhill Road (the current Ruakura growth area) – **already transferred**
 - ii. R2 – between Greenhill Road and Borman Road – to transfer to HCC from 2039
 - iii. HT1 – between the River, Kay Road/Horsham Downs Road, the Waikato Expressway and the Te Rapa bypass – to transfer to HCC from 2045
 - iv. HT2 – Western side of River to Te Rapa Bypass and along Ruffell Road (the current Te Rapa North and Te Awa growth area) – **already transferred**
 - v. WA – to transfer to HCC when land can be serviced with infrastructure.
18. The WDC/HCC Governance Group has agreed a proposed new Strategic Boundary Agreement, which was discussed at the WDC/HCC Joint Elected Member workshop on 18 September 2020.
19. The new Strategic Boundary Agreement takes in to account:
 - i. the collaborative nature of the relationship;
 - ii. the inclusion of planning/framework documents that support any land transfers including Future Proof, Hamilton to Auckland Corridor Plan and the Hamilton-Waikato Metropolitan Spatial Plan;
 - iii. inclusion of the financial principles for any land transfer;
 - iv. update maps and information on the future growth areas of R2, HT1 and WA;

- v. a clear process to initiate a transfer of land from WDC to HCC;
 - vi. provision for additional future (as yet unidentified) land parcels to be considered based on mutual agreement beyond the remaining areas of R2, HT1 and WA; and
 - vii. boundaryless principles to be included – planning, infrastructure provision and funding (Hamilton-Waikato Metro Spatial Plan)
20. The inclusion of the above matters ensures the agreement will remain relevant, and to strengthen this aspect, the agreement includes five yearly reviews and a finite term of 15 years.
 21. The existing specified earliest transfer dates for land of 2039 for R2 and 2045 for HT1 have been removed. Instead the agreement provides that HCC can make a transfer request to WDC at any time, following open and transparent dialogue between the Councils wherein the prospect of a transfer request will be clearly identified.
 22. Upon receiving a transfer request WDC will use best endeavours to give prompt effect to the transfer request, which will include following the boundary reorganisation requirements of the Local Government Commission. Both HCC and WDC will need to agree to the financial adjustments to support a boundary change, and the framework and principles for this are outlined in the agreement (in Schedule C).
 23. The boundary reorganisation requirements of the Local Government Commission can be outlined in separate information to Council. Specific engagement and advice will be sought from the Local Government Commission prior to any boundary change process commencing. Information from the local Government Commission can be found [here](#). In the summary the process includes agreement of both Councils, clarity over land area, properties, assets and liabilities to transfer, consultation with affected parties, timeframes, Local Government Commission consideration and public notice gazetting.
 24. Adopting a revised agreement ahead of the 2021-31 LTP allows HCC the option to reflect the necessary rating and financial payment considerations associated with the Agreement, for any future transfer of land (WA, R2 or HT1) during the period of the 2021-31 LTP.

Financial Considerations - *Whaiwhakaaro Puutea*

25. There are no financial considerations to this recommendation.
26. Financial considerations will be undertaken and reported to the relevant Committee if and when parcels of land are considered for transfer from WDC to HCC.
27. The agreement outlines the funding factors and financial principles to be followed (in Schedule C), with the primary financial principle to be observed in any land transfer is the fact the commercial arrangement must be “financially sustainable” for both Councils. In summary, this means that the net revenue (rates less direct costs to provide services to the land area e.g. debt servicing, road maintenance) collected by WDC from an area of land to be transferred, deemed the “overhead contribution” will be paid by HCC for a minimum period of 10 years. HCC will correspondingly rate this area of land under the HCC rating policy, and assume any direct costs to provide services to the land.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

28. Staff confirm that the staff recommendation complies with the Council’s legal and policy requirements.
29. The Agreement has been drafted with input from the City Solicitor and reviewed by legal advisors to both Councils.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

30. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
31. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
32. The recommendations set out in this report are consistent with that purpose.
33. The 4 wellbeing's will be further considered when looking at the individual land parcels.

Risks - *Tuuraru*

34. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

35. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

36. Given the low level of significance determined, the engagement level is low. No engagement is required. The need for engagement will be reviewed as each parcel of land is considered for transfer, as part of the boundary reorganisation process.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Draft Strategic Boundary Agreement between Waikato District Council and Hamilton City Council

STRATEGIC BOUNDARY AGREEMENT

between

HAMILTON CITY COUNCIL

and

WAIKATO DISTRICT COUNCIL

AGREEMENT dated 2020

PARTIES

- (1) **HAMILTON CITY COUNCIL**
 - (2) **WAIKATO DISTRICT COUNCIL**
- (Councils)**

BACKGROUND

- A. Hamilton City Council (**HCC**) and Waikato District Council (**WDC**) are parties to an agreement on Future Urban Boundaries dated 23 March 2005 (**2005 Strategic Boundary Agreement**) (**SCHEDULE A**).
- B. Pursuant to clause 8.0 of the 2005 Strategic Boundary Agreement, the terms of the 2005 Strategic Boundary Agreement are binding on both Councils and may only be varied or revoked by the mutual agreement of both Councils.
- C. Since entering into the 2005 Strategic Boundary Agreement, Areas HT2a and HT2b and Area R1 as defined in that agreement have been transferred from Waikato District to Hamilton City.
- D. The areas identified in the 2005 Strategic Boundary Agreement which are yet to be transferred are Area HT1, Area R2 and Area WA as depicted in the maps set out at Appendices 2.0, 3.0 and 4.0 of the 2005 Strategic Boundary Agreement. Updated maps of those areas which have improved clarity and legibility, but which retain the same land areas, are attached to this Variation Agreement as **SCHEDULE B**.
- E. The Councils agree that the triggers for the transfer of Area HT1, Area R2 and Area WA as set out in the 2005 Strategic Boundary Agreement are no longer fit for purpose and require updating to create greater flexibility for the Councils.
- F. The Councils also agree that due to the dynamic nature of strategic land use planning, there may be further areas of land which may become suitable for transfer from WDC to HCC, and wish to record the process by which these additional areas may be considered for transfer.

- G. The Councils agree to consider the principles of boundaryless planning, infrastructure provision and funding when considering strategic land use planning, and any potential transfer of land.
- H. To address these matters the Councils agree that the 2005 Strategic Boundary Agreement should be revoked and replaced with an updated Strategic Boundary Agreement.

AGREEMENT

Status of 2005 Strategic Boundary Agreement

- 1. Upon execution of this agreement, in accordance with clause 8.0 of the 2005 Strategic Boundary Agreement, the 2005 Strategic Boundary Agreement will be revoked and each Council's obligations under that agreement shall terminate.

Strategic Planning

- 2. The Councils will continue to work collaboratively on all matters concerning the potential transfer of land from within the WDC territorial boundary to within the HCC territorial boundary. All such engagement will be informed by other collaborative processes relating to strategic land use including but not limited to Future Proof, the Hamilton - Auckland Corridor Plan and the Hamilton - Waikato Metropolitan Spatial Plan.
- 3. Subject to and without limiting WDC's plan making and regulatory functions under the Resource Management Act 1991 (RMA), the land uses within the areas identified in this agreement will be strategically managed, to preserve the land resource for its ultimate urbanisation once transferred to HCC.
- 4. All strategic land use decision making undertaken by the Councils, including plan changes and district plan reviews, will take into consideration the terms of this agreement.

Areas R2, Area HT1 and Area WA

- 5. The process of transferring each of these areas will be commenced by the Chief Executive of HCC providing written notice to the Chief Executive of WDC of a transfer request (**transfer request**). While the timing of a transfer request will be at the sole discretion of the Chief Executive of HCC, it will be preceded by open and transparent dialogue between the Councils wherein the prospect of a transfer request will be clearly identified.
- 6. Any decision by HCC to issue a transfer request will be made taking into account the impacts of growth on HCC, strategic infrastructure decisions affecting HCC, the financial considerations set out in Schedule C, and the outcomes of the strategic land use planning processes set out at clause 2 above.

7. Upon receiving a transfer request WDC will use best endeavours to give prompt effect to the transfer request in accordance with the requirements of the Local Government Act 2002 (LGA).
8. WDC and HCC will jointly do all things necessary to give effect to the transfer request including if required, submitting to the Local Government Commission, a reorganisation plan pursuant to Subpart 1B of Schedule 3 to the LGA (**reorganisation plan**).
9. Prior to any transfer request being given effect to, by a reorganisation plan or similar mechanism, the Councils will agree on financial adjustments, to be made by HCC to WDC to account for local government funding issues arising as a result of the transfer of rateable land from WDC to HCC. The local government funding adjustment shall be addressed taking into account the principles and factors set out at **SCHEDULE C**.

Further transfer areas

10. The Councils acknowledge that strategic land development is informed by a collaborative/partnership approach between the Councils. The collaborative partnership approach is underpinned by the aspirations and principles of planning land development in a way which does not limit itself to local government boundaries, also known as 'boundaryless planning'.
11. In the event either Council identifies the prospect of the transfer of further areas of land not expressly identified in this agreement, the Councils will immediately commence open and transparent dialogue in good faith regarding the further transfer areas, taking into account the matters outlined in clause 10. These discussions will be undertaken in the forum of the HCC/WDC Governance Committee, or its equivalent replacement forum.
12. Following the commencement of dialogue either of the Councils may, by written notice to the Chief Executive of the other Council, commence negotiations regarding the transfer of further area(s) of land not expressly identified in this agreement (**further area notice**), provided the further area notice is consistent with the strategic land use planning processes identified in clause 2 above.
13. Upon receipt of a further area notice each Council will commit sufficient resources and personnel to directly engage in discussions regarding the location and area of land subject to a potential transfer, and will work collaboratively and in good faith to resolve whether the land identified in the further area is consistent with the outcomes contemplated by this agreement and should therefore be recorded as a Further Land Area under Schedule D.
14. If the location and area of land are agreed between the Councils (**further area**), the further area will be mapped and presented at **SCHEDULE D** to this agreement. Once a further area is recognised under this agreement via this mechanism, it may be subject, either immediately or at any later date, to the transfer mechanism as prescribed in clauses 5-9 of this agreement.
15. The Councils agree that Tamahere is excluded from the provisions of this Agreement, and as a future transfer area.

Regulatory Function

16. Nothing in this agreement shall fetter the regulatory function of either Council to assess and determine applications for resource consent (either land use or subdivision) in accordance with the rules, policies and objectives as contained in the applicable Operative or Proposed District Plan. The Council's may, at their discretion, consider this agreement under section 104(1)(c) of the RMA as 'any other matter the consent authority considers relevant and reasonably necessary to determine the application'.

Dispute Resolution

17. The Councils will work in a transparent and open basis in respect of boundary related issues and will each apply sufficient resources and personnel to ensure effective engagement between Councils.
18. If agreement cannot be reached on any issues the Councils will attempt to resolve matters by engaging in direct dialogue between the respective Chief Executives and Mayors.

Review

19. This agreement shall be binding on HCC and WDC and may only be varied or revoked by the mutual agreement of both Councils. The parties will review the agreement within five years of the date of signing of the agreement, and thereafter at the same intervals, to ensure it remains fit for purpose and determine whether any amendments are necessary.
20. Subject to clause 19, and unless an extension is agreed, this agreement will terminate on 1 September 2035

Dated this day of 2020

A Sanson / Gavin Ion
 Mayor/CE of Waikato District Council

P Southgate / R Briggs
 Mayor/CE of Hamilton City Council

SCHEDULE A
2005 STRATEGIC BOUNDARY AGREEMENT

Item 8

Attachment 1

STRATEGIC AGREEMENT ON FUTURE URBAN BOUNDARIES

between

HAMILTON CITY COUNCIL AND WAIKATO DISTRICT COUNCIL

March 2005



Strategic Agreement on the Future Urban Boundaries

between

Hamilton City Council and Waikato District Council

March 2005

1.0 Preamble

Hamilton City is New Zealand's seventh largest city in New Zealand (estimated usually resident population of 125,000¹ at June 2003) and was the sixth fastest growing city between 30th June 2002 and 30th June 2003 (2.4% increase). During the period 1996-2001 Hamilton had an average annual growth rate of 1.4% pa. Hamilton City is also New Zealand's second smallest territorial authority with a land area of 9,427 ha.

The Waikato District Council is primarily a rural area with significant growth in lifestyle development. The growth of the district is approximately 1.2% per annum.

These twin pulls place considerable pressure on the future development of the city, and have consequential effects in the adjoining Districts. In many instances Hamilton City is already fully developed to the limit of its territorial boundary, and while there are a number of growth cells within the city, these too are limited in their ultimate capacity.

There is also, as a result of these limitations, considerable pressure on Waikato District, to compromise its rural landbanks for lifestyle housing and industry. Land at the periphery of Hamilton is rapidly being converted to non-farming activities, often in a random and haphazard manner. This has the potential to compromise both the effective and efficient use of the peri-urban area, and will generate unsustainable demand on Hamilton's infrastructure in time.

Conscious of these pressures, and mindful of the need to address both the need and aspirations of the current and future citizens of Hamilton and Waikato the councils have agreed to formally recognise the cross boundary issue that lies between them, and to put in place an agreement to guide the decision making processes, in respect of future land use and urban growth.

2.0 Purpose

The purpose of this document is to reach an agreement between Hamilton City Council and Waikato District Council as to how and where and when the future expansion of Hamilton City will occur. The Agreement addresses:

- 3.0 The Goal : being the jointly agreed outcome for the Agreement.
- 4.0 The Issues : being the drivers for the Agreement.
- 5.0 The Principles : being the accepted basis of future expansion of the City.

¹ Statistics New Zealand Subnational Population Estimates.

- 6.0 The Direction : being the areas identified and agreed.
- 7.0 The Process : being the circumstances that might trigger the adjustment of the respective boundaries of the City and District.
- 8.0 Review : being the basis of any review of the Agreement.

3.0 The Goal

The Goal of this Agreement is

"To ensure that the future expansion of Hamilton City takes place rationally in a well ordered and co-ordinated manner into the most suitably located surrounding areas in the best interests of the present and future inhabitants of the City."

In establishing this goal the two councils jointly desire to address the sustainable development future of both communities, as recognised within the Local Government Act 2002, and existing cross boundary issues within the context of the Resource Management Act 1991.

4.0 The Issues

The following issues have been specifically identified as necessitating a common and joint approach to future boundary readjustments between Hamilton City and Waikato District.

Land Use Policies: In response to growing demand the Hamilton City Council has endeavoured to reduce its land consumption by providing for intensification of its existing urban infrastructure. In particular the Proposed Hamilton City District Plan (References Version 2001) provides for smaller subdivisional sizes for residential sections, enlarged high density areas in the city, and increased opportunity for apartment dwelling. While there has been some success with this, the quantum of growth has continued to absorb greenfield land at increasing rates, diminishing both supply and the ultimately constraining the city's capacity.

Similarly the District has a wealth of high quality, versatile soils in and around the City Boundary whose use is being compromised by peri-urban development. This can generate short term reverse sensitivity issues and in the longer term additional pressure points on city networks and services, while creating a form of development which is potentially unsustainable in the long term.

Infrastructural Frameworks: Critical to the agreement is the opportunity it provides Hamilton City to plan towards accommodating growth in specified localities, and to known standards, and densities. Hamilton City Council has established a programme to consider the strategic provision of essential infrastructure including water, roading, public transport, recreation, wastewater and community facilities. Agreement on the broad direction and timing of future urban growth will enable this long term infrastructure planning to continue.

Market Certainty: One significant issue faced by both councils is the uncertainty faced in the market, regarding the future development of Hamilton. This is evidenced in the random subdivision of land on the periphery of the city for lifestyle blocks, and the

increasingly speculative acquisition of land for future residential development. Such initiatives place significant pressure on the city in the future to service these nodes and incorporate these within the City; a process that is expensive, inefficient, and generally does not result in good urban outcomes. More significantly, and more immediately it creates an unwelcome lifestyle market on some of the Waikato's best land; inflating land values, increasing resource management issues, and compromising the efficient and effective use of land.

Economic Wellbeing: Hamilton's economy is inextricably linked to that of the Waikato Region, and vice versa. As the region's capital the city provides a hub of services and employment. The city and district's economic well being relies heavily on population, and critically on providing that population with employment. Hamilton has limited long term industrial land capacity and needs to provide opportunities for industrial growth in areas where there is good access, available services, and where the effects of activity can be controlled. In addition to providing for some additional long term capacity within the city the two Councils also recognise that there is potential capacity in the Waikato District, based on land at Horotiu and along the State Highway/NIMT Railway Corridor, between Horotiu and Te Rapa.

5.0 The Principles

This Agreement returns Hamilton City and Waikato District to a co-operative approach to the exchange of land, to facilitate the future development of both the City, and peri-urban resources of the District. A similar philosophy existed during the 1970's and 1980's and worked well. The Local Government reform of 1989 while providing a medium term land bank for the city also resulted in both districts becoming increasingly insular in the treatment of their resources. As that land bank has been eroded it has provided the opportunity as well as heightened the necessity of agreeing a combined approach.

In adopting this Agreement the two Councils acknowledge the following:

"Hamilton City is virtually surrounded by highly productive farmland and in general those few areas of low productivity are, because of certain restraints, unsuitable for urban use."

"Urban expansion on to good farmland must therefore be accepted, which makes it essential that the most productive farmland be avoided for as long as possible."

".... avoid where reasonably possible, encroachment on the most productive farmland, and where not possible, to retain such farmland in fully productive use as long as possible."

These principles provide the basis for accepting that growth of the city must be enabled, but that the opportunity for growth is not unfettered and moreover that the direction and timing of growth involves both the City and the District acting co-operatively.

6.0 The Direction

Significant studies over the past 30 years have consistently identified the growth opportunities and directions for Hamilton City. This is largely limited to some expansion to the east of the present city boundary, and to the north. Earlier studies have consistently identified a greater urban area embracing Ngaruawahia. Some limited growth to the northwest has also been identified.

One key element in determining growth has been the identification and establishment of logical boundaries to expand toward. Such boundaries are rarely in themselves absolute, but they provide a sound basis for future planning. The proposed Hamilton Expressway, which is in the process of being designated by Transit NZ provides one such logical boundary. It is estimated that within the expressway between Mangaonua Gully and the Horotiu/Te Rapa Bypass (connecting the expressway to the Te Rapa Bypass - see Appendix 1.0) and encompassing approximately 1800 ha, provides for some 30 years of potential residential, industrial and commercial development (known as the Hamilton City Long Term Growth Area).

On the basis of this area the two Councils agree that:

- A. The area of land, west and south of the Proposed Hamilton Expressway, between the Horotiu/Te Rapa Bypass and Morrinsville Road (SH 26) (as shown on Appendix 1.0) shall be recognised as providing for the long term growth needs of Hamilton City.
- B. That the area shall be recognised as five growth cells:
 - R1: being the area between Morrinsville Road (SH 26) and Greenhill Road, and largely encompassing the Tainui landholdings at Ruakura (being approximately 730 ha).

The area of R1 may be expanded to incorporate a further area of land between SH26 and SH1, and the alignment of the Waikato Expressway following confirmation of the outcome of consultation to be undertaken by Waikato District Council with affected residents.

Note: The area identified within R1 for the Innovation Park (growth cells A1, A2, B1, B2 as shown in Appendix 6.0) is excluded from this Agreement. The Innovation Park can develop in accordance with its development plan and in accordance with Waikato District Plan provisions.
 - R2: being the area between Greenhill Road and Borman Road (being approximately 200 ha).
 - HT1: being an area of land roughly triangular in shape between the Waikato River, the existing City boundary along Kay Road/Horsham Downs Road, the expressway and the Horotiu/Te Rapa Bypass (being approximately 780 ha in area).
 - HT2: being the area on the western side of the Waikato River, between the Horotiu/Te Rapa Bypass, and the present city boundary along Ruffell Road (being approximately 290 ha).
 - WA: being an area on the western edge of Hamilton City bounded by Whatawhata Road and Wallace Road (being approximately 25 ha).

All as shown on Appendix 2.0, 3.0 and 4.0 respectively.
- C. That the agreed purpose of the growth cells will be to provide for the full range of urban uses required to ensure the sustainable development of Hamilton City and its communities. It is noted that the principle intention of the Growth Cell HT2 is to provide for the continued expansion of the Te Rapa Industrial area, and its eventual integration with the proposed Horotiu Industrial cell within Waikato District. It is however acknowledged that not all land in area HT2 may be

suitable for industrial usage. This includes the extension of buffers to protect the Waikato River (and its tributaries) where it adjoins this area.

7.0 The Process

The transfer of any or all land will occur using the following process notwithstanding that any person may seek to pursue the legal opportunities open to them to initiate a boundary adjustment pursuant to the provision of the Local Government Act 2002.

- E. That following the designation of the Waikato Expressway (adjacent to Hamilton City) and the Te Rapa/Horotiu Bypass being confirmed any one or more of the identified growth cells shall be capable of being transferred to Hamilton City. The Councils agree that either designation or construction of the bypasses will be the trigger for land transfer.

The specific triggers for a transfer shall be:

Area HT2: Area HT2 is divided into two sub areas; HT2a being the land west of Te Rapa Road/State Highway 1 and south of the Fonterra Dairy Factory site, and Area HT2b being the balance area (see Appendix 7.0).

Area HT2a shall be transferred to Hamilton City administration following confirmation of the designation of the Ngaruawahia and Te Rapa/Horotiu Bypasses.

Area HT2b shall be transferred to Hamilton City at the same time as Area R1.

Area R1: This area shall be transferred to Hamilton City Council administration, at the time of construction of the adjacent section of the expressway, to provide for the growth of the city between its present urban boundary and the expressway.

Area R2: This area shall be transferred to Hamilton City Council administration, at the time of construction of the adjacent section of the expressway, or in 2039, whichever is later, to provide for the growth of the city between its present urban boundary and the expressway.

Area HT1: This area shall be transferred to Hamilton City Council administration in 2045 provided that the expressway adjacent to the area has been constructed.

Area WA: This area shall be capable of being transferred once Hamilton City Council is able to confirm its capacity to service this area for full urban purposes noting that the provision of service to this locality is dependant on the development of a new wastewater interceptor to service the Peacocke's area of the city.

- F. The proposed transfer dates are based on an estimated land uptake in Hamilton City. The rate shall be regularly reviewed, and the timing of transfer may be amended by mutual agreement between both parties.

- G. That the intention of the two Councils be made public and be used, where possible, to guide policy formulation and decision-making. The agreement shall guide the Waikato District Council in the administration of its Operative District Plan and the review of that plan currently underway. In particular the District

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Plan should seek to recognise the long term urban intentions for the agreed growth cells, avoid any further increase in the range of non-rural activities in growth cell areas, or the further fragmentation of land below that currently provided for by Proposed Plan Change No 7 to the Operative Waikato District Plan.

In stating these intentions the Agreement fully acknowledges that the Waikato District Council is bound by its duty to administer within its statutory capacity the Resource Management act 1991, and pursue all relevant processes to give effect to that legislation.

8.0 Review

This Agreement shall be binding on the Hamilton City and Waikato District Councils, and may only be varied or revoked by the mutual agreement of both parties.

M G Redman
MAYOR OF HAMILTON CITY COUNCIL

P J Harris
MAYOR OF WAIKATO DISTRICT COUNCIL

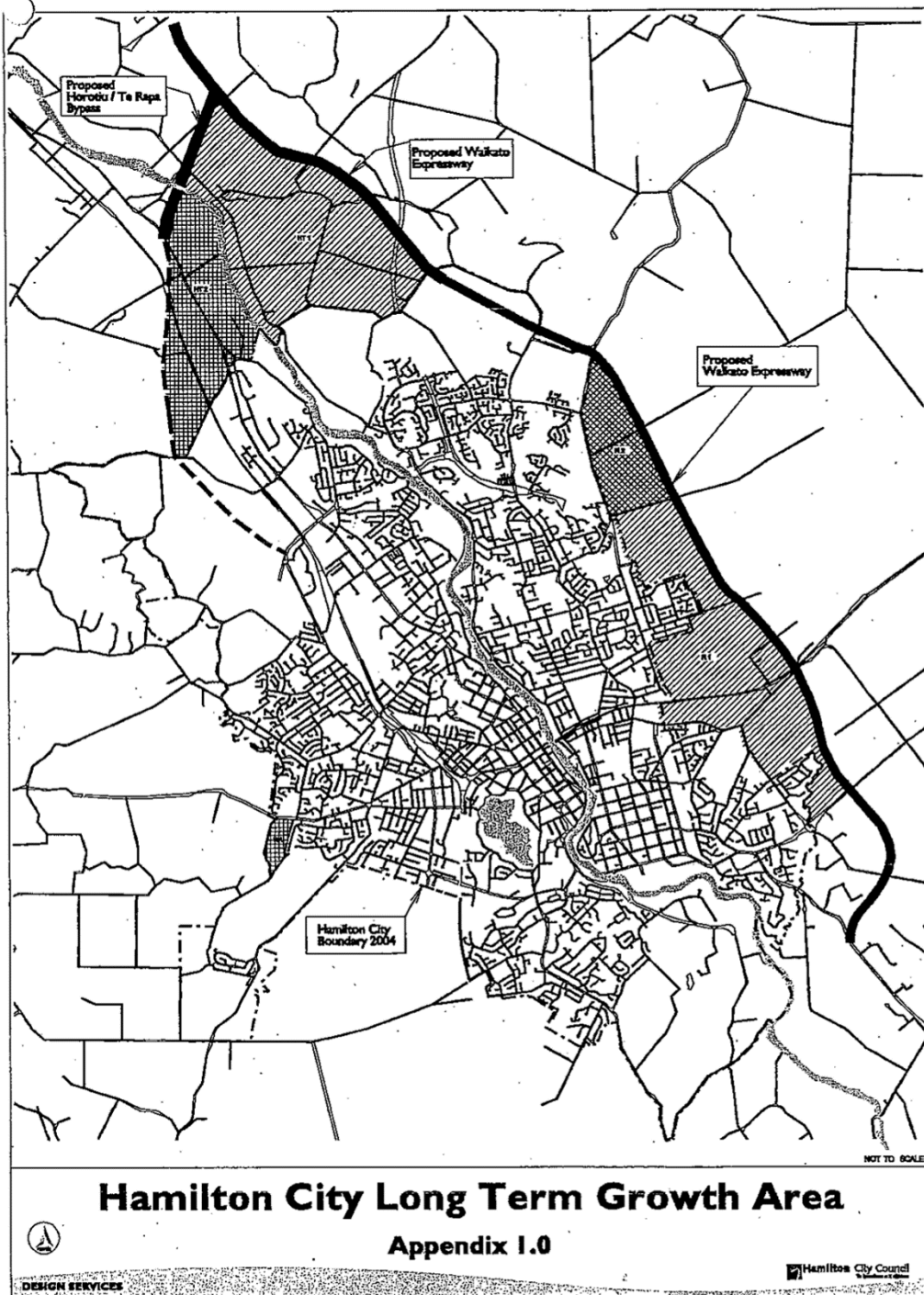
A J Marryatt
CHIEF EXECUTIVE
HAMILTON CITY COUNCIL

G J Ion
CHIEF EXECUTIVE
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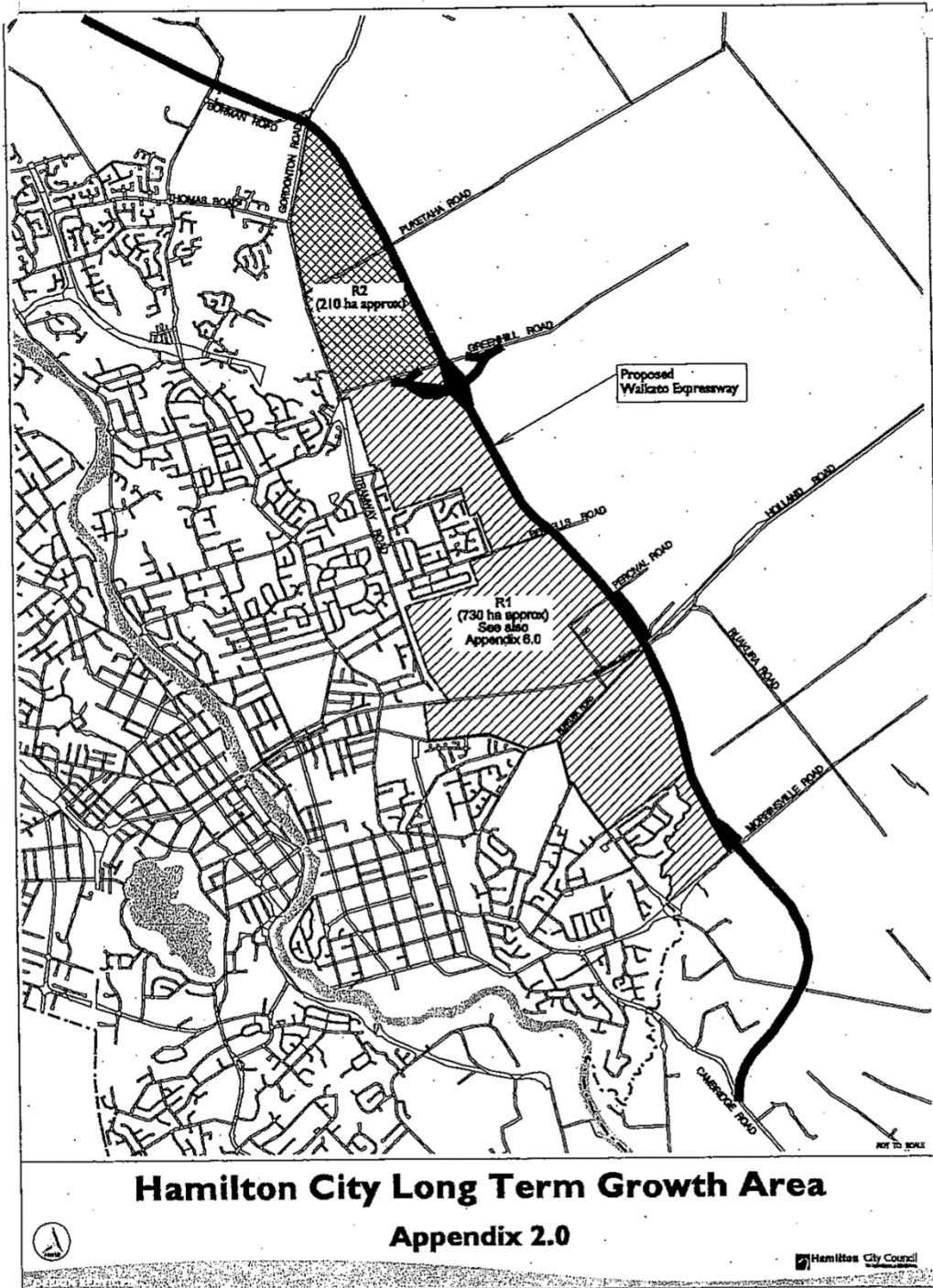


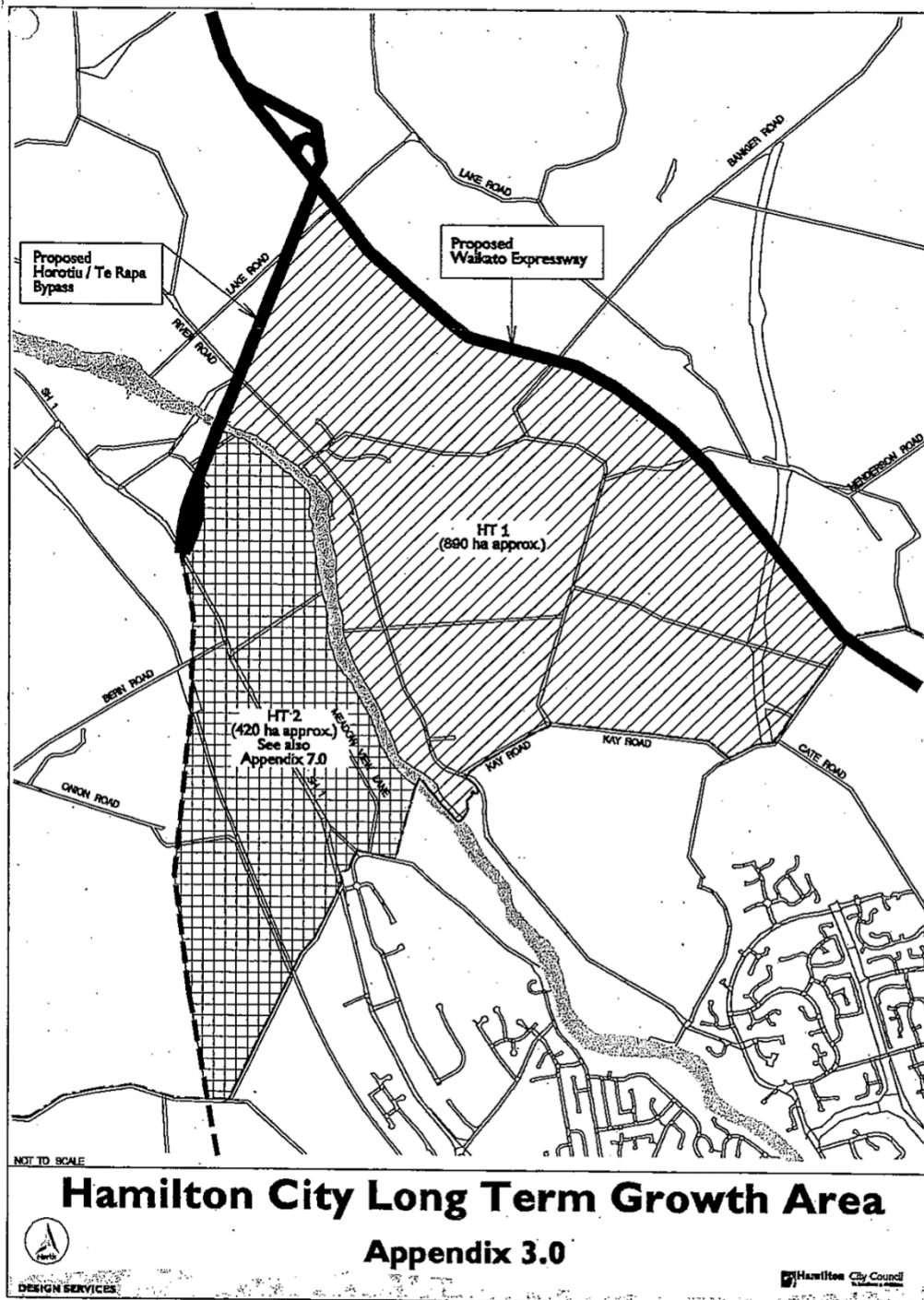
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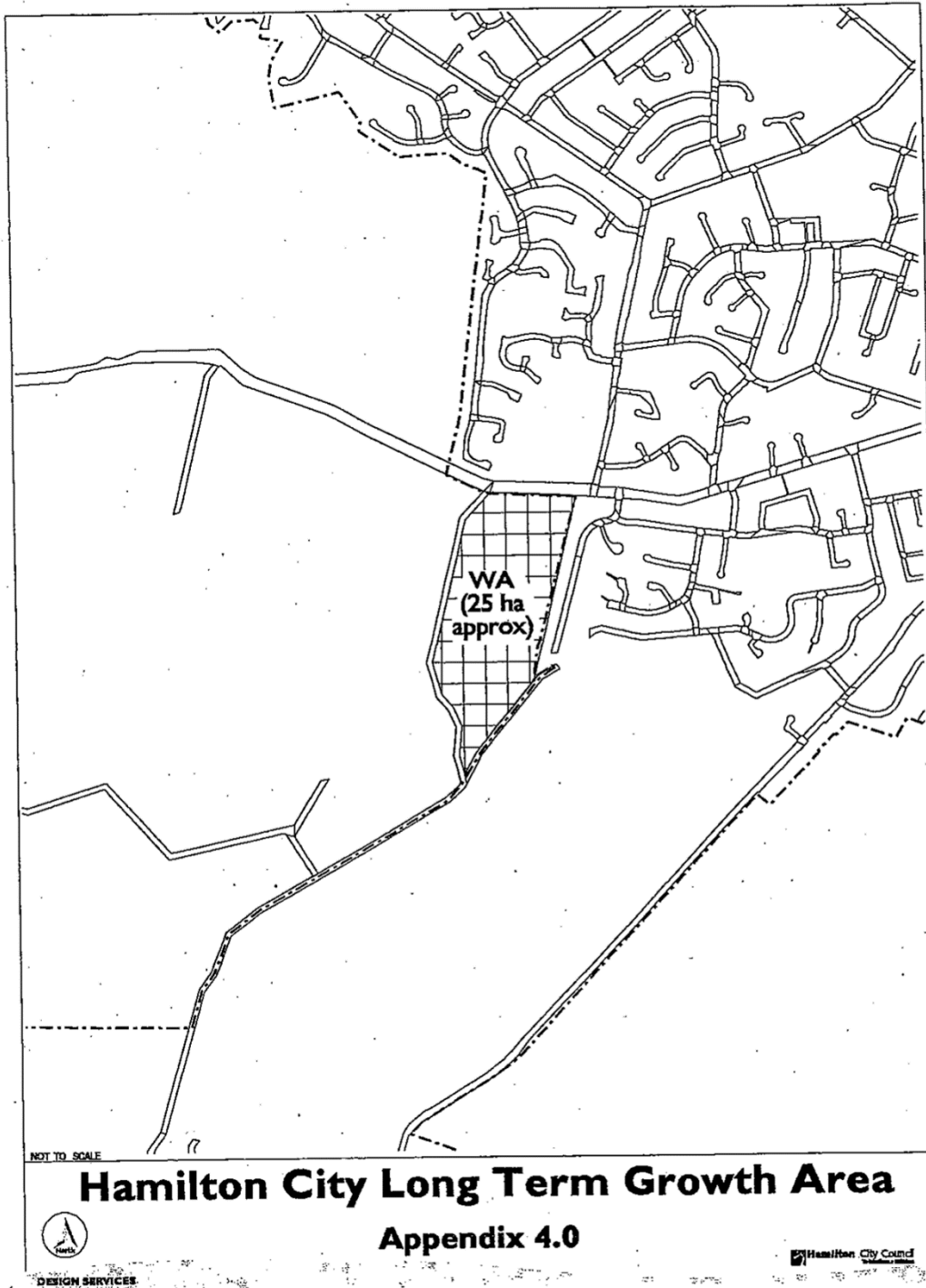




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Appendix 5.0

Hamilton City Projected Residential Uptake December 2003

1. Residential Uptake for Hamilton City is predicted on a number of variables.
 - i) Annual average housing starts at 800 per annum.
 - ii) Infill demand of around 20% of total new stock falling to 15% in 2040 and 10% in 2060.
 - iii) Average occupancy of 2.7 persons per dwelling
 - iv) Average dwelling density of 12 dwellings per hectare.
 - v) Average annual population growth of 1.9%.
 - vi) No allowance is made for additional development at Temple View.
2. The rate of uptake and demand will be altered by any change to one or more of the above variables.
3. The land base for the uptake projection is conservative. A wider range of alternative land uses, particularly industrial will accelerate overall demand by reducing overall supply. Similarly lifestyle development in the Future Growth areas will further reduce capacity once land becomes urban.
4. The scenario outlined below is integrated. The delay or acceleration of any one growth area or cell will impact on the rate of uptake in other cells. The model also endeavours to provide a range of market choice, to avoid single cell dependency which will not allow the market to act efficiently.
5. The December 2003 projections envisage:
 - A. Continued development of Rototuna until 2027. Short-term demand will reach 70% of total new housing demand, which should reduce as other growth areas are made available.
 - B. Commencement of development in the Rotokauri Growth Cell in 2006. This cell is predicted to service different market to Rototuna and will remain a steady but modest provider of land for the city. There is a possibility, based on current interest, that the area could be more rapidly depleted if strong industrial demand continues.
 - C. Peacockes is likely to be required to service residential demand in 2016 and will complement, and compete with Rototuna for the mid range market demand. This cell is likely to sustain development until 2050, under the current scenario.
 - D. The R1 cell is likely to come into the market in around 2025 based on strong demand generated by the expressway, ease of servicing, and growth in the Ruakura/University/Innovation Park node. This cell is likely to be exhausted around 2063.
 - E. Cell R2, is very small, and likely to develop quickly on the back of R1, and as a result of both Peacocke and Rotokauri becoming exhausted around the same time. This cell will commence in approximately 2044 and be completed in 2056.

HT1 is the longest term residential growth cell for the city and not predicted to commence till around 2051. Its completion is well beyond the planning horizon.

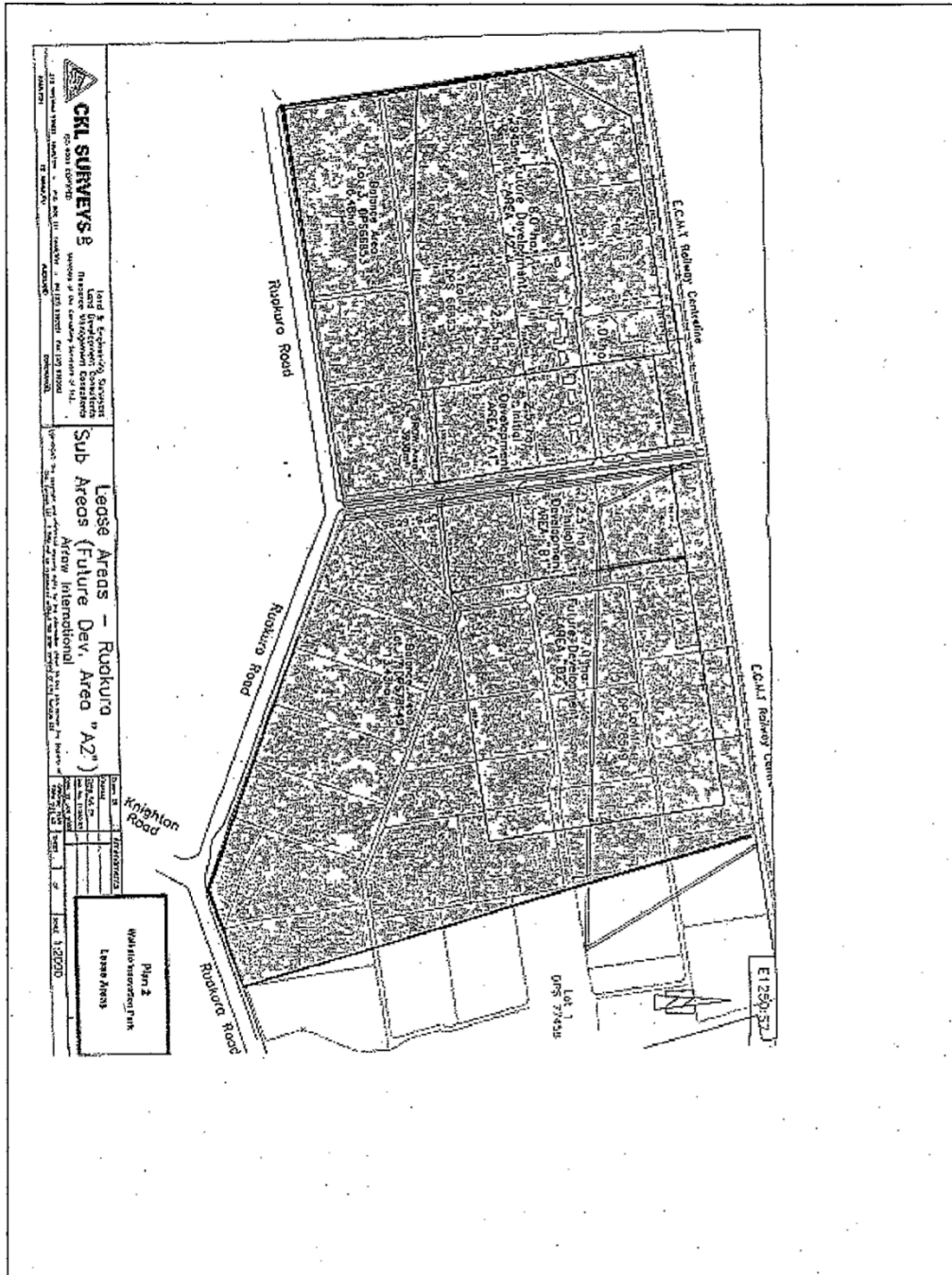
The data nominated in the agreement provides for land to be transferred to Hamilton City approximately five years before the anticipated demand data for new development.

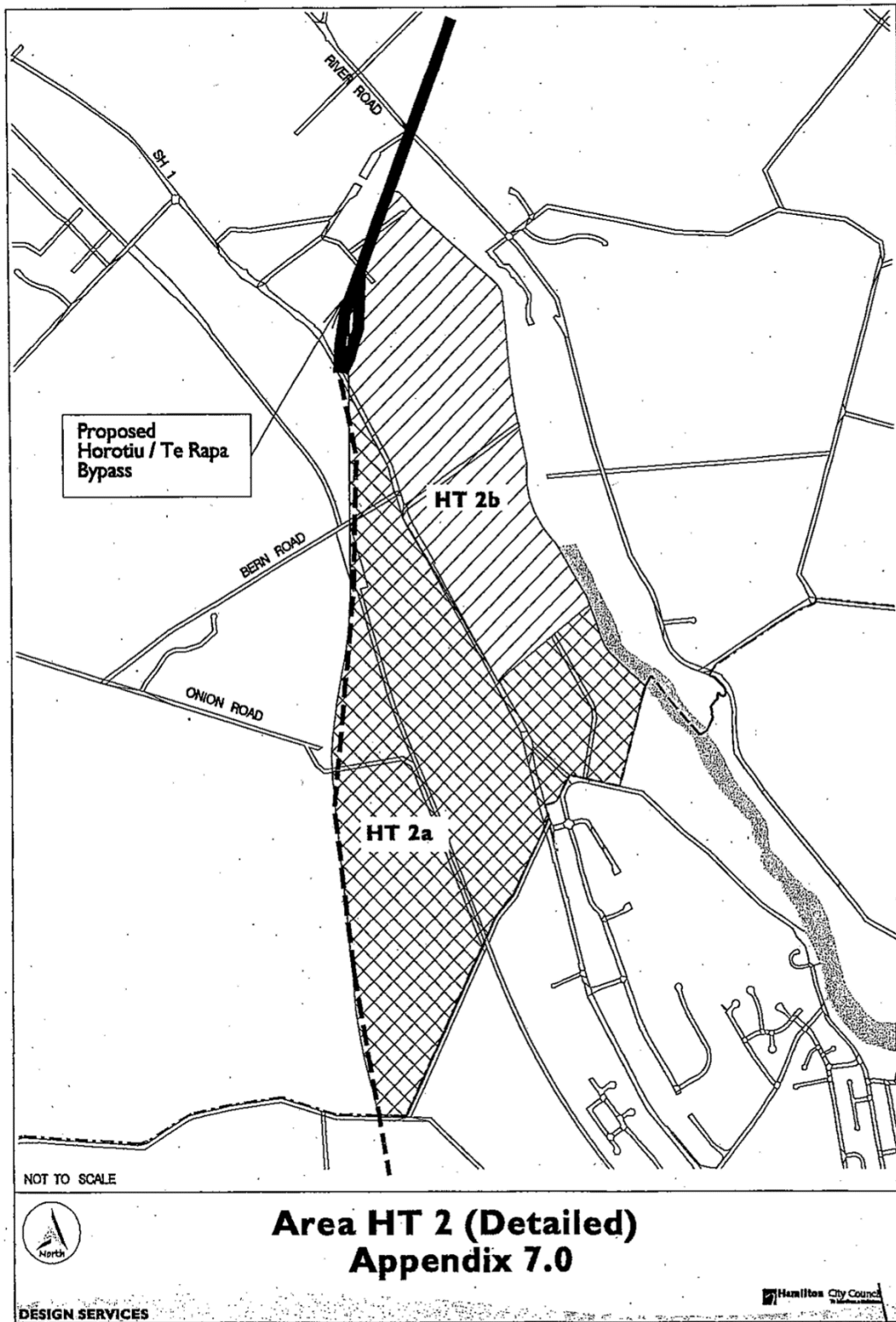
It should be noted that the above should not be taken as an absolute land use prediction. The variables employed are significant and subject to pressures over which local government has very limited influence. Similarly the horizon is extremely long. Accordingly these dates and rates of projected uptake rates should be used very cautiously.

PH
JOD

Appendix 6.0

Strategic Agreement on the Future Urban Expansion of Hamilton City



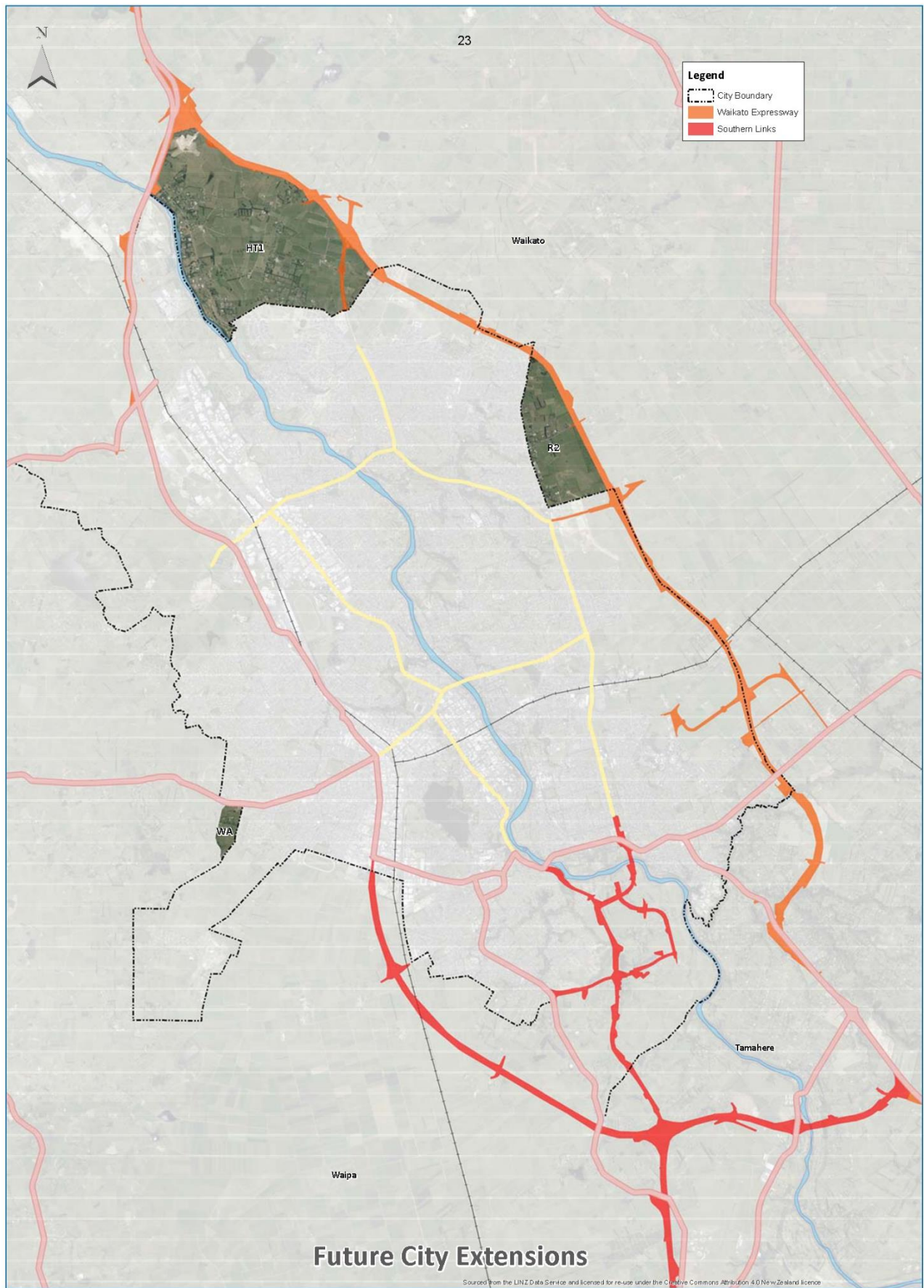


SCHEDULE B

**UPDATED MAPS OF HAMILTON FUTURE CITY EXTENSIONS, AREA R2, AREA HT1 and AREA
WA**

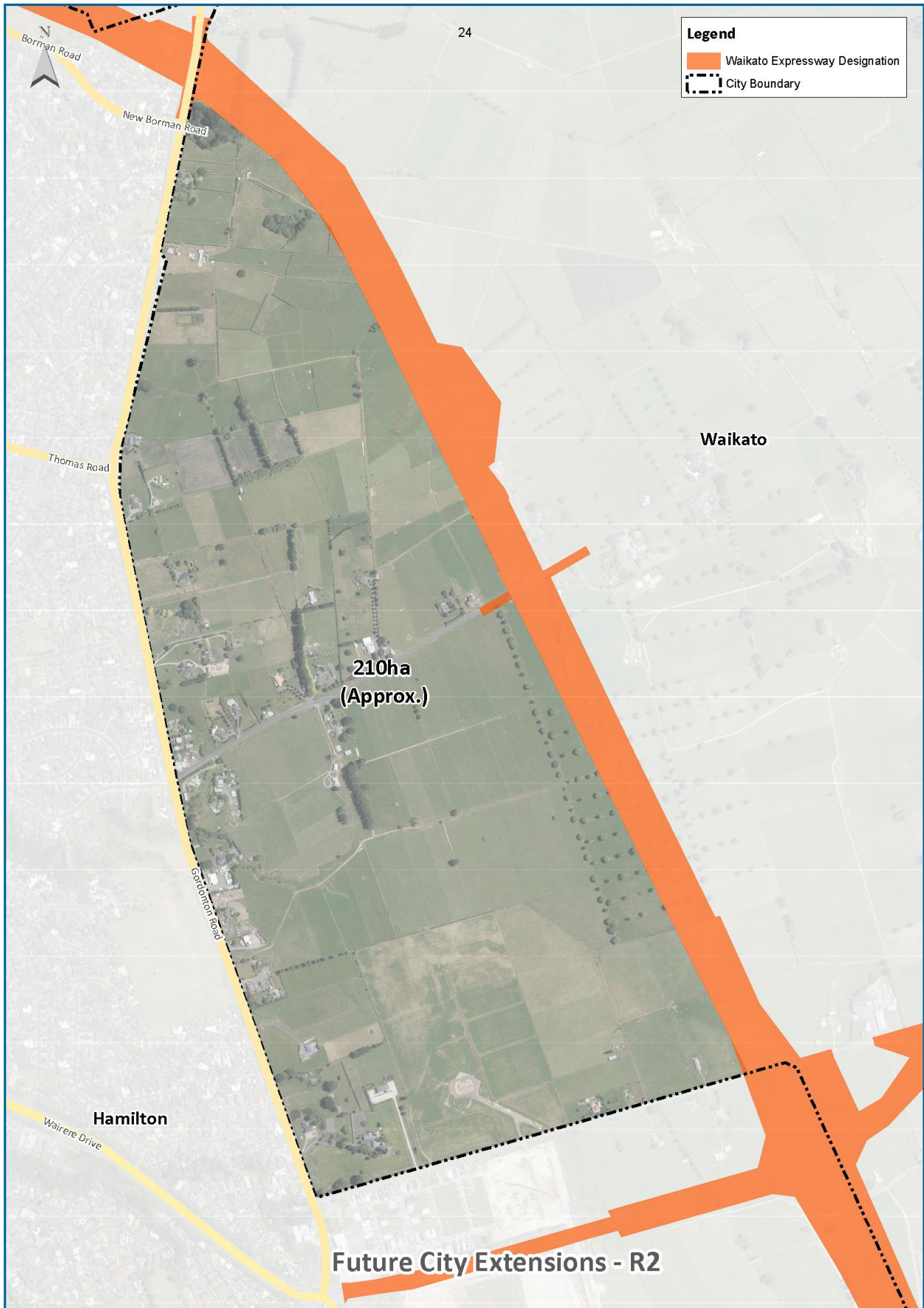
Item 8

Attachment 1



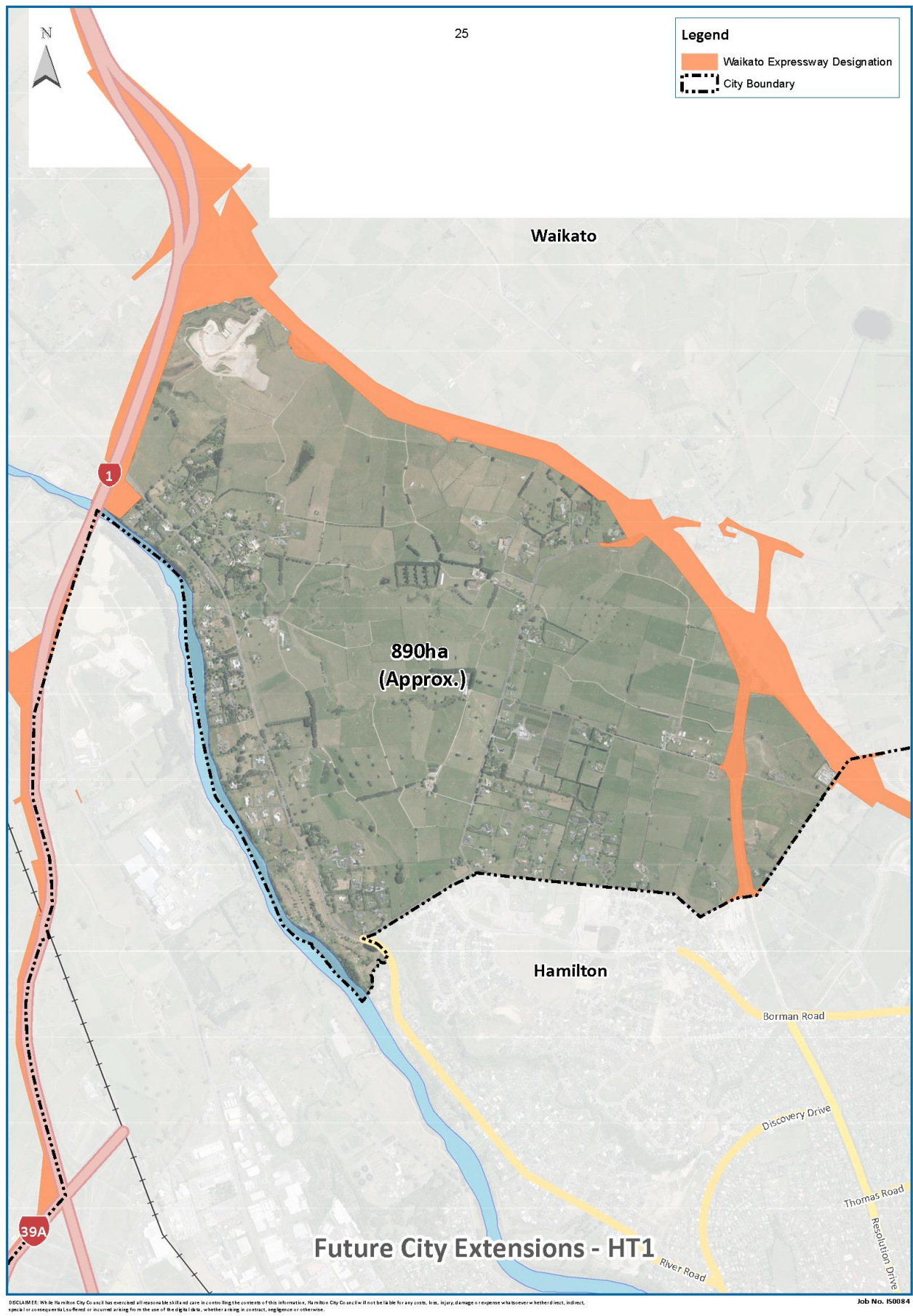
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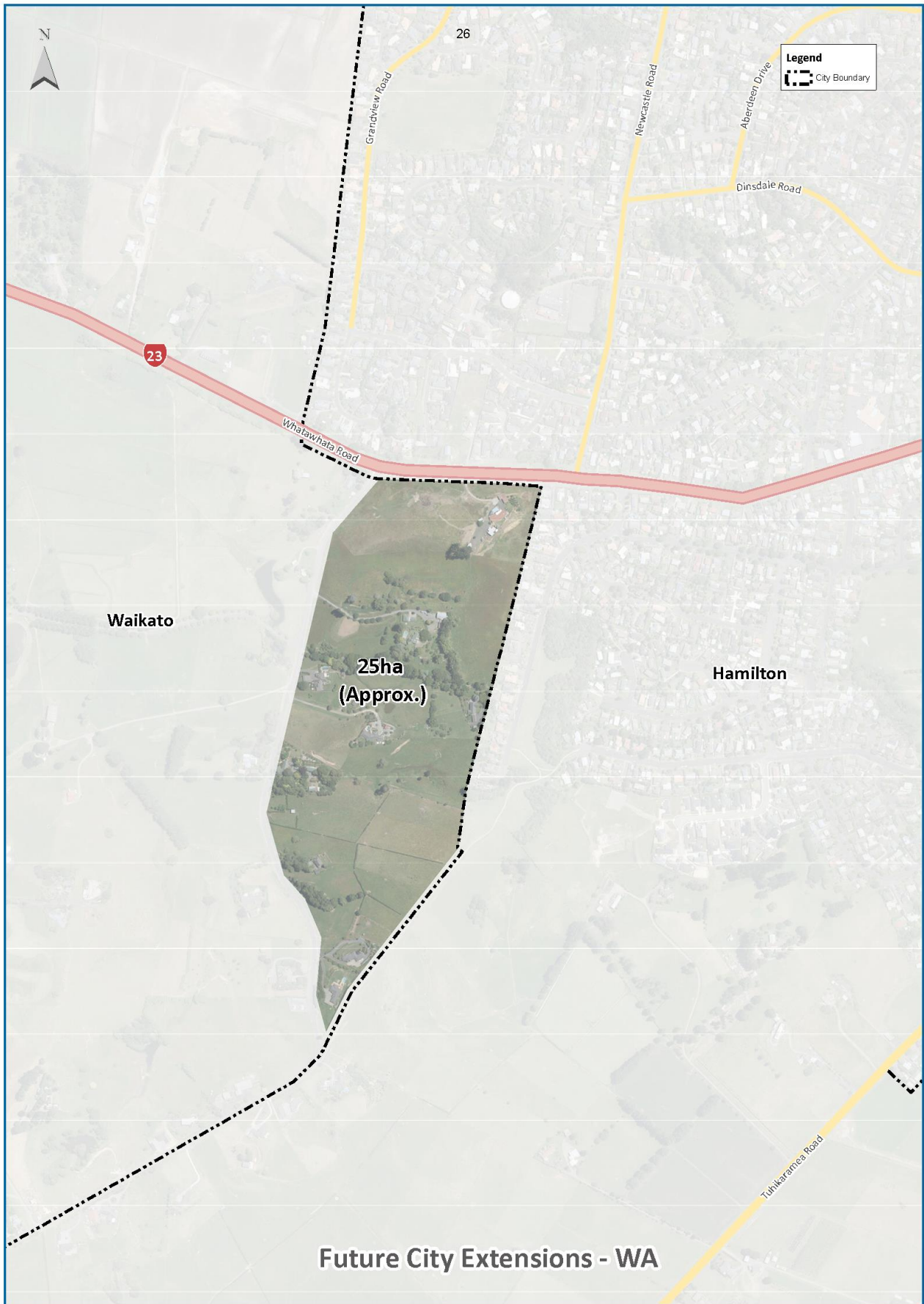
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Job No. IS0084

SCHEDULE C

LOCAL GOVERNMENT FUNDING FACTORS AND PRINCIPLES

Financial Principles

- The primary financial principle to be observed in any land transfer is the fact the commercial arrangement must be “financially sustainable” for both councils.
- For WDC financial sustainability means a transition period where the income contribution to fixed costs received from those properties within an area to be transferred (**transfer land**) and which is included in any current WDC LTP (rating revenue less operating cash flows) must continue for a period of time to enable the WDC business to adjust. It is noted WDC has rating income budgeted in each year of its LTP which includes the areas of land described in Schedule B.
- The transition period is particularly important given the high growth environment WDC is operating in and the pressure this growth provides on costs. It is recognised that the period for which net income is paid to WDC will be dependent on the quantum of the net income to WDC.
- The financial principles to implement for the areas of land described in Schedule B requires payment from HCC to WDC over a transition period whereby:
 - Consideration, being an amount of the overhead contribution attributed to the transfer land, for a minimum of ten (10) years (this term determined based on time needed to replace the net income) following the transfer of the land.
 - The ‘overhead contribution’ is the rating and other receipts attributed to the transfer land less operating costs and debt repayment. This assumes any debt and development contribution reserves (if any) at the time of land transfer will be transferred to HCC.
- Any development contribution income collected by WDC for related projects in the Southern District’s water catchment will be passed to HCC. Rather than transferring debt or deficit reserves an alternate would be to forecast the position at the time of transfer to 2039 and 2045 as per the original agreement as a one-off settlement payment.
- A number of options exist in terms of paying consideration. These include options of a lump sum, regular payments over a period of time as occurred for the transfer of R1 and HT2, or a mixture of both. For administrative simplicity a lump sum payment, made at the time of transfer (discounted to reflect a present value of net cash flows as referenced above) may be the most suitable option.
- Over time, increases in rates revenue attributable to the transfer land places pressure on the financial contribution from HCC to WDC. Early transfer of the areas

of land described in Schedule B is an effective tool to potentially mitigate the impact of value uplift and is a legitimate consideration for HCC in any timing decision.

- Where possible the parties may consider arrangements for shared infrastructure services and may factor these arrangements into the financial considerations.

SCHEDULE D

FURTHER LAND AREAS

(nil as at date of agreement)

Council Report

Item 9

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Luke O'Dwyer **Authoriser:** Blair Bowcott
Position: City Planning Manager **Position:** Executive Director Special Projects
Report Name: Future Proof Update including Hamilton-Waikato Metropolitan Spatial Plan

Report Status	<i>Open</i>
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Purpose - *Take*

1. To provide an overview to the Strategic Growth Committee on the development of the Hamilton-Waikato Metropolitan Spatial Plan (HW-MSP).
2. To provide an overview to the Strategic Growth Committee of the final HW-MSP that was approved by the Future Proof Implementation Committee on 10 September 2020.
3. To inform the Strategic Growth Committee of the next steps in implementing the HW-MSP.

Staff Recommendation - *Tuutohu-aa-kaimahi*

4. That the Strategic Growth Committee:
 - a) receives the report;
 - b) notes the development of the Hamilton-Waikato Metropolitan Spatial Plan and stakeholder feedback as outlined in the report; and
 - c) receives the final Hamilton-Waikato Metropolitan Spatial Plan as approved by the Future Proof Implementation Committee on 10 September 2020.

Executive Summary – *Whakaraapopototanga matua*

5. The progress of the HW-MSP has been reported to the Strategic Growth Committee on numerous occasions throughout 2019 and 2020 and has been the subject of multiple briefings with Members.
6. Previous drafts of the HW-MSP have been reported to the Future Proof Implementation Committee (FPIC) on several occasions, most recently 10 September 2020 where the HW-MSP was approved by the FPIC.
7. A summary of the HW-MSP was included in a Cabinet paper that was considered on 10 August 2020. Throughout July and August targeted stakeholder engagement has occurred with a number of organisations and the feedback received to date from these events has been positive.
8. The final HW-MSP is the culmination of the combined efforts across the Future Proof partnership and reflects the collective input from technical staff, the Steering Group, and

Governance. A copy of the final HW-MSP and supporting appendices can be found via this link <https://www.futureproof.org.nz/corridor-plan/the-projects/metro-plan/>

9. At its meeting held on [10 September 2020](#), the FPIC considered the final HW-MSP and approved it as a final document. A media statement from Minister Twyford, Mayor Southgate and other Future Proof Partner Governance members was released on the same day. Additional communications material (such as simplified transport systems collateral) is still being developed and a copy of this material will be circulated via Executive Update.
10. All open agendas and minutes for the Future Proof Implementation Committee (FPIC) can be found on the [Future Proof website](#). The minutes of closed meetings for this current triennium are the topics of a separate report in the public excluded portion of this agenda.

Background - *Koorero whaimaarama*

11. The Future Proof Partnership was reconstituted on 15 August 2019 and includes new partner representatives from the Crown (including Ministers Twyford and Mahuta), Auckland Council, Franklin Local Board, and Auckland/Hauraki Iwi to reflect the Crown's commitment to the Hamilton to Auckland Corridor Plan that was completed in 2019.
12. Since the reconstitution of that partnership, the focus of effort has been on implementing the Hamilton to Auckland Corridor Plan, with emphasis on developing a HW-MSP and a Waikato Sub-Regional Three Waters Project.
13. The Hamilton to Auckland Corridor (H2A) was identified as a strategic priority under the Spatial Planning pillar of the Government's Urban Growth Agenda. In response, investigations were carried out in 2018/2019 culminating in the adoption through the reconstituted Future Proof partnership of the "H2A Statement of Spatial Intent – Hei Awarua ki to Oranga – Corridor for Wellbeing" in 2019.
14. The Statement of Spatial Intent recognised that there was significant but specific development potential along the H2A corridor and from this emerged numerous technical workstreams including the development of a joint Council – Crown – Iwi spatial plan for the Hamilton-Waikato metropolitan area - the HW-MSP.
15. The Terms of Reference for the HW-MSP were developed by the HW-MSP partnership and endorsed by FPIC in March 2019. These terms of reference set the objectives, scope, and key deliverables of the HW-MSP. The overall objective of the HW-MSP is to 'support and deliver on the growth management objectives of the overarching Hamilton to Auckland Corridor Statement of Spatial Intent'.
16. This version of the HW-MSP represents the first attempt at combined spatial planning in the Waikato. Further revisions may occur as national guidance on spatial planning and quality urban development progresses or following the detailed engagement with the community proposed through the Future Proof Strategy update.
17. Additionally, there are opportunities to further modify and expand on key areas of the document post completion, such as developing simpler communications and engagement materials to use for the public, and to better represent, in a spatial way, the transformative elements in the Plan that address iwi aspiration.
18. The figure below conceptually illustrates how the HW-MSP will influence urban development through subsequent processes that are either delivered in partnership or by individual agencies.



What are the benefits of spatial planning?

19. The concept of spatial planning is well founded in many overseas jurisdictions and is key component of the Governments Urban Growth Agenda (UGA).
20. Spatial planning can address the growth management issues impacting the metropolitan area by:
 - Carefully targeting and managing growth to avoid or minimise adverse impacts from continued growth and development and create the demand thresholds required by new transformative bulk infrastructure such as rapid and frequent public transport and new three waters solutions.
 - Ensuring that the metro area provides opportunities for businesses to locate in locations that enable increased productivity, innovation and access to markets and labour, improving access to jobs, services, and urban amenities
 - Better co-ordinating and responding to the variety of planning challenges impacting the metro region
 - Improving the effectiveness of population and economic growth to address pollution, sprawl, congestion, and housing supply
 - Supporting investment business cases where relevant

- Providing better guidance for infrastructure investment to enable long term growth
- Improving the alignment of land use and infrastructure planning and delivery timelines
- Telling a coherent story and prospectus to the outside world to optimise external investment and jobs

21. Given the above, the HW-MSP builds upon the Future Proof Strategy for this metropolitan sub-region. It applies the new UGA framework and longer term (30+ years) outlook and draws on other key documents like the Regional Land Transport Plan (RLTP) and Waikato Plan. This is the first spatial plan for this area that is jointly developed with the Crown (other than NZ Transport Agency and the Waikato District Health Board) and builds on well-established Future Proof planning alliances between the four councils and iwi.

How does the HW-MSP address recent COVID-19 related impacts on the economy?

22. At the time of writing this report the scale of impacts that COVID-19 will have on the short-term growth for New Zealand and the HW-MSP area generally are uncertain. While there will be undoubtedly significant impacts on economic activity, the scale and duration of these impacts are not known.
23. Notwithstanding the above, the HW-MSP takes a long-term view on growth. The HW-MSP identifies the key spatial elements and transformational outcomes that are enduring and will still be relevant even if growth slows over the short-term.
24. The key issues the HW-MSP seeks to address, and the core focus of the Plan remain relevant - that is to create competitive urban land markets to bring down the price of urban land; creating more compact urban forms across the HW-MSP area, which in turn supports the creation of transformational multi-modal transport networks to give our communities the mobility that they need and to allow transport networks to accommodate growth pressures without the chronic congestion.

Development of the HW-MSP

25. The HW-MSP seeks to deliver on the central government's urban growth objectives by exploring how the metropolitan area can develop an urban form based around a rapid and frequent transit network, that protects and enhances the environment, improves wellbeing and ensures there is enough land for housing and jobs and high-quality urban development for the long term.
26. The project has been overseen by a cross-organisational steering group including representatives of Ministry of Transport (MoT), Waka Kotahi New Zealand Transport Agency (NZTA), Ministry of Housing and Urban Development (HUD), Waikato-Tainui, Waipa District Council, Waikato District Council, Hamilton City Council and Waikato Regional Council, and has been reported regularly to FPIC where HCC representatives Mayor Southgate and Strategic Growth Chair Dave Macpherson have delegation to represent HCC.
27. The HW-MSP is a vision/scenario-led plan supported by evidence and research to understand how a future population of 500,000 could be accommodated. It is recognised that further evidence and evaluation will be needed as this Plan is implemented, particularly in relation to transport and the 3-waters business cases.
28. The HW-MSP reflects the views of all partners including feedback and inputs from two two-day workshops of broader stakeholders, and the comprehensive feedback from HCC elected members through multiple workshops, focussed discussions and regular reports to the Strategic Growth Committee.

Stakeholder engagement and feedback

29. In accordance with the resolutions made by the FPIC on 3 July 2020, the HW-MSP project team have engaged with the following stakeholders through July-August 2020:
- Philanthropic groups including Momentum, Trust Waikato, WEL Energy Trust, Creative Waikato and Community Waikato
 - Iwi and mana whenua representatives through Nga Karu Atua O Te Waka
 - Utility providers including UltraFast Broadband, WEL Networks, Waipa Networks and Mercury)
 - Waikato Regional Airport
 - Te Waka Board and CEO
 - Property Council Executive
 - New Zealand Planning Institute
 - Waikato University
30. At each of these stakeholder events, staff have presented on the scope, purpose, benefit and outcomes from the project to date, and how stakeholders can continue to be involved in the project as it moves into the implementation phase.
31. The response and feedback from each of these engagement meetings has been generally positive and was reported to FPIC on 10 September 2020. Stakeholders see the value in the project and how a plan of this nature can enable the public, philanthropic and private sectors to contribute to progressing the metropolitan form being outlined in the HW-MSP (and the spatial planning directions) and how this can provide benefit for current and future residents, investors, businesses and the environment of the metropolitan area.
32. Notwithstanding the generally positive feedback, feedback has also been received about effective implementation of the HW-MSP and securing the necessary Crown support to fund the requisite infrastructure need to support the metropolitan area. This is seen as a key area of risk to achieving the vision of the HW-MSP.

Content of the HW-MSP

33. The HW-MSP follows a general national format based around a four-part structure:
- a) Context, challenges, and opportunities – Where we are now
 - b) Desired Future State – Where we want to be
 - c) The Spatial Plan – a series of spatial layers providing detail on the HW-MSP components
 - d) The Implementation Plan – How we are going to move towards the vision
34. A copy of the final HW-MSP and supporting appendices can be found via this link <https://www.futureproof.org.nz/corridor-plan/the-projects/metro-plan/>

Key elements of the HW-MSP

35. The key elements of the HW-MSP are:
- i. delivering on the aspirations of taangata whenua including enhancing the environmental health of the Waikato River and supporting iwi housing and economic priorities within the metro area;

- ii. a spatial framework to achieve very significant mode shift to public transport, reduced carbon emissions, increased housing choice, more affordable housing and improved access to employment and key amenities;
- iii. providing clarity on the location and nature of waahi toitu areas that have influenced the location of future growth areas so that new development is directed away from constraints, avoiding hazards and risks now and in the future;
- iv. the inclusion of an extensive blue-green network to assist in improving the quality and quantity of public spaces and support numerous environmental outcomes;
- v. a framework for completing the road and rail freight network, such as rail sidings into inland ports that will improve connectivity and efficiency across the freight network;
- vi. demonstrating how existing and all future larger-scale communities are connected by rapid or frequent public transport services along prioritised public transport corridors;
- vii. within the existing urban areas of the sub-region, urban intensification is concentrated around the prioritised public transport corridors and hubs that allow people to move easily throughout the sub-region;
- viii. greenfield growth is carefully added to the existing urban area or key towns on the rapid or frequent transit network; this helps to ensure an efficient use of existing infrastructure;
- ix. enabling a wide range of urban development opportunities to enhance competitive land markets;
- x. the development of an economic corridor (Ruakura-CBD-Ngaruawahia) will build on existing economic strengths in the metro area and drive higher value employment growth; and
- xi. supplementing access, a network of safe and accessible cycling, walking, personal mobility routes are enabled to support connectivity to local shops, schools and other services as well as accessing neighbouring communities.

Emerging settlement pattern

- 36. The emerging settlement pattern builds upon the success of the Future Proof strategy and includes the following features
 - i. a large urban core comprising of Hamilton City. The Hamilton central city continues as the regional centre for the HW-MSP area (for both employment and increasingly residential), supported by metropolitan centres such as Ngaruawahia, Te Awamutu, Te Rapa and Chartwell. Residential development will need to be denser over the long term in greenfield areas such as Peacocke and Rotokauri (and future ones such as R2 and HT1).
 - ii. a focus on developing transit-orientated areas at Te Rapa, Frankton, Chartwell, the University, and Fairfield.
 - iii. the partial repurposing of industrial land at Ruakura to deliver on iwi aspiration and to provide additional housing capacity.
 - iv. key employment nodes at Hautapu, Hamilton Airport, Ruakura, Horotiu / Te Rapa and Taupiri.
 - v. ongoing growth and development of Ngaruawahia, Te Awamutu and Cambridge (and Morrinsville), strongly linked to Hamilton through improved transport connections.
- 37. The HW-MSP is supported by a series of appendices further detailed below:
 - **Case for Change: Shaping the Future Hamilton – Waikato Metro Area**
 The Case for Change considers the objectives of the Urban Growth Agenda and the Hamilton 2 Auckland Corridor Plan, as well as the HW-MSP vision and discusses the present state of the Metro Area in relation to these.

- **Future Growth Area Density**

This appendix provides design drawings and imagery illustrating the density expected to be achieved in Future Growth areas if the vision of the HW-MSP is to be achieved.

- **Hamilton – Waikato Metropolitan Areas – Role and function now and into the future (BERL)**

BERL was commissioned to assess existing and potential future economic roles and function of the Hamilton-Waikato Metropolitan area as within the upper North Island and New Zealand. This study outlines the current roles and functions of the Metro Area, explores the economic linkages between the Metro Area and wider Waikato and Auckland, discusses some scenarios of development over the next 30 to 50 years; and assesses the impact of the connections on the roles and functions of the area as it evolves over the next 30 to 50 years.

Implementation

38. The implementation of the HW-MSP consists of:

- growth Management Directives – These directives will provide direction to other documents and processes;
- an Urban Growth Programme of implementation initiatives made up of a small number of critical, innovative, transformative and significant initiatives. These include immediate or priority actions in Priority Development areas; and
- priority Development Areas – immediate or priority actions in specified priority development locations.

Tier One priority initiatives

39. Tier One initiatives of the Urban Growth Programme bring together a small number of critical, innovative, and significant priority implementation initiatives that will help realise the transformational directions contained in the HW-MSP. These include those focussed around priority development areas, key transport and waters initiatives, land use planning and financing initiatives, large-scale housing opportunities and urban growth-related economic development and skills initiatives.
40. Tier One actions are included in the HW-MSP document. These are essentially the ‘big moves’ which will be reported on regularly to the FPIC to show progress in implementation of the HW-MSP.

Next Steps and related projects

41. The completion of the HW-MSP closes out the planning phase for the Hamilton-Waikato metropolitan area. Over the next 12-18 months the Future Proof Partnerships will embed the key aspects of the HW-MSP in to other projects where opportunities for further elected member input and direction will be available.
42. For example, the HW-MSP will be a direct input in the update of the Future Proof Strategy update, which is scheduled to commence between the last quarter of 2020 and the first quarter of 2021. The update of the Future Proof Strategy will also involve full public consultation. Implementing the National Policy Statement for Urban Development (NPS-UD) will also be a key area for elected member input to guide and shape where and how intensification will occur across Hamilton – a number of briefings on the NPS-UD have already occurred and more are scheduled for the next 12-18 months.

43. The strategic direction, principles and outcomes of the HW-MSP will also be considered as part of the development of the 2021-31 Long Term Plan, the review of the Regional Land Transport Plan and the review of the Hamilton Urban Growth Strategy.
44. Other related projects are also outlined below.

Implementation and Related Projects

45. Work on several Tier One implementation initiatives, including the Wastewater Detailed Business Case and the Metro Rapid and Frequent Public Transport Business Case (Transport Story project), is currently underway or being scoped. Further work on scoping up other Tier One initiatives will occur in the coming months and will be reported to the Future Proof Chief Executive Advisory Group at a later date.

Hamilton-Waikato Area Wastewater Detailed Business Case (DBC)

46. The Southern Metro Wastewater DBC is now underway. Technical work to support the DBC strategic case and the economic cases have begun. This work is directly applicable to the full Metro Area (North and South).
47. At a high level, this strategic case will investigate the broader wastewater treatment direction for the metro spatial area. As part of this case, a more detailed capacity assessment will be undertaken for the existing plants and mapped against potential future growth scenarios, along with consideration given to the overall project objectives and KPI's. This work will build on the Waikato Three Waters Strategic case and include 'Best for River' objectives. Overall, the DBC is progressing well. However, the scope is significant, and timeframes within the programme are tight for delivery of a preferred outcome by the end of the calendar year. Reconfirmed delivery times are being worked through with the consultants.
48. Delivery of the Northern Metro Area Wastewater DBC in parallel with or in close succession to the Southern Area DBC is recommended to enable integrated and informed investment decisions and work on potential funding options and terms of reference are currently progressing.

The Comprehensive Metro-Area Transport Programme

49. The development of a comprehensive transport programme for the Metro area (similar to the very successful 30-year Auckland Transport Alignment Programme (ATAP) is a key next step, drawing and building on the Regional Land Transport Plan.
50. The comprehensive programme will provide the framework for the development of business cases, which can either be at a broad programme level (similar to the UFTI initiative in Smart Growth) or for specific elements e.g. for the proposed rapid and frequent transit network. This work will identify long term phasing, costs and how partners can implement the right solutions for the long-term transport needs of the metropolitan region.

Financial Considerations – *Whaiwhakaaro Puutea*

51. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations – *Whaiwhakaaro-aa-ture*

52. There are no legal or policy considerations in relation to this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

53. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

- 54. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
- 55. The recommendations set out in this report are consistent with that purpose.

Cultural

- 56. The HWMSP has been developed with significant and meaningful iwi input throughout all stages of the project.
- 57. Waikato-Tainui is an equal partner in the Future Proof Partnership, and the HWMSP has a core focus on ensuring that iwi aspiration is realised as a result of the project.
- 58. Representatives from Waikato Tainui are involved at a Governance, Steering and Project group level and have worked intimately with the project team over the past 12 months. The level of iwi engagement in the project has been recognised and the focus on iwi aspiration has been endorsed by Iwi representatives at the Future Proof Implementation Committee on 3 July 2020.
- 59. HCC senior staff have also made a number of representatives with Nga Karu Atua o Te Waka which is comprised of iwi and hapu representatives from across the HWMSP region.

Risks - *Tuuraru*

- 60. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy – *Kaupapa here wakahira/anganui*

- 61. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendations in this report have low significance and no engagement is required.

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Jackie Colliar **Authoriser:** Blair Bowcott
Position: Strategic Manager - Infrastructure City Development **Position:** Executive Director Special Projects
Report Name: Hamilton-Waikato Metro Wastewater Detailed Business Case Project Update

Report Status	<i>Open</i>
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Purpose - *Take*

- To update the Strategic Growth Committee on progress on the Hamilton-Waikato Metro Area Wastewater Detailed Business Case (DBC) Project.

Staff Recommendation - *Tuutohu-aa-kaimahi*

- That the Strategic Growth Committee:
 - receives the report;
 - notes the growth assumptions and wastewater treatment performance standards proposed for the long-list to preferred option assessment processes;
 - notes the long list of wastewater servicing options;
 - notes the long lists of commercial, funding and financing options; and
 - notes that a project update will be provided to each Strategic Growth Committee until the completion of the Hamilton-Waikato Metro Area Wastewater Detailed Business Case Project.

Executive Summary - *Whakaraapopototanga matua*

- The Project is being delivered through a partnership with Hamilton City Council, Waikato District Council, Waipa District Council, Waikato-Tainui and Mana Whenua. Council along with Waipa District Council has committed to co-funding the Southern Metro DBC. The project is seeking to confirm the preferred Southern Metro Wastewater (WW) servicing solutions by December 2020 and to deliver the full DBC by May 2021.
- The project is well underway with considerable progress made to date, including:
 - clear direction on appropriate Growth assumptions and approaches to be used;
 - confirmation of treatment performance standards and approaches ;
 - draft Investment objectives and key performance indicators for the project;
 - development of long list of WW servicing and discharge options ;

- v. draft multi-criteria analysis (MCA) to evaluate and short-list the wastewater servicing options;
 - vi. development of commercial, funding and financial long-lists and MCA criteria.
5. Key decision points in the project include:
- i. 28 October 2020 - Confirmation of Short-lists (WW servicing, commercial, funding and financing);
 - ii. 16 December 2020 – Confirmation of preferred solutions (WW servicing, commercial);
 - iii. March 2021 – Confirmation of Preferred funding and financial option;
 - iv. May 2020 – Governance Group endorsement of final DBC; and
 - v. June 2020 – Partner organisation consideration and approval of DBC.
6. An update on the progress of the DBC, and any decisions required by Council will be reported to each Strategic Growth Committee until the project is complete.
7. Implementing the DBC recommendations is likely to have significant financial implications for the 2021 – 2031 long term plan if adopted by the partner Councils.
8. Staff from Hamilton, Waikato and Waipa District Councils will be working closely to align LTP funding requests necessary to implement the recommendations of the DBCs.
9. Staff consider the matters in this report has low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

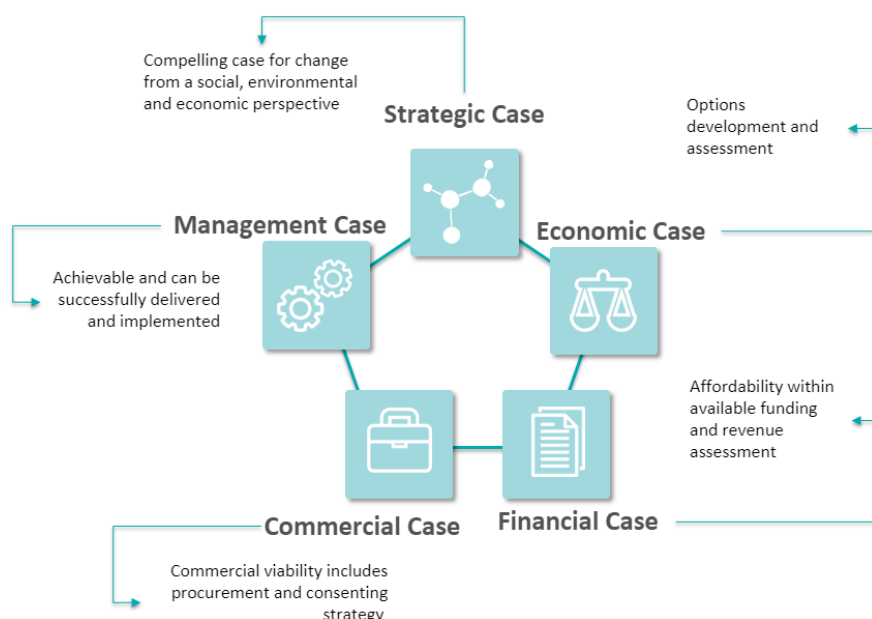
10. This project builds on the Waikato Sub-Regional Three Waters Strategic Case (2019), Waipa District Council – Cambridge Wastewater Indicative Business Case (2019) and the High-Level Waikato Metro Wastewater Assessment (2020). The High-Level Waikato Metro Wastewater assessment considered a long list of wastewater servicing options, and identified a preferred concept involving three municipal wastewater treatment facilities: Pukete WWTP, a new facility south of Hamilton, and Te Awamutu/Kihikihi WWTP (Refer to diagram in Attachment 1).

11. The project vision is:

*Tooku awa koiora me oona pikonga he kura tangihia o te maataamuri
The river of life, each curve more beautiful than the last*

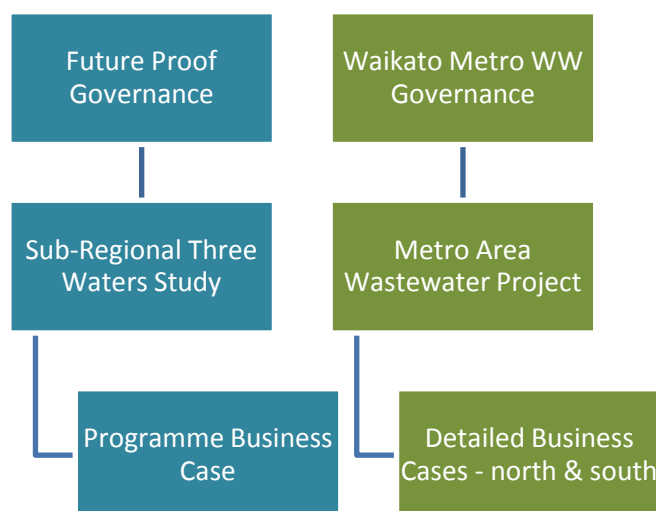
Our vision is for a future where a healthy Waikato River sustains abundant life and prosperous communities who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato River, and all it embraces, for generations to come"

12. The overarching project objective is to deliver DBC(s) for the preferred WW servicing solutions for the northern and southern Hamilton-Waikato metropolitan area ("Metro area") that:
- a) delivers "best for river" outcomes,
 - b) meets the requirements of the New Zealand Treasury Better Business Case Model,
 - c) are supported by the Project Governance Group,
 - d) are delivered on time for project partners and key stakeholders, and
 - e) can be implemented.
13. The Better Business Case Model adopted for this project involves five cases as outlined below:



- **Strategic Case:** sets out the compelling case for change by identifying current problems, the benefits of addressing the problems and the overarching objectives that are being sought.
 - **Economic case:** sets out the preferred WW servicing solution including the long-listing to preferred option assessments and concept details for the preferred option. The MCA used to assess the WW servicing options will consider a range of factors including benefits, cost effectiveness, cultural, environmental and social factors.
 - **Commercial case:** sets out the delivery structure and plans for the procurement arrangements needed to implement the preferred WW treatment solution. This includes procurement strategy and plan, risk sharing, payment mechanisms and contracting considerations.
 - **Financial case:** sets out the preferred funding model and financing strategy. This includes affordability considerations.
 - **Management case:** details the arrangements needed to both ensure successful delivery of the preferred solutions and to manage project risks, while maintaining a focus on delivery of benefits.
14. The Southern Metro WW DBC has commenced using funding from Waipa District Council and Hamilton City Council and pending confirmation of a funding plan and programme for Waikato District Council's contribution. Each Council is also seeking funding for their share of the DBC costs from the Government 3-Waters stimulus package. A decision on that funding is expected by 1 November 2020.
 15. Indicative timing to complete the Southern Metro WW DBC is May 2021 with the Northern Metro WW DBC being completed later in 2021 (subject to funding). A preferred WW servicing option for the southern metropolitan area is expected by December 2020. The final DBC will be recommended to the partner organisations for approval around June 2021.
 16. As outlined in the terms of reference endorsed by the Strategic Growth Committee and Council in May 2020, the project is being delivered in parallel and separate to the Future Proof structure overseeing the Waikato Sub-Regional Three Waters Study (see diagram below). While the projects are separate, they are intimately linked. To ensure alignment, cohesion and strong linkages to Future Proof, regular update reports will be provided to the Future Proof

Implementation Committee, however decision-making is via the project specific structure and ultimately with the partner organisations.



17. Mayor Paula Southgate is the Hamilton City Council representative on the Project Governance Board. Councillor Dave Macpherson is the alternate.

Update - *Matapaki*

18. A number of key milestones have been achieved to initiate the project, including:
- i. governance and Control groups have been established, with representatives from Hamilton City Council, Waikato District Council, Waipa District Council, Waikato Regional Council, Waikato Tainui and mana whenua.
 - ii. an independent Project Director has been appointed (Peter Winder, Consultant).
 - iii. a Project Manager has been appointed (Jackie Colliar, Hamilton City Council).
 - iv. Terms of Reference for the project has been approved by the Governance group.
 - v. a Project Management Plan, including project programme and milestones, has been approved by the Control Group.
 - vi. a communications approach and approvals framework has been approved and will form the basis for preparing a Communications and Engagement Plan.
 - vii. a specialist team of consultants, led by Price Waterhouse Coopers with technical support from GHD and BECA, has been engaged to deliver the Southern Metro WW DBC.
 - viii. Fonterra Hautapu will be considered as a separate parallel workstream, funded by Fonterra.
 - ix. growth assumptions have been considered by the Control Group and are currently being finalised (see below).
 - x. treatment performance standards have been approved by the Control Group (see below).
 - xi. the draft strategic case has been developed.
 - xii. Long lists of WW servicing, commercial and funding and financing options have been developed along with the criteria proposed to evaluate and short-list the options (see below). The long lists were presented to the Project Governance Group for feedback on 17 September 2020.

Growth assumptions

19. Growth assumptions have been developed using relevant information sources, growth projection and capacity information provided by the partner councils and Waikato-Tainui. The assumptions were considered by the Control Group, who approved the direction of the assumptions, directed some amendments and requested that further work be undertaken with respect to adequate provision for wet industrial activity.
20. Key residential growth assumptions include:
 - a) Waipa and Waikato District residential growth projections are based on the mid-point NIDEA projections while Hamilton City growth projections are based on the NIDEA low projection.
 - b) Projections are consistent with those being used to inform master plans and Activity Management Plans feeding into the 2021-2031 Long Term Plans.
 - c) An 'ultimate' growth capacity scenario has been identified which reflects the largest household projection for an area based on known development areas and expected density and is generally indicative of a 60-100-year growth period.
 - d) The residential projections collated for this project focus on the "connected" population to be serviced by WW infrastructure.
 - e) Maximum growth capacity is informed by zones in District Plans and additional areas indicated in growth strategies, private plan changes and submissions to Proposed District Plans as at August 2020.
 - f) Servicing the following communities is proposed to be included in the project:
 - i. Taupiri
 - ii. Hopuhopu
 - iii. Ngaruawahia
 - iv. Horotiu
 - v. Te Kowhai
 - vi. Hamilton (including Strategic Development Areas HT1, R2 and WA). Note that R2 and HT1 will be assumed to commence development from 2040.
 - vii. Matangi (village and business hub only – no growth)
 - viii. Tauwhare Pa (existing –with provision for additional 50 dwelling papakainga). Existing household for Tauwhare will be added.
 - ix. Tamahere village hub and school
 - x. Ohaupo
 - xi. Airport (existing with potential to connect Rukuhia in future)
 - xii. Cambridge including Hautapu and Karapiro
 - xiii. Te Awamutu and Kihikihi
 - xiv. Additional infill development for the 30 year and 100-year outlook from the Metro Spatial Plan
 - g) Servicing the following communities is proposed to be excluded:
 - i. Pirongia
 - ii. Whatawhata
 - iii. Gordonton

- iv. Tamahere (Country Living Zone)
 - v. Matangi (Country Living Zone)
21. Key non-residential assumptions include:
- a) Servicing of the:
 - i. Existing and known future trade waste discharges to the municipal system in Cambridge and Hamilton.
 - ii. Hamilton Airport and surrounding industrial area.
 - iii. Hopuhopu Innovation hub (as per Waikato Tainui development plans).
 - iv. All zoned non-residential areas.
 - b) Servicing of the following will be excluded:
 - i. Large industrial facilities not connected to the existing public system with private WW treatment systems and discharge consents (i.e. Fonterra Te Rapa and Te Awamutu Plants and Affco Horotiu).
 - c) Servicing Fonterra Hautapu will be considered as a separate parallel workstream. Fonterra are funding the parallel workstreams needed to consider the Hautapu plant.
 - d) Specific allowances for wet industrial activity will be included. The assumed locations for new wet industry are Te Rapa North/Horotiu; Ruakura; Airport; Matos Segedin Industrial Area, Cambridge. The flow and load allowance for the assumed future wet industrial activity is to be confirmed. The proposed approach is to estimate flows and loads using reasonable design assumptions and a proportion of the total zoned land area in the specified areas.
22. Sensitivity analysis will be completed to consider infrastructure investment and timing impacts of growth occurring faster the projections suggest and of smaller or greater provisions for wet industry activity than provided for in the assumptions.
23. More detailed information prepared to support the recommendations to the Control Group is available if requested.

Treatment performance standards

24. Restoring the health and well-being of the Waikato River and delivering “best for river” outcomes is central to this project.
25. Appropriate treatment performance assumptions (liquid, solid, atmospheric discharge/emissions) are needed to develop the long list and short list of WW servicing options and to identify a preferred solution. The following approach and treatment performance standards were approved by the Control Group (19 August 2020). More detailed information prepared to support the recommendations to the Control Group is available if requested.
26. For the liquid stream:
- i. A consistent standard of treated WW quality will be assumed for all WWTP discharges to water.
 - ii. The assumed level of includes a high level of nutrient removal <4mg/L TN and <1.0mg/L TP (as annual means) and a very high pathogen removal (E.coli <14 cfu/100ml as a 95th percentile).
 - iii. The treated WW quality standard adopted for this long-list to preferred option selection stage is very high and based on current best practice and delivering “best of river” outcomes.

- iv. The treated WW quality standards are assumed to be introduced by 2031 or when the existing resource consent for the discharge expires.
- v. The treated WW quality initially adopted for the preferred Southern Area solution will be confirmed at a later stage of the DBC based on the nutrient loading assessment and scale of facilities initially included as part of the preferred solution.

For solids stream:

- i. A graduated scale of solids management will be assumed with complexity and extent of solids destruction and energy potential realisation increasing in steps with population equivalent served.

Atmospheric emissions:

- i. Proposed provisions for atmospheric emissions are reasonably general but all would require best practice to be implemented.
- ii. In all process plant development, life cycle emissions will be given due consideration and it is anticipated that the councils will adopt the zero carbon bill aspirations and optimization of life cycle emissions generally. And that these will be drivers for initiatives, particularly in the larger plants, for processes that drive the plants towards energy neutrality and emissions minimisation.

General:

- i. The treatment plants will be configured such that the limit of capability is not fixed at the initial target performance but can be upgraded by augmentation of processes at appropriate times in the future.
- ii. The treatment standards will be reviewed for the preferred southern option once further information is available on effects, staging and cost.

Strategic case

- 27. At a high level, the strategic case will investigate the broader WW treatment 'problems' within the Hamilton-Waikato metro area. As part of this case, a capacity assessment will be undertaken for the existing plants and mapped against potential future growth scenarios, along with consideration given to the overall project objectives and key performance indicators (KPIs). This work will build on the Waikato Three Waters Strategic case (which was completed at part of phase one of the Sub-Regional Three Waters project) and includes 'best for river' objectives.

Economic case – Wastewater Servicing Options Long-List

Options Assessment Process

- 28. A staged approach to identifying and assessing the WW servicing options for the Metro area is being adopted for the Southern Metro WW DBC. The first stage involves developing a long list of options for the entire Hamilton-Waikato metropolitan area (north and south).
- 29. The long list of options (including discharge routes) will be evaluated using a multi-criteria assessment (MCA) and will be eventually reduced to a shortlist.
- 30. The shortlist of solutions will include components for both the northern and southern metro areas. The second stage (based on the current funding available subject to the outcome of the 3-Waters stimulus proposal) will focus on the southern area at this time, and be extended to the northern area once stimulus funding is confirmed. Further investigation and development

of the shortlisted southern area solutions will help identify a preferred solution for the southern metro area.

Wastewater Servicing Options Long List

31. The long list of options identified for the full metro area build off of the High-Level Metro Wastewater Assessment (2020) and are listed below:
 - i. Option 1a & b- Retain and upgrade existing 7 treatment plants. Construct 2 new plants at Ohaupo & Airport locations. Total of 9 municipal treatment systems.
 - ii. Option 2a & b - Northern and southern (new site) sub-regional plants + Te Awamutu. Total of 3 municipal treatment systems.
 - iii. Option 3a & b - Northern and southern (Cambridge existing site) sub-regional plants + Te Awamutu. Total of 3 municipal treatment systems.
 - iv. Option 4a & b - Retain and upgrade Ngaruawahia, Pukete, Cambridge, Te Awamutu. Construct new plant south of Hamilton. Total of 6 municipal treatment systems.
32. The Option 'a' variations noted above assume that Fonterra Hautapu continues to be serviced via stand-alone private system. Option 'b' variations noted above include servicing Fonterra Hautapu at the nearest municipal facility.

Discharge Options Approach

33. Several different discharge options will be considered for each of the options. The longlist assessment will assume a discharge option based on the volume of flows predicted at each plant. The process of developing the discharge options involves:
 - a) Calculating discharge flows for each WWTP for the 2031-2061 period
 - One discharge option will be assumed for each longlist option based on flows and the potential for land discharge.
 - For example, if there is enough land disposal area, appropriate terrain within the general vicinity of the plant, land discharges for some flows will be possible. However, for treatment plants located in highly built up areas, land discharge becomes less feasible.
 - b) The longlist options will consider the potential for treated water reuse based on the location of the plant compared with potential wet industry locations.
 - c) Once the general location is identified for each WWTP, discharge options are reviewed to see what options could be feasible at each site. This will likely happen at a shortlist stage and will consider:
 - Land disposal area required (including buffer area) calculated
 - Terrain and available ground condition information reviewed
 - Potential for reuse identified
 - d) Further investigation will occur during the preferred option stage

Discharge Options Long list

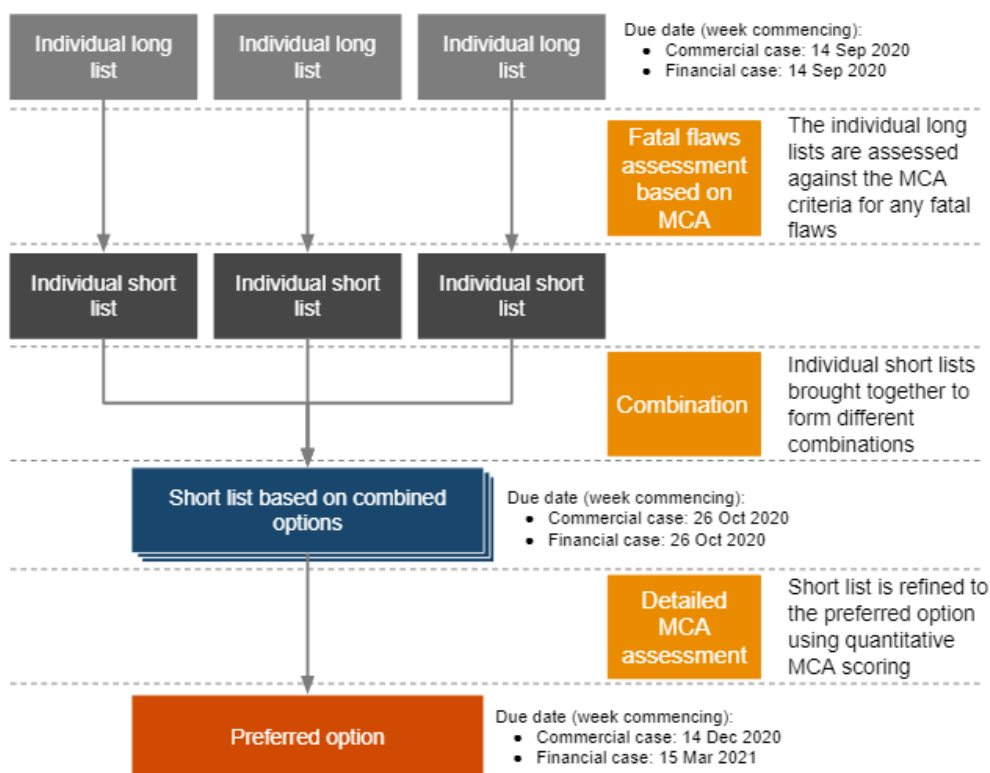
34. Discharge options currently include the following:
 - a) Land discharges:
 - Slow rate irrigation
 - Rapid Infiltration Beds
 - b) Direct to Water discharges

- Direct pipe to river
 - Diffuser to river
 - c) Indirect to water discharges
 - Discharge to wetlands
 - Discharge to artificial rock passage
 - d) Reuse:
 - Indirect reuse (for industrial purposes)
 - Direct reuse (for potable purposes)
 - e) Combinations of the options 1 – 4 above
35. The Project Governance Group will be asked to approve the short list of servicing options for the full metro area (at meeting in week commencing 26 October 2020) and the preferred option (at meeting in week commencing 14 December 2020). The concept design details will then be developed for the preferred WW servicing option from January to March 2021.

Commercial and financial case development

Overview

36. The financial, commercial and management case workstreams have commenced. Ordinarily, this work would have started following confirmation of the preferred option. However, the work has started early due to project timeline constraints.
37. Consistent with the better business case framework, a structured approach to options development is proposed. There are three separate long lists for the commercial case which will be combined at the shortlist stage and two separate long lists for the financial case.
38. The long lists will be objectively filtered to a preferred option using Multi Criteria Analysis (MCA) criteria (on a fatal flaws basis at the long list stage and on a quantitative basis at the short list stage).
39. The MCA and long lists have been formulated with engagement from council officials, third parties, mana whenua and review by the Control Group. An overview of the long-lists and MCA is included as Attachment 2 and Attachment 3 respectively. More detailed information to support the recommendations to the Governance Group is available if requested.
40. The Governance Group will have further opportunities to influence the commercial and financial options development at the short list stage (formally consulted at meeting in week commencing 26 October 2020) and at the preferred option stage (approval role at meeting in week commencing 14 December 2020 for commercial case and week commencing 15 March 2021 for financial case).
41. An overview of the process being followed for the commercial and financial case option selection and corresponding timing is provided below:



Commercial and Financial Case MCA Criteria

42. The draft list of criteria has been developed based on: (i) wider project objectives and criteria (including a focus on “Best for River” outcomes) (ii) stakeholder input (iii) precedent transactions and (iv) applicability to the options being considered. The criteria categories are outlined below. More detailed description of the commercial case and financial case MCA criteria are included in Attachment 3.

Customer / Social Outcomes Option considers the wider impacts on stakeholders and environment	Timing and Budget Confidence Option delivers a high degree of confidence in project timing and budget
Deliverability Option does not have significant barriers to implementation	Risk Allocation and Management Option allocates risks appropriately to the parties best able to manage them
Market Interest and Capability Option facilitates private sector interest and delivers a high level of competition	Flexibility Option is flexible to changes in scope of works and sector structural changes

Commercial Options Long List

43. Key considerations in developing the long list include:
- The non-routine nature of a sub-regional facility means a bespoke delivery structure will be required if that option is selected as the preferred option. Developing the right governance, funding and ownership roles and relationships between councils will be crucial.
 - The involvement of third parties and possible ownership interests, noting the current restrictions on divestment of water services (LGA 2002).
44. The commercial option long lists are summarised below:

Delivery Structure Options	Contracting Model Options	Packaging Options
<ol style="list-style-type: none"> 1. Traditional council delivery 2. Joint procurement 3. Partnership - with principal council or principal CCO 4. New entity - fully council owned 5. Existing shared services organisation 6. New regional water entity 7. New entity - joint council and third-party ownership 	<ol style="list-style-type: none"> 1. Construction only 2. Design and build 3. Managing contractor 4. Alliance model 5. Design, build, operate and maintain 6. Design, build, finance, operate and maintain 7. Private provision 	<ol style="list-style-type: none"> 1. Single package 2. Individual packages 3. A combination of individual packages <ol style="list-style-type: none"> i. Combination 1 ii. Combination 2 iii. Combination 3 iv. Combination 4

Funding and Financing Long List

45. Key considerations in developing the funding and financing long list include:

- The ability of funding tools to adequately target beneficiaries of the water services, now and in the future.
- Councils' limited headroom to debt limits and consideration of off-balance sheet solutions.
- Rate payer affordability and the ability to share the funding burden with other parties.

46. The funding and financial options long lists are summarised below:

Funding Options	Financing Options
<ol style="list-style-type: none"> 1. Council funding: <ol style="list-style-type: none"> a. General rates b. Targeted rates c. Development contributions 2. Crown funding: <ol style="list-style-type: none"> a. Specific Crown fund b. Crown operational subsidy / assistance 3. Direct Funding: <ol style="list-style-type: none"> a. User pays b. Long term commercial arrangements 4. Value capture: <ol style="list-style-type: none"> a. IFF Levy b. Negotiated contribution c. Private sector partnering d. Public sector partnering 	<ol style="list-style-type: none"> 1. Debt: <ol style="list-style-type: none"> a. LGFA b. Bank Debt c. Bespoke Crown loan d. Crown DMO lending e. Bonds / private placements f. Subordinated / convertible instruments 2. Equity: <ol style="list-style-type: none"> a. Council equity b. Iwi equity c. Private equity

Financial Considerations - *Whaiwhakaaro Puutea*

47. The Southern Metro WW DBC has commenced using funding from Waipa District Council and Hamilton City Council and pending confirmation of a funding plan and programme for Waikato District Council's contribution.
48. The Council funding contribution of \$660,000 was based on funding 50% of the estimated cost to complete the Southern Metro WW DBC i.e. \$1,320,000. This contribution is funded through the 2020/21 Annual Plan.
49. Delivering the Northern Metro WW DBC requires a funding plan and programme to be developed between Hamilton City Council, Waipa and Waikato district councils.
50. All three Councils have since confirmed that they will seek to use their 3 Waters Reform stimulus grant allocation to co-fund the Sub-regional three waters and Metro WW DBC projects (North and South). A decision on this stimulus grant is expected by 1 November 2020.
51. Hamilton City Councils funding contribution for the sub-regional three waters study (phase 2) and for the Metro WW DBCs are shown in the table below. This is based on a 50%|30%|20% split between Hamilton City Council, Waikato District Council and Waipa District Council respectively for the Sub-Regional study and 50%|25%|25% for the Metro WW DBCs. The HCC cost share was used to inform the 3-Waters stimulus grant application.

	SUB-REGIONAL 3 WATERS STUDY (PHASE 2)	SOUTHERN & NORTHERN METRO DBC's
HCC Share %	50%	50%
HCC Share \$	\$750,000	\$1,450,000
TOTAL Project Cost	\$1,500,000	\$2,900,000

52. Planning and programming for delivery of the Northern Metro WW DBC will commence upon confirmation of funding.
53. There are no financial implications in relation to this current report, however implementing the DBC recommendations is likely to have significant financial implications for the 2021 – 2031 long term plan if adopted by the partner Councils. For example, if a centralised facility is identified as preferred, then upfront investment in land acquisition, designation, design and consenting processes will likely be required in Years 1 -3. Funding for construction could potentially be sought to commence from Years 6 of the LTP.
54. Staff from Hamilton, Waikato and Waipa District Councils will be working closely to align 2021-31 LTP funding requests necessary to implement the recommendations of the DBCs.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

55. Staff confirm that this project complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

56. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
57. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of development this report.
58. The recommendations set out in this report are consistent with that purpose.
59. The Metro WW DBC (s) will adopt the Treasury Better Business Case Programme Business Case model. The 4 wellbeing's will be core considerations in delivering the business case in addition

to Te Ture Whaimana o te Awa Waikato – The Vision and Strategy for the Waikato River and relevant Iwi Management Plans.

Risks - *Tuuraru*

60. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

61. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

Engagement

62. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Metro Area Wastewater Summary Preferred Concept

Attachment 2 - Commercial Financial Long List and Multi Criteria Analysis

Attachment 3 - Commercial Financial Multi Criteria Analysis

WAIKATO METRO WASTEWATER



Metro Wastewater Detailed Business Case

Project Governance Group - Initiation Meeting

3 July 2020

BACKGROUND

CONTEXT

- Current compliance challenges
- Growth
- Te Ture Whaimana & other regs
- Infrastructure deficit

RECENT INVESTIGATIONS

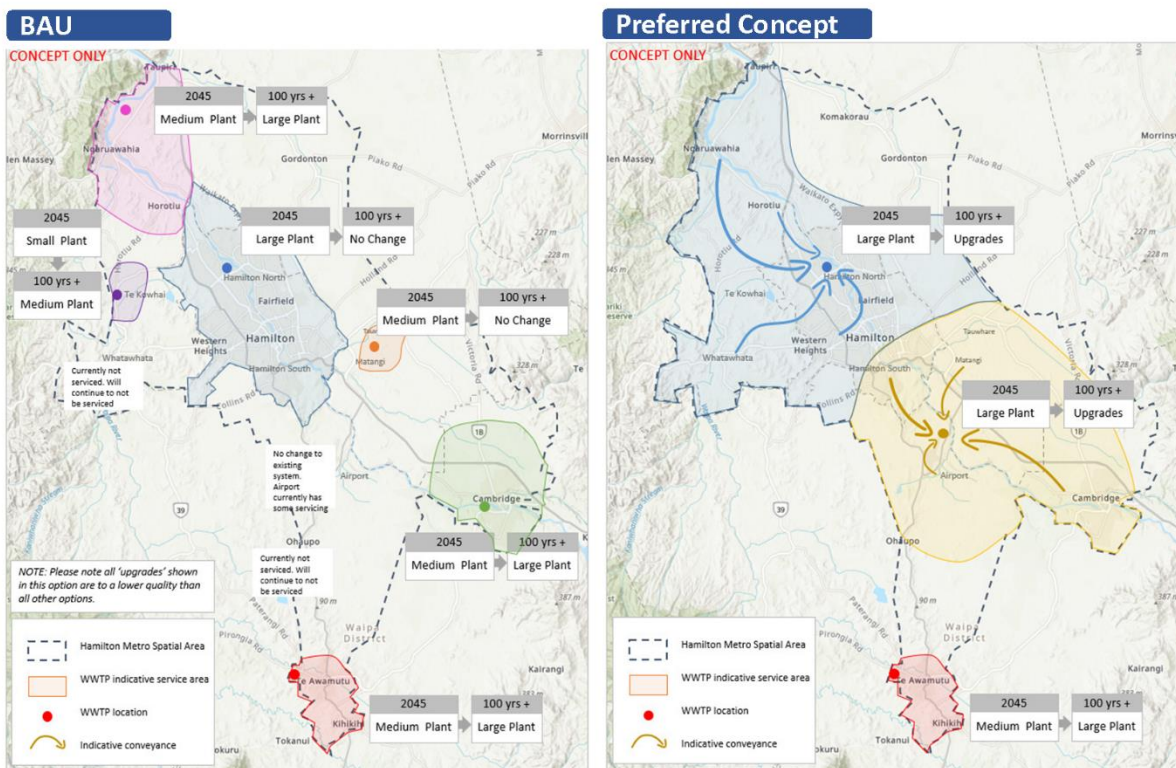
- Sub-Regional 3 Waters Project
- Cambridge WW IBC
- High Level Metro WW Feasibility Assessment



WAIKATO METRO WASTEWATER



Metro Area Wastewater Assessment Summary



THE OPPORTUNITY

Tooku Awa Koiora – The River of Life

- Delivering “Best for River” outcomes – catchment view, transcending localism
- Cross jurisdiction strategic infrastructure planning and investment
- Supporting and unlocking residential, commercial and industrial growth opportunity
- Delivering the greatest value for money through efficient and future proofed waters systems
- Maximising resource recovery and re-use as part of full water cycle considerations
- Integrated approaches to water, energy and carbon management
- Alternative funding and financing options
- Partnership & Investment Opportunities

WAIKATO METRO WASTEWATER



KEY PROJECT OBJECTIVES

- Detailed Business Case for Strategic Wastewater Treatment Facilities for Metro Area that:
 - Uses Treasury Better Business Case Model
 - Is delivered in time to inform critical investment decisions (e.g. Cambridge)
 - Is deliverable and supported by all partners
 - Maximizes opportunities to transform 3-waters infrastructure
 - Delivers solutions that achieve “Best for River” Outcomes

Tooku awa koiora me oona pikonga he kura tangihia o te maataamuri
The river of life, each curve more beautiful than the last

Our vision is for a future where a healthy Waikato River sustains abundant life and prosperous communities who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato River, and all it embraces, for generations to come.

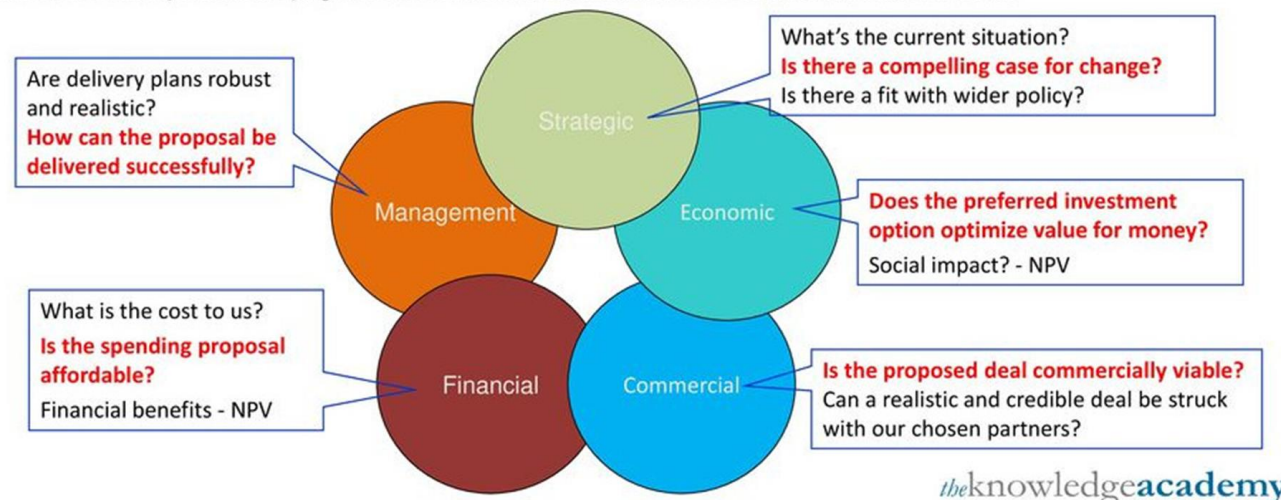
WAIKATO METRO WASTEWATER



The 5 case model

“There are only ever five questions that any governing body or decision maker is going to want the answer to if they are going to invest in a programme”.

Rodney Barber, The Treasury's lead of the programme for New Zealand and a member of the Standards Board based in the UK



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WAIKATO METRO WASTEWATER



PROJECT SCOPE

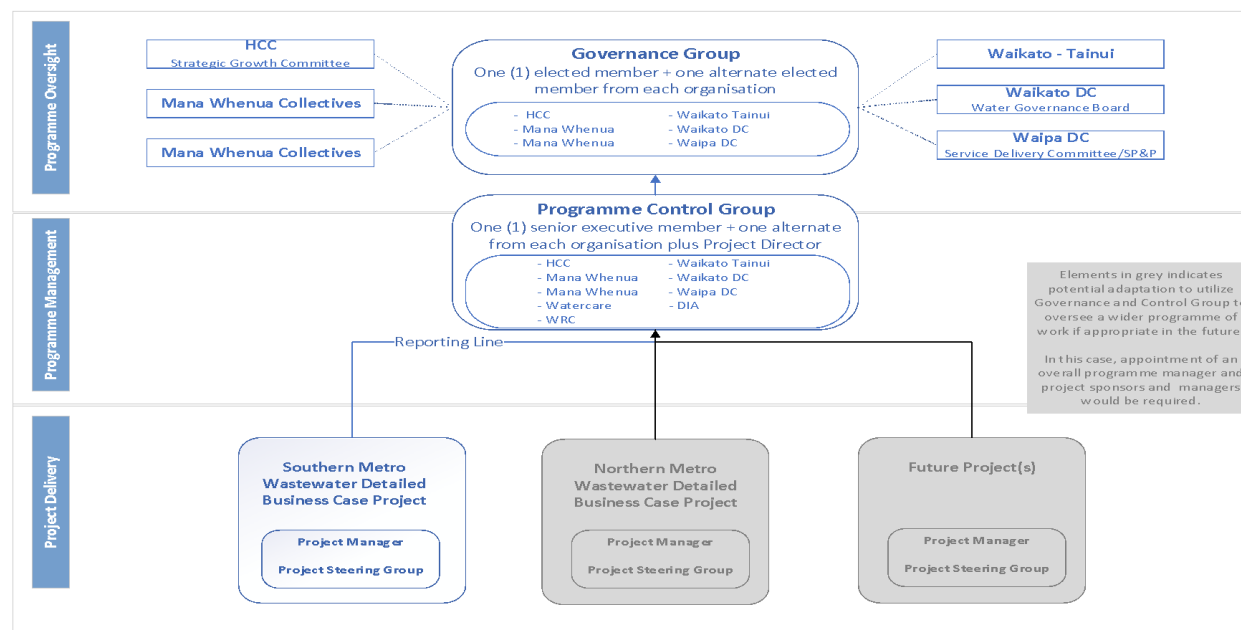
BASE SCOPE

- Funding secured for Southern Metro DBC only
 - Short-list of options for full metro
 - Preferred solution for Southern Metro area identified
- Funding and programme for Northern Metro DBC to be confirmed
- Base scope is for municipal wastewater servicing only
 - Includes generic consideration of industrial and commercial waste streams
 - Includes generic consideration of 3rd party financing and funding options
- Provide a clear path forward to resolve Cambridge WW servicing challenges by Dec 2020
- Commercial, financial and management models critical to implementing centralized solutions.
 - These cases will be developed in parallel with strategy and economic cases

WAIKATO METRO WASTEWATER



PROJECT GOVERNANCE STRUCTURE



WAIKATO METRO WASTEWATER



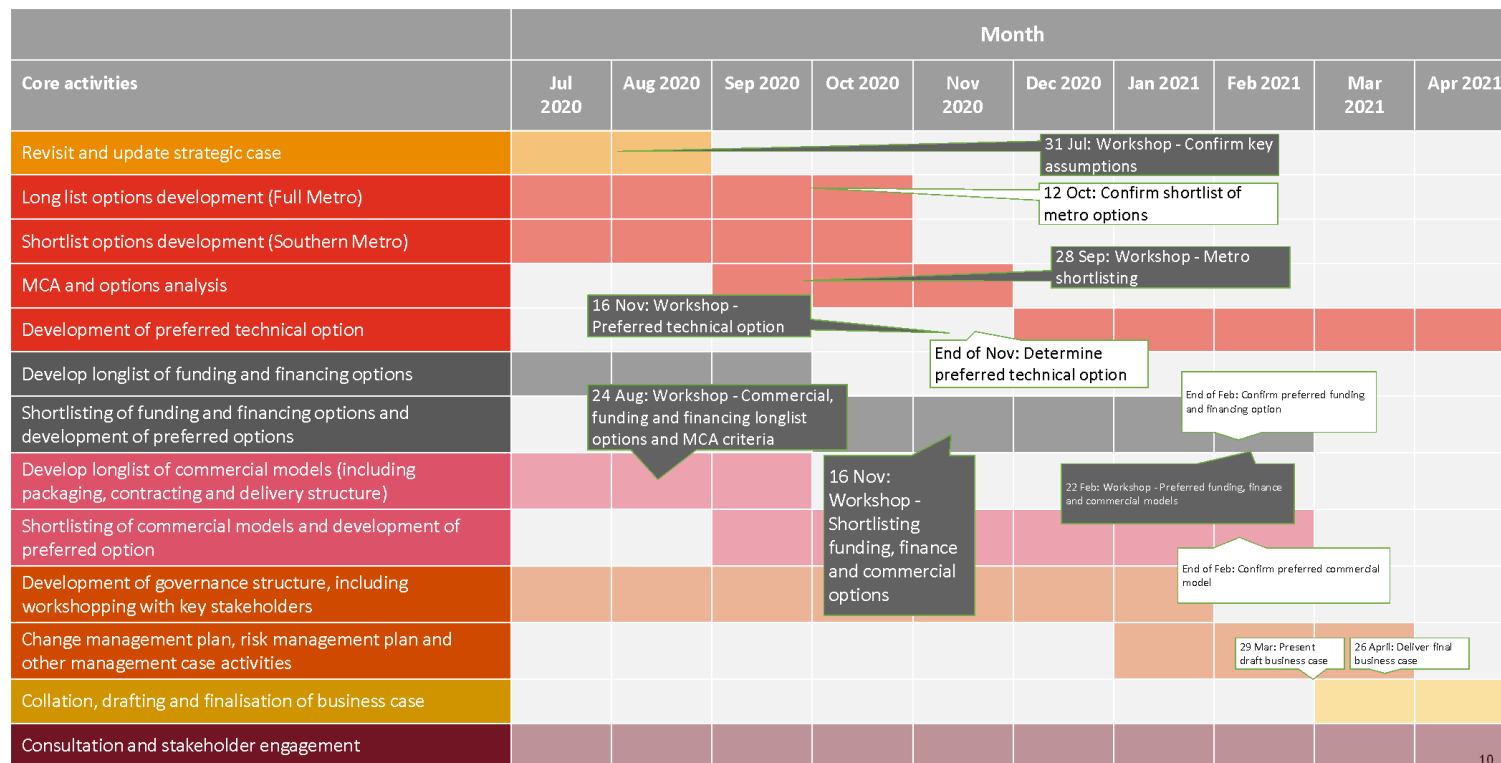
PROJECT TEAM

- Project Director: Peter Winder
- Project Manager (Client Side): Jackie Colliar
- Consultants:
 - GHD/BECA: Engineering & Planning Advice
 - PWC: Overall DBC delivery & Lead Commercial, Financial and Management Cases
 - Maximize Consulting: Stakeholder facilitation

WAIKATO METRO WASTEWATER



SUMMARY TIMELINE



KEY INPUT/DECISION POINTS

DETAILED BUSINESS CASE

Date	Tentative Agenda Items
Early June	Initiation meeting (this meeting)
Late July/ Early August	<ul style="list-style-type: none"> Confirm key assumptions (e.g. Population & Growth; Treatment Standards) Confirm approvals framework
Week of 24 th August 2020	Funding, financing, commercial model long listing & MCA workshop
Week of 28 th September 2020	Confirm short-list of metro options, confirm southern metro options
Week of 16 th November 2020	Preferred southern metro engineering solution, including assessment of rating impacts. Short list funding, financing and commercial options workshop
Week of 25 th January 2021	Backup Meeting if needed
Week of 22 nd February 2021	Confirm preferred funding, financing and commercial model
Week of 29 th March 2021	Presentation of draft detailed business case
Week of 26 th April 2021	Final detailed business case and implementation planning

GO – NO/GO
DECISION
POINT

WAIKATO METRO WASTEWATER



NEXT STEPS

- Confirm funding and programme for Northern Metro DBC
- Evaluate options to deliver parallel workstreams that consider industrial flows (i.e. Fonterra Hautapu Site)
- Finalise consultant engagements
- Confirm meeting & workshop dates
- Meet with Control Group & identify key staff to engage with to deliver DBC
- Project documentation – plan, programme, risk register, communications & engagement plan
- Late July/ Early August Workshop

WAIKATO METRO WASTEWATER



Waikato Metro Wastewater

Commercial and Financial Case MCA and Long Lists

DRAFT FOR DISCUSSION

September 2020



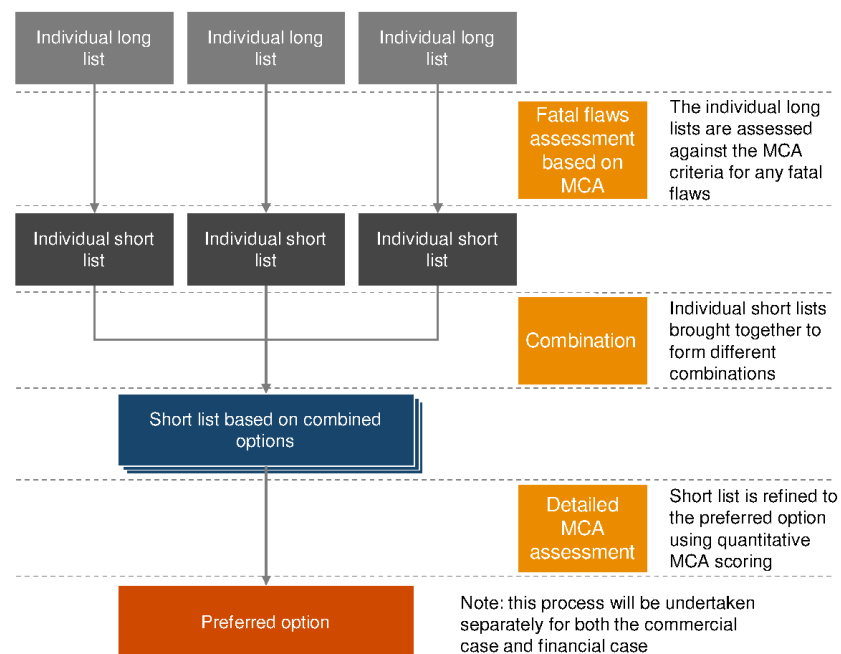
Preferred Option Selection Process

Application of multi-criteria analysis

Consistent with the better business case framework, a structured approach to options development is proposed. The long lists will be objectively filtered to a preferred option using MCA criteria.

The MCA and long lists have been formulated with engagement from council officials, third parties, mana whenua and review by the Control Group.

1. The first stage will be to use the MCA to refine the long list to a short list based on a 'fatal flaws' approach for each criteria
2. Options from the individual short lists will be combined to create a short list of appropriate combinations to be agreed with project partners
3. Combinations will be assessed using quantitative MCA scoring to arrive at a preferred option for both the commercial and financial cases



Multi-criteria analysis: Overview

Multi-criteria analysis

In order to refine the long lists to preferred options a multi criteria analysis is proposed. A draft list of criteria to refine the options has been developed based on:

- **Wider objectives and criteria:** Where relevant the criteria give consideration to, or reflect the investment objectives and business case MCA that focus on “Best for River” outcomes
- **Precedent transactions:** Criteria have been developed with consideration given to learnings from other comparable transactions
- **Stakeholder input:** Workshopping to ensure that all interests are appropriately considered in the development of the preferred option
- **Applicability:** To ensure that the criteria effectively evaluate and are applicable to the proposed long list options

The draft criteria proposed to be used to assess the commercial case and financial case options are outlined below. The overarching criteria will be the same for both cases but how they are applied to each case will differ to some extent (see appendix 1 (page 9) for more detail.



Customer / Social Outcomes
Option considers the wider impacts on stakeholders and environment



Timing and Budget Confidence
Option delivers a high degree of confidence in project timing and budget



Deliverability
Option does not have significant barriers to implementation



Risk Allocation and Management
Option allocates risks appropriately to the parties best able to manage them



Market Interest and Capability
Option facilitates private sector interest and delivers a high level of competition



Flexibility
Option is flexible to changes in scope of works and sector structural changes

The criteria presented above will be further developed as each case is further progressed, ensuring that preferred option identified is best for project

Commercial options long list overview

Commercial option selection process

- A bespoke delivery structure is required due to the non-routine nature of a sub regional facility where a traditional ownership and delivery structure may not be appropriate
- Contracting model and packaging options will be considered to determine which method will best balance the control of project cost and risk against achieving project objectives and outcomes to ultimately deliver best VfM
- On this basis we have broken down the commercial options into three categories of commercial options

Categories of commercial options



Delivery structure options

The delivery structure refers to the ownership, governance and management framework for the Waikato Metro Wastewater project (the Project or WWTP). Noting that the ownership mix will impact the structures available.



Contracting model options

The contracting model refers to the contracting method used to deliver the capital works and operations. The selected model impacts the roles, responsibilities and risk allocation of the different parties involved.



Packaging options

The packaging approach refers to the level of disaggregation of contracts used to deliver the works and operate the Project.


Our approach

Only council orientated delivery structure options have been considered, no fully Crown or fully private sector options were included in the long list. The LGA 2002 restricts divestment of water assets to private parties, however we have included one option that combines council and third party ownership for the purposes of discussion.



Contracting options have been developed based on NZ procurement guidelines and previous comparable transactions. The LGA 2002 prevents full outsourcing to the private sector however we have included a private provision option for the purposes of discussion.

The packaging options include the full spectrum of disaggregation that might be achievable, a number of options have been included that bundle together the individual packages.

Commercial long list categories and challenges



Delivery structure options

Key considerations
A traditional council delivery model may not be appropriate for the Project given:

-  Multiple councils would be involved under a sub regional model
-  The structure might need to cater for the involvement of private parties

Long List

1) Traditional council delivery
2) Joint procurement
3) Partnership - with principal council or principal CCO
4) New entity - fully council owned
5) Existing shared services organisation
6) New regional water entity
7) New entity - joint council and third party ownership

 **See appendix 2 (page 12)**


Contracting model options


Key considerations
Achieving optimal balance of risk allocation, control, innovation, whole-of-life costs and VfM:

-  Efficient allocation of risks to parties that are best placed to manage them
-  Maintaining council control and flexibility
-  Maintaining a competitive tendering process




Long List

1) Construction only
2) Design and build
3) Managing contractor
4) Alliance model
5) Design, build, operate and maintain
6) Design, build, finance, operate and maintain
7) Private provision

 **See appendix 3 (page 21)**



Packaging options

Key considerations
Managing the benefits and drawbacks of unbundling the works to achieve a suitable level of disaggregation:

-  Managing resource constraints in contracting market to maintain a competitive tender process
-  Schedule benefits from unbundling of works
-  Increased interface risk from disaggregation

Long List

1) Single package
2) Individual packages
3) A combination of individual packages: <ul style="list-style-type: none"> Combination 1 Combination 2 Combination 3 Combination 4

 **See appendix 4 (page 30)**

Waikato Metro Wastewater - Commercial and Financial Case MCA and Long Lists - DRAFT FOR DISCUSSION
PwC

September 2020

5

Funding and Financing considerations

\$ Funding Options

The funding options relate to who ultimately pays for the construction and operation of the asset, and how this funding is collected. The delivery entity will ultimately recover the funding from various stakeholders, primarily the direct beneficiaries of the new wastewater facility. The preferred option is likely to include a mix of funding tools.

Key considerations

There can be difficulty in aligning the funding sources utilised to the ultimate beneficiaries given:



Availability of funding tools to target beneficiaries equitably



Long-term nature of the benefit provided from the new facility



Wide range of beneficiary types e.g. residents, developers, industrial users, and locations e.g. multiple territorial authorities if a sub-regional solution



Ability and willingness of beneficiaries to pay including concerns around the affordability to ratepayers

Waikato Metro Wastewater - Commercial and Financial Case MCA and Long Lists - DRAFT FOR DISCUSSION
PwC

Financing Options

The financing options relate to how the delivery entity will match the timing difference between when expenditure is incurred to when the corresponding revenue is received. For the wastewater treatment plant this relates to the difference between when capital costs are incurred and when funding is received.

Key considerations

A number of financing options are available to the project and there may be a need to look beyond traditional council models and financing structures, given:



Some councils face challenges around their debt limits so may need to consider off balance sheet solutions



Other financing options may fit better with the preferred commercial structure and result in improved value for money and risk allocation



Multiple parties are involved in the project and may have different requirements for control and ownership

September 2020
6

Funding and Financing long list overview

Long list identification

In order to address the previous challenges a long list of options has been developed for consideration. The process to select these options is outlined below:

→ Funding

Four categories of funding sources are considered, ranging from traditional council sources to more bespoke value capture opportunities. Where appropriate, 'beneficiary pays' approaches have been included to target the matching of funding to beneficiaries and minimise the funding burden on general ratepayers.

→ Financing

A number of financing instruments are considered with finance costs directly related to the level of risk associated with the capital being raised. Debt raised by councils, directly or using LGFA, will generally be cheaper than debt raised by a project SPV. Noting that this will depend on entity structure and agreements in place.

Presented below is the long list of options identified to meet the funding and financing requirements of the project. It is likely that the final funding package for the project will include more than one of the funding options set out below and may include different forms of finance.

Funding options

Council funding	General rates
	Targeted rates
	Development contributions
Crown funding	Specific Crown fund
	Crown operational subsidy / assistance
Direct funding	User pays
	Long-term commercial arrangements
Value capture	IFF levy
	Negotiated contribution
	Private sector partnering
	Public sector partnering



See appendix 5 (page 34)

Financing options

Debt	LGFA
	Bank debt
	Bespoke Crown loan
	Crown DMO lending
	Bonds/private placements
Equity	Subordinated/convertible instruments
	Council equity
	Iwi equity
	Private equity



See appendices 6 and 7 (page 42)

Thank you

Important Information

This document has been prepared for and only for Hamilton City Council in accordance with the terms of our Letter of Engagement dated 16 July 2020 and for no other purpose.

The purpose of this document is to provide background information to facilitate a workshop. Our work is not complete and the comments in this draft paper are therefore subject to amendment or withdrawal. Our definitive findings and conclusions will be provided to you in due course.

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1

Multi Criteria Analysis

Multi-criteria analysis: Commercial Case

Criteria	Description and application to commercial case options
 Customer / Social Outcomes	The extent to which the commercial options provide optimised operational outcomes, promoting whole-of-life considerations including where possible Waikato river quality and improved use and recovery of resources. Does the delivery structure provide scope for the involvement of parties that will encourage customer / social outcomes and does the contracting model promote innovation in design and construction approaches.
 Timing and Budget Confidence	The extent to which the commercial options provide confidence for project timing and budget. Assessment of the degree of fixed price and date certainty in the contracting model as well as the overall delivery timeframes based on procurement strategy and packaging. Consideration of the degree of confidence that the commercial model provides for contractors to undertake the works within the agreed budget.
 Deliverability	The extent to which the commercial options will be implementable. Are there significant barriers to progressing with the option, ie is there significant consultation required, a significant administrative process / burden or significant community or political opposition to a particular delivery model or structure. Contracting models that sit outside of current legislation are likely to be considered as fatally flawed.
 Risk Allocation and Management	The extent to which the commercial option appropriately allocates risk. Making sure that risks are allocated to the party best capable of managing them and that the risk transfer is real and not just perceived. Where risk is transferred to contractors or other parties under a commercial delivery structure or contracting model they have to be capable of managing the risk and face the financial implications of not doing so.
 Market Interest & Capability	The extent to which the commercial options will optimise market interest in the project, improving competition and contestability and therefore driving value for money. Facilitating the involvement of potential project partners with appropriate skill and capacity by optimising the size and scale of packages, complexity of the options and attracting the necessary market expertise.
 Flexibility	The extent to which the commercial options can accommodate unexpected changes to scope and/or specification of the treatment plant during delivery, as well as wider structural and regulatory changes within the sector. This includes changes that could arise from the Government's three waters reform programme. The extent to which the commercial options accommodate the use of a broad range of funding and financing options.

Multi-criteria analysis: Financial Case

Criteria	Description and application to financial case options
 Customer / Social Outcomes	The extent to which the funding and financing options enhance the social objectives of the project, prioritising ratepayer affordability and promoting intergenerational equity. The funding and financing options should accommodate investment from stakeholders who prioritise the long term health of Waikato's rivers and the sustainability of the project.
 Timing and Budget Certainty	The extent to which the funding options provide certainty and predictability to stakeholders on the level and timing of contributions. How predictable are the rating implications of the funding options. The extent to which financing options are able to meet changes in the project budget to deliver the project. Are councils able to reliably forecast the timing and quantum of their capital contributions. Do the funding and financing options create additional risk to project timeframes.
 Deliverability	The extent to which the funding and financing options can be easily implemented. Can the funding or financing options be achieved within the timelines of the project, and are the financial case options likely to place significant administrative burden on the project. Are the funding or financing options likely to incur public opposition, require public consultation or a lengthy design and implementation processes.
 Risk Allocation and Management	The extent to which the funding and financing options appropriately allocate risk away from ratepayers, promoting equity between ratepayers and other stakeholders and ensuring that specific risks are borne by the party best placed to manage that risk. Where external capital providers are included in the project they should bear some exposure to the operating performance of the entity.
 Market Interest & Capability	The extent to which the funding and financing options will maximise interest in the project, improving competition, pricing and cost outcomes and ultimately delivering value for money. Financing options should generate sufficient interest to achieve competitive pricing and/or bring capability that is beneficial to the delivery of the project.
 Flexibility	The extent to which the funding and financing options are able to adapt to changes in economic regulation and sector reform throughout the delivery life of the project. Are the funding and financing options able to be adjusted during the operations of the project to maintain equity of cost sharing across ratepayers and other stakeholders.

Council Report

Item 11

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Tyler Gaukrodger **Authoriser:** Amy Viggers
Position: Governance Advisor **Position:** Governance Team Leader
Report Name: Open Information only reports

Report Status	<i>Open</i>
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Purpose – *Take*

1. The following reports are for information purposes only:
 - General Manager's Report; and
 - Peacocke Programme Update

Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Strategic Growth Committee receives the following information only reports:

- a) General Manager's Report; and
- b) Peacocke Programme Update

Attachments - *Ngaa taapirihanga*

Attachment 1 - General Manager's Report

Attachment 2 - Peacocke Programme Update

Council Report

Item 11

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Jen Baird **Authoriser:** Jen Baird
Position: General Manager City Growth **Position:** General Manager City Growth
Report Name: General Manager's Report

Report Status

Open

Purpose - *Take*

1. To inform the Strategic Growth Committee of topical issues, areas of concern and items which need to be brought to the member's attention, but which do not necessitate a separate report.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Growth Committee receives the report.

Discussion - *Matapaki*

3. This report provides updates to Committee Members on activities, actions or projects contained within the following plans or strategies for which this Committee and the relevant General Managers have responsibility over and for which significant progress has been made:
 - Infrastructure Strategy
 - Hamilton Urban Growth Strategy
 - Access Hamilton
 - Future Proof Growth Partnership
 - Waikato Plan
 - Upper North Island Strategic Alliance
 - Waikato Mayoral Forum

General

Urban Design Panel

4. At the Elected Member Workshop on 12 August 2020, Members expressed support for encouraging and potentially incentivising developers and others to engage with the Urban Design Advisory Panel (the Panel).
5. The importance of good urban design is particularly topical considering the direction of the National Policy Statement on Urban Development (NPS-UD) and the move towards higher residential density.
6. Staff are currently exploring a number of options including:
 - i. revising and updating key Panel documents ([Vista](#));

Attachment 1

- ii. a DC remission linked to use of the Panel;
 - iii. a streamlined consent application process for developments that have implemented Panel recommendations;
 - iv. increasing the awareness and conversation around the importance of achieving quality urban design outcomes.
- 7. Further, ongoing input from current Panel members will also be sought on options to achieve better urban design outcomes for the city. For example, there are opportunities to strengthen urban design provisions in the District Plan as part of the work required to implement the NPS-UD.
- 8. In response to the desire from elected members to have greater visibility of the Panel, staff recommend a biannual report be presented by the chair of the Panel to the Strategic Growth Committee. Staff will work with the Strategic Growth Chair to establish this.
- 9. The outcome of the work listed above and an assessment of options will be brought back to the Strategic Growth Committee, with the exception of those where delegation falls to an alternative committee to consider, for example the Development Contributions Policy.
- 10. The Panel (including membership) is due for review during the first half of 2021.

Strategic Regional Collaboration (Executive Director Special Projects)

Mayoral Forum

- 11. There has not been a Mayoral Forum meeting since the last Strategic Growth Committee on 20 August 2020. A verbal update of the last Mayoral Forum meeting on 17 August 2020 was given to the 20 August 2020 Committee meeting. The minutes of that meeting are now attached as **Attachment 1**.
- 12. The next Mayoral Forum is scheduled for 9 November 2020.

Waikato Plan

- 13. The last Waikato Plan Leadership Committee was held on 14 September 2020. The agenda can be viewed [here](#). As at the writing of this report, the minutes were not available. A verbal update can be provided.

Cross Boundary Council Discussion – Growth Matters

Waikato District Council

- 14. The last meeting of the WDC/HCC Governance Group was held on 1 September. As at the time of writing this report the minutes were not available. The meeting focused on:
 - i. 2021-31 LTP alignment opportunities
 - ii. Draft Strategic Land Agreement (to replace the current 2005 Strategic Land Agreement)
 - iii. Three Water Reform ahead of the DIA workshop on 24 July 2020
- 15. The draft Strategic Land Agreement is the subject of a separate report on this agenda.
- 16. A workshop of all Elected Members from both Councils was held on 18 September 2020 to discuss the Draft Strategic Land Agreement, Blueprint Community Planning in Waikato District, Mayor Paula's priorities for the 2021 LTP and alignment opportunities in the community recreation activity for the 2021-31 LTP. A verbal update of that workshop will be given at this meeting.
- 17. The next WDC/HCC Governance Group meeting is scheduled for 1 December 2020.

Waipa District Council

18. A meeting of this Governance Group was scheduled for 11 September 2020, however it was cancelled with mutual agreement, due to there being no substantive items for discussion at this point in time.
19. A future meeting is scheduled for 11 December 2020.
20. HCC is represented at both of these Governance Groups by Mayor Southgate, Deputy Mayor Taylor, Councillors Macpherson and Hamilton, CE Richard Briggs and Blair Bowcott.

Upper North Island Strategic Alliance (UNISA)

The Upper North Island Supply Chain Strategy

21. The 2018-2019 Upper North Island Supply Chain Study (UNISCS) working group provided its final report to Cabinet late last year. The Working Group concluded that the Ports of Auckland Ltd's (POAL) freight operation on the Waitematā Harbour "is no longer economically or environmentally viable" and that the freight operations should be progressively closed, and freight shipping handled by an expansion of Northport and the continuation of Tauranga's existing expansion plans.
22. Upon receipt of the UNISCS report, Cabinet initiated a further investigation into the issue of port relocation by way of review of the Working Group's recommended option and other long-term scenarios for the Upper North Island Supply Chain, this time led by the Ministry of Transport with support from Treasury. The Ministry of Transport commissioned a consortium to inform its work, led by Sapere.
23. The Government has now released the Sapere report on the options for relocating the Port of Auckland's freight operations while deferring any decision on the issue. The report can be [read here](#), along with the previous reports and background material on the UNISCS.
24. Cabinet were of the view that POAL operations could not remain at the Waitematā site in the long term. Accordingly, the Sapere report provides analysis that assumes the relocation of all freight operations from POAL and as a result considers five options for relocation:
 - i. Northport expansion
 - ii. Port of Tauranga expansion
 - iii. a shared increase in capacity at both Northport and Port of Tauranga
 - iv. a new port (greenfield site) on the Firth of Thames, and
 - v. a new port (greenfield site) on the Manukau Harbour
25. Of the options considered by the report, a new port on the Manukau Harbour stands out as the highest-ranked option on the basis of being the least costly over the long-term, primarily because of the proximity of Manukau Harbour to the freight destinations in South Auckland. The Manukau Harbour option is the least-net-economic-cost option in the report.
26. The Port of Tauranga option is ranked second in terms of net economic cost (being the next lowest), followed by Northport and the option of a shared increase at Northport and the Port of Tauranga.
27. The report and the Government's media release highlights that:
 - i. the Ministry of Transport will provide additional analysis and advice to Ministers based on the Sapere report; and
 - ii. government have deferred any decisions to the next term of Government.
28. UNISA will continue to advocate for meaningful engagement and consultation for key partners in this work.

UNISA statement in Regional Land Transport Plans

29. The Regional Land Transport Plans (RLTPs) are statutory documents that are developed (or reviewed) every three years as regional inputs into the National Land Transport planning and investment within a region. RLTPs are the primary documents that guide integrated land transport planning and investment within a region. The four regions of UNISA are currently developing their 2021 RLTPs that will feed into the NLTP 2021/2024. These must be submitted to Waka Kotahi by 30 April 2021
30. RLTP include activities proposed by all organisation in a region that are eligible to receive funding through the NLTP. This means the four metropolitan councils within the four regions each have a role in preparing their respective RLTPs.
31. Joint UNISA statements were developed for both the 2015 and 2018 RLTPs. The Mayors and Chairs agreed to continue this initiative for the 2021 RLTPs and consequently staff representing the relevant agencies will progress the development of a collective statement for the 2021 RLTPs. It was considered a good opportunity for UNISA to collaborate and provide a compelling local government voice. The statement will build on the previous iterations and will be reported back to future UNISA meetings.

Minister Twyford attendance to the UNISA Mayors and Chairs meeting.

32. On the 4 May 2020, UNISA Mayors and Chairs invited government Ministers to attend a UNISA Mayors and Chairs meeting to discuss the topics of Spatial Planning and Wellbeing. Minister Twyford attend the meeting on the 7 August 2020 to discuss UNISCS and spatial planning. The minutes are at Attachment 2. Key points included:

North Island Supply Chain Study (UNISCS)

- i. The current reports added useful information but what is needed is a robust evidence-based analysis of options for the port move and a collaborative, transparent consultative process
- ii. There's a window of 10 – 15 years in which to make a decision
- iii. If there was a cheap or easy option, it would have been done already
- iv. Government doesn't have a view on the options
- v. The ports are a vital part of supply chain infrastructure and it would be a terrible direction if they were environmentally unsustainable or economically inefficient

Spatial Planning

- i. Hamilton to Auckland Corridor Plan approach very successful in outcomes and forging a new way for central and local government and iwi to work together - co-governance
 - ii. Randerson RMA report – legislation to make integrated regional planning the default approach
 - iii. This forum in existence for 10 years and provides central government an opportunity to see the Upper North Island as an integrated system and project from a spatial planning point of view
 - iv. The local government boundaries have no relevance to how people, water and freight work which is why an integrated approach is needed
 - v. The UNISA model of collaborative partnership also has potential for economic development as well
 - vi. Align central government with local government and regional state highways to get a more joined-up approach – room for both a macro and place-based approach.
33. The next Mayors and Chairs meeting is to be held on the 13 November 2020.

Rotokauri Detailed Business Case Update

34. A draft version of the Rotokauri (Stage 1) detailed business case (Attachment 3) and supporting Overview Document (Attachment 4) have now been completed. It is intended to remain a draft document until the 2021-31 LTP decisions have been made, as information may be changed or updated as part of that process.
35. An informal drop-in session for Elected Members was held on Friday 28 August 2020. There was a desire for the Rotokauri (Stage 1) detailed business case to be considered alongside other priorities as part of the 2021-31 LTP consultation and deliberation process. As a result, the Rotokauri (Stage 1) detailed business case will now be progressed through the 2021-31 LTP decision-making process and will not be considered in isolation.
36. All feedback to date from Elected Members has either been responded to or has been collated into a feedback register and any additional workshops, information sessions or Briefings required to respond to this feedback will also feed into planned 2021-31 LTP sessions.

Financial Considerations - *Whaiwhakaaro Puutea*

There are no financial implications in relation to the information provided in this report. **Legal and Policy Considerations - *Whaiwhakaaro-aa-ture***

38. This report is for information purposes only.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

39. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
40. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
41. The recommendations set out in this report are consistent with that purpose.
42. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

43. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

44. Having considered the Significance and Engagement Policy, staff have assessed that the report has a low significance.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Mayoral Forum - Minutes 17 August 2020

Attachment 2 - UNISA Mayors and Chairs - Minutes 7 August 2020

Attachment 3 - Rotokauri Stage 1 Detailed Business Case

Attachment 4 - Accelerating Bulk Housing Infrastructure for Rotokauri Stage 1



WAIKATO MAYORAL FORUM

MINUTES		Waikato Mayoral Forum Meeting	
Date:	Monday 17 August 2020		
Time:	9.30am		
Venue:	Zoom meeting		
Members: (Present):	Hamilton City Council (HCC)	Mayor Paula Southgate	
	Hauraki District Council (HDC)	Mayor Toby Adams	
	Matamata-Piako District Council (MPDC)	Mayor Ash Tanner Don McLeod, CE	
	Otorohanga District Council (ODC)	Mayor Max Baxter Tanya Winter, CE	
	South Waikato District Council (SWDC)	Mayor Jenny Shattock Ben Smit, CE	
	Taupo District Council (Taupo DC)	Mayor David Trewavas Gareth Green, CE	
	Waikato District Council (WDC)	Mayor Allan Sanson Gavin Ion, CE	
	Waikato Regional Council (WRC)	Chair Russ Rimmington Vaughan Payne, CE	
	Waipa District Council (Waipa DC)	Mayor Jim Mylchreest Garry Dyet, CE	
In attendance:	Waitomo District Council (Waitomo DC)	Mayor John Robertson Chris Ryan, CE	
	Blair Bowcott, Executive Director – Special Projects, HCC Hamish Bell, Te Waka Michael Bassett-Foss, Te Waka Terri Tong, Forum Secretary, (WDC)		
Apologies:	Mayor Sandra Goudie, Thames Coromandel District Council (TCDC) Rob Williams, CE, (TCDC) Richard Briggs, CE (HCC)		

#	Topic
1	<p data-bbox="352 385 523 409">Te Waka Update</p> <p data-bbox="352 427 1270 483">Hamish Bell shared a power point presentation with the Mayoral Forum (<i>attached</i>) detailing Te Waka's strategy and High Level LTP.</p> <ul data-bbox="395 533 1270 1227" style="list-style-type: none"> <li data-bbox="395 533 1270 600">• Mayor Allan Sanson asked if Te Waka had any ideas on sourcing the projected shortfall of funding other than local government. <li data-bbox="395 622 1270 779">• Hamish Bell stressed that Te Waka needs Councils' united continued support to deliver on their plan. Also actively seeking increased support from business and from central government. Maybe some MBIE support around the investment & sector work. <li data-bbox="395 801 1270 913">• Hamish Bell pointed out that Te Waka's biggest constraint is their funding commitment which runs out next June. This seriously impedes their ability to operate - in particular hiring senior staff to deliver their plan. <li data-bbox="395 936 1270 1048">• Mayor Paula Southgate asked if there were any aspects of work that would be considered more likely to attract Government funding or interest post COVID. Are there certain priorities that are immediate and others long term? <li data-bbox="395 1070 1270 1137">• Hamish Bell confirmed that Government is absolutely focused on generating employment and work on the broader well beings. <li data-bbox="395 1160 1270 1227">• Mayor Paula Southgate asked what we know about the nature of the jobs that have been lost. <p data-bbox="515 1249 1270 1541">Hamish Bell advised the full impact of unemployment isn't known yet. Anticipated that there are massive levels of redundancies to come. Been talking with MSD and other key agencies around this. Concern over a whole new class of unemployed who have never been unemployed before - a growing curve of people in their 40s and 50s, potentially being unemployed for the first time in their life, as a result of business insolvencies and major redundancies.</p> <ul data-bbox="395 1563 1270 1854" style="list-style-type: none"> <li data-bbox="395 1563 1270 1630">• Chair Russ Rimmington advised that WRC are very supportive of the work Te Waka is doing. <li data-bbox="395 1653 1270 1854">• Mayor Allan Sanson felt regions need to play a big part in New Zealand's economic recovery. Suggested that the Mayoral Forum consider whether to make approach to the appropriate people within Central Government to support the funding being talked about, to maximize the benefit from the work that Te Waka is doing and the connections they currently have.

	<ul style="list-style-type: none"> Hamish Bell agreed that support from the Mayoral Forum with Central Government would be a great idea
2	<p>Three Waters Reform - Stimulus Discussion (<i>Blair Bowcott, Tanya Winter</i>)</p> <p>The report previously circulated to the Mayor Forum on the Three Waters reform programme was taken as read (<i>attached</i>).</p> <ul style="list-style-type: none"> Tanya Winter advised that all of the CEs who attended the last Waikato CE forum support the approach recommended and the report. All of them said that they would be recommending to their councils that they sign a memorandum of understanding for the individual TA allocation. Not all councils have met to make that decision yet. The recommendation in the report to the MF today is that the regional allocation be split in the same way as the individual territorial allocations, which essentially means that each TA in the Waikato region would end up with double the allocation that they have at the moment. The Chief Executive Forum had discussion on 2 further points. <ul style="list-style-type: none"> Important to retain potential for regional or sub regional collaboration on some shared projects and maybe councils would like to set aside some money for that rather than commit it all to a local works program. So that, firstly, there is engagement in a regional or sub regional collaboration, but also to ensure capacity and capability to engage with central government on the reform package. The other point discussed at the CE forum was the opportunities for joint procurement. Once delivery plans have been produced by individual councils, there may be opportunities for joint procurement. Blair Bowcott pointed out that the reason for the recommendation as drafted is for practical reasons. It's simply aligned with the recommendation of the steering group which is a joint local government steering group. <ul style="list-style-type: none"> A memorandum of understanding needs to be agreed by each Council, and is required by the end of this month. Then each Council requires a funding agreement and delivery plan of all the stimulus projects submitted to government by the end of September. Stressed the need to move quickly. To access the regional funding share, two thirds of Councils in the region need to agree to be part of the reform programme

	<p>conversations.</p> <ul style="list-style-type: none"> • Mayor Allan Sanson advised he hadn't spoken to his council yet but felt that they would be very supportive of this approach. He felt it was fair & equitable, with the result being the economic stimulus package for each territorial authority is doubled. • Mayor Allan Sanson commended Blair Bowcott and Tanya Winters on the Three waters report and asked if there were any questions <ul style="list-style-type: none"> • There was a discussion about Councils putting funds aside to engage in regional or sub regional collaboration. • Tanya Winter advised that the CE forum didn't settle on a proportion, amount or percentage for each Council, recognizing the individual differences between the Council's. There is another CE forum on the 28th of August so this will stay on the agenda. • Mayor Allan Sanson suggested that the CE forum give the Mayoral Forum some sort of an idea of quantum or total involved • Gavin Ion advised the CE forum also discussed that there will be funding at the second tranche to contribute towards what the reform looks like, so you don't have to necessarily allocate money from the first part • Mayor Jim Mylchreest felt it should be kept as simple as possible. • Mayor John Robertson agreed • Mayor Max Baxter confirmed that he was in support of the methodology that was used, and that some money should be put aside for the collaborative approach going forward • Vaughan Payne pointed out that often the government comes up with a problem definition for the whole country. He saw this as an opportunity to do some collaborative work, making sure that any solutions fix a regional problem as opposed to one that may not actually exist in the Waikato. <ul style="list-style-type: none"> • Mayor Toby Adams agreed. He felt funds should be spent on local projects that we know are right for our own districts, but also working together so that we're showing government once we've got the correct funds in place, we can actually work collaboratively together. • Mayor Jenny Shattock confirmed that she supported what the other Mayors had said • Blair Bowcott advised that next steps are, once we know the status of all the Memorandum of Understandings by the end of the month, we write back via Mayor Allan Sanson on behalf of the Mayoral Forum to the Minister of Local Government
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	<p>informing of the decision.</p> <ul style="list-style-type: none">• Blair Bowcott suggested the three Waters topic be kept as a regular agenda item at CE forum level and Mayoral Forum level so that opportunities for collaboration & partnership can be progressed.• The following recommendations were passed unanimously:<ul style="list-style-type: none">• That the Waikato regional allocation be split in the same way as the individual territorial allocations.• The Chair of the Mayoral Forum be requested to advise the Minister of Local Government and DIA of this investment package allocation decision for the Waikato Region.
3	COVID-19 Developments <ul style="list-style-type: none">• General discussion about impacts of the latest COVID outbreak.
4	Next Meeting <ul style="list-style-type: none">• Monday 9 November at Waikato Regional Council, 401 Grey Street, Hamilton East



Waikato Regional Economic
Development Agency

tewaka.nz

The opportunity is clear...

- Now, more than ever, the region needs an effective and supported regional EDA
 - **True impact of Covid is yet to manifest** - businesses will be seriously hit and need real support, the long-term impact to our region and the wellbeing of our people will be significant
 - Central Government support will be vital and the region must demand its fair share - to attract that support, the region must have a united economic voice and be clear on our priorities
- The Waikato Region's fundamentals are strong and the opportunity is compelling
 - We are geographically well located and **have many natural assets** – offers a strong foundation and the strongest potential of any region
 - **Brave thinking is required** – we must innovate if we are to emerge strongly in the new economy
- We could achieve so much more if we work together
 - Have many passionate people in the region, but there are **too many silos** and too much overlap
 - The **needs of business must be identified** and prioritised – and then focussed on
 - To achieve material impact and get genuine Government recognition and support, the region **must unite behind a common cause and collaborate**

Te Waka could be the region's point of difference...

Imagine a united regional approach, with strong voice in Wellington and genuine support delivered across the region and a collaborate and focussed manner...

- The initial vision was clear
 - Waikato Means Business was a great tag line and remains as valid today as ever
 - A **joined-up regional approach supported by localised delivery has significant benefit**
- Much has been achieved to date
 - Despite being in establishment mode, we have **met the KPIs set by our council stakeholders**
 - Real support delivered in volume to business across the region, plus **some decent regional wins**
 - We doubled down during Covid and significantly **extended our support** and engagement
- But the world has changed and our focus must now shift
 - We **learnt a lot** over the last six months – and Covid will have a once in a generation impact
 - We must now **focus our attention** on where we can achieve material economic impact
 - And on how we best focus limited resource to **add the most value**



Looking back – some highlights...

- **Business Support & Business Attraction**
 - Waikato **Business Support Centre** established and staff doubled in response to Covid
 - Delivered **\$1.4m in funding to 1300 businesses**, with ~\$4m more to come
 - Spearheaded **NZIST head office bid** alongside HCC and Waikato Tainui
 - Supported delivery of **\$110m in inwards investment** (PGF & CIP)
 - Attracted further support from TPK for **Maori ED** and from MSD to support **job redeployment**
 - Supported **Waikato Plan** refresh plus **iRSLG** establishment
- **Regional Collaboration & Stakeholder Engagement**
 - **Regional Communities of Learning** implemented - localised engagement, understanding of needs
 - Launched **Mighty Local** with HWT and started discussions with others re collaboration
 - **Re-engaged** with local stakeholders, and lifted engagement with large business
 - Launched the new **Waikato.Com** website as a one-stop destination
- **Market Intelligence & Advocacy**
 - **Expert groups** mobilised to gather / interpret intelligence - **Economic Radar** launched
 - **Targeted advocacy** on a range of issues and opportunities

Te Waka – on a page...

- Te Waka is
 - The Economic Development Agency for the broader Waikato Region, serving as a **Champion for and the Collective Voice of the region's** Economic and Business Needs and Opportunities
- We exist to
 - **Lift Economic Performance** across the Waikato Region
 - Support and **Enable Business & Industry Growth**
 - **Attract Business and Investment**
- We will achieve this by:
 - **Gathering Intelligence, Sharing Insights**, Advocate on behalf of the region and it's businesses
 - Building Connections, Creating **Partnerships & Driving Collaboration**
 - Being **well managed and financial sustainable**
- And by living our Values:
 - Collaborative, Inclusive, Outcome Focused, Agile / Nimble, Responsive, Courageous



We exist to support and enable business & industry growth

- Ensure a primary focus on growing business and employment in the region, with a focus on where we can move the dial / achieve meaningful impact

1.1 Sector Development & Leadership: Develop high level sector approach in target sectors then assess where relevant to support
Identify Priority Sectors
Hold Sector Forums
Develop Sector Plans (Two pagers)
Identify areas Te Waka can support and execute
1.2 Priority Business / Project Support: ID strategically important businesses / projects and develop relationship / support plan
Confirm project list, comms and activity plan
Identify strategic businesses and update stakeholder map and engagement plan
Deliver engagement plan to all business leaders
1.3 Regional Business Support Network: Revised program which consolidates mainstream business support (BGP & BSS)
Complete initial Regional Business Support Strategy (consolidation of BSS & BGT, plus regional networks)
Confirm resourcing and implement initial strategy
Confirm final Business Support Strategy, resourcing and implementation plan
1.4 Maori Economic Development: Develop then implement a focussed Māori Enterprise / Economic Development strategy
Facilitate Waikato Region Social Procurement Strategy
Understand Tainui Waka Iwi economic development priorities for the next 12-months and beyond
Build on the register for Waikato Māori Business
Partner with business and industry sectors to grow and enable Māori business capability
Māori enterprise stories and contribution to regional economies are recognised and told across the region and country.

- Four key initiatives:
 - Priority sector leadership
 - Priority project support
 - Regional business network
 - Maori Economic development

We exist to attract business & investment

- Be the primary voice of, and advocate for the Waikato; gather and share intelligence and insights; tell the Waikato Story and lead the attraction of business, investment and talent into the region

2.1 Business & Investment Attraction: Targetted industry, business and investment attraction program
Develop clear base proposition with regional slant
Develop investment and resource plan
Develop collateral and engage stakeholder ecosystem
2.2 Opportunity & Deal Connection: Act as a central point / go to for transactions and investment
Establish an Opportunity Register (online) to connect people and opportunities
Actively promote the register and support deals as appropriate

- Two key initiatives:

- Business & investment attraction
- Opportunity and deal connection

We will achieve this by gathering intelligence, sharing insights, advocacy

- Be the source of information and insights, and become the primary advocate for business in the Region

3.1 Gather / Share Intelligence & Insights: Continue to gather and disseminate intelligence, adding insights to bring value
Establish an Opportunity Register (online) to connect people and opportunities
Establish an Opportunity Register (online) to connect people and opportunities
Establish an Opportunity Register (online) to connect people and opportunities
Establish an Opportunity Register (online) to connect people and opportunities
3.2 Tell the Story: A clear pitch for "Why the Waikato" - a compelling regional economic story aimed at attracting talent and business
Workshop how story supports investment attraction and develop target audience - aim for businesses to self publish with Te Waka support
Develop a Waikato Story Plan that supports sectors
3.3 Advocate for & Represent Business: Be a strong advocate for business and business needs in the region. Lead from the front
Look to be a direct advocate for the issues that business feel are important (local and central government - others where appropriate)

- Three key initiatives:
 - Intelligence & insights
 - Tell the story
 - Advocacy

We will achieve this by building connections, partnerships & collaborating

- Implement a proactive stakeholder management program to build relationships based on trust and mutual respect which underpin partnerships and collaboration

4.1 Local Government Connector: The respected regional connector to business for local government
Develop and prioritise Stakeholder Map (Mayors, CEs, others where relevant in TAs)
Develop Stakeholder Plan
Implement Stakeholder Plan
4.2 Central Government Connector: The go-to regional agency for regional economic development
Develop and prioritise Stakeholder Map (Ministers, Officials, Agencies)
Develop Stakeholder Plan
Implement Stakeholder Plan
4.3 Business & Industry Connector: Connect business and industry across the region and build networks and connections
Business Advisory Board: Put in place a Business Advisory Board to advise and support the Te Waka agenda
The Voice of Business: developed advocacy plan
Business / sector networks: Build / enable networks and people connectivity in priority sectors
4.4 Participate in regional projects Support key regional initiatives around Labourforce, Skills, Employment & Redeployment
Continue support for Waikato Plan, Labourforce and IRSLG initiatives
Enable employment and redeployment via regional job / skills matching site
4.4 Regional Partnerships & Collaboration: Develop a plan re partnership and collaboration with other agencies / partners
Develop regional Stakeholder Map and prioritise
Develop Stakeholder Management Plan - key relationships etc... Annual Engagement Plan

- Five key initiatives:
 - Local government
 - Central government
 - Business & industry
 - Regional contribution
 - Regional partnerships

We will achieve this by being well managed and financial sustainable

- Start with a clear purpose, vision and strategy - then have governance and management structures, skills and processes in place to deliver meaningful results

5.1 Purpose, Vision & Strategy: Clearly define and document the purpose, vision and strategy for the organisation
Develop Te Waka on page Plan
Develop engagement and comms on Te Waka Plan
Deliver engagement and comms plan
Review and refresh Te Waka Plan
5.2 Governance & Management: Review and ensure Governance, Management & Team structures and capability fit for purpose
Governance review
Resource allocation and skills assessment
Complete staff resourcing
5.3 Systems, Processes & Risk Management: Ensure appropriate systems in place and reviewed regularly
Review Policies, Systems and Processes on regular basis
Prepare / review Risk Register and ensure appropriate mitigants in place
5.4 Funding & Financial Management: Ensure financial management is prudent and long term funding certainty is put in place
Resource allocation and budget (Expenses review)
Regular reporting to F&A Committee
Financial policies reviewed

Four key initiatives:

- Clear purpose & strategy
- Governance & management
- Systems, processes, risk mgmt
- Funding & financial mgmt

Our immediate priorities...

- We must broaden our stakeholder base
 - **Councils remain vital**, but **business buyin is crucial**
 - **Sub regional reach and impact** is vital – collaborative approach required
 - Our relationships and **reach in Wellington must be enhanced**
- We must focus our attention on creating impact
 - **Focussed plan is essential** – with longer term context
 - **Alignment** within team and across stakeholders vital – **collaborative approach** to delivery
 - Must move **from busy to effective**
- We must ensure resources in place to deliver and financial sustainability
 - Board, management and **team need to be fit for purpose** – changes being made
 - Te Waka **budget under-cooked**, well below other regions, insufficient to maximise potential

Regional EDA funding comparison

- Waikato EDA funding compares poorly to that of other regions

Rank	EDA Region	ED Budget	RTO Budget	TOTAL BUDG	Ownership
1	ATEED (Auckland)	\$55,000,000	\$7,000,000	\$62,000,000	CCO - Auckland City
2	Wellington NZ	\$18,000,000	\$5,800,000	\$23,800,000	\$40m total including venues CCO Wellington City, Wellington Regional
3	Christchurch NZ	\$13,900,000	\$3,100,000	\$17,000,000	CCO - Christchurch City
4	Enterprise Dunedin	\$4,801,000	\$899,000	\$5,700,000	Unit of Council
5	Development West Coast	\$4,540,000	\$860,000	\$5,400,000	Trust - no council funding
6	Destination Rotorua	\$4,400,000	\$3,000,000	\$7,400,000	CCO - Rotorua City Council
7	Venture Taranaki	\$3,200,000	\$2,400,000	\$5,600,000	CCO - New Plymouth City
8	Great South (Southland)	\$3,000,000	\$1,600,000	\$4,600,000	Venture Southland - now Great South CCO
9	Northland Inc	\$2,740,000	\$560,000	\$3,300,000	CCO - Regional Council
10	Trust Tairāwhiti	\$2,600,000		\$2,600,000	EDA operational expenditure - Trust Energy/Community
11	Whanganui & Partners	\$2,400,000	\$600,000	\$3,000,000	CCO - Whanganui DC
12	Hawkes Bay	\$2,200,000		\$2,200,000	Regional Council unit
13	Te Waka	\$2,000,000		\$2,000,000	\$670,000 across 9 local govt 1 regional \$750,000 RBP programme (NZTE)
14	Central Economic Development Agency (Manawatu)	\$2,000,000	\$600,000	\$2,600,000	CCO - Palmerston North, Manawatu
15	Nelson Regional Development Agency (Nelson/Tasman)	\$2,000,000	\$800,000	\$2,800,000	CCO Nelson City, Tasman District
16	Enterprise North Canterbury	\$1,900,000			CCO - Hurunui, Waimakariri

Our funding dilemma...

- Our funding model is not fit for purpose
 - **Reliance on councils** for 1/3 funding within context of current LTP budget to June 2021 is problematic
 - Growing **engagement with business and central government**, but some way to go to achieve funding certainty
 - **Lack of funding certainty** makes it impossible to undertake senior recruitment...
- Insufficient resources to deliver on current FY21 strategic plan
 - Current core **team insufficient to deliver on FY21 objectives** – even after re-prioritisation of resources
 - In particular the **targeted sector, inward investment and regional business support network** programs
 - Need to close **cash shortfall of \$500k** (\$950k annualised) as we transition with people and into the new plan
- Our FY22-24 work program will require a step-change in funding from all partners
 - Initial estimates suggest **need to double current budget** from c.2m to c.4m at least to deliver on our purpose
 - Intention is to move from 1/3 councils, 1/3 business, 1/3 government **towards 50% business** over next 3 years
- Ongoing commitment from councils vital as we enter the new LTP process
 - **Your confidence underwrites our efforts** to bring business and central government to the funding table
 - We need to **understand how we can best support you** to get your support in return





Report to Mayoral Forum

Item 11

To:	Waikato Mayoral Forum		
From:	Tanya Winter and Blair Bowcott on behalf of CEO Forum		
Subject:	Three Waters Reform		
Date:	17 August 2020	File:	D-3407173

1. Purpose of this Memo

2. To discuss the three waters reform programme and agree the allocation of the regional portion of the investment package (economic stimulus) funds.

3. Recommendation from the CEO Forum

- a) That the regional investment package (economic stimulus) allocated to the Waikato region totalling \$33.3m be allocated to territorial authorities on same basis as the individual territorial authority share, with the result being the economic stimulus package for each territorial authority being doubled;
- b) The Chair of the Mayoral Forum be requested to advise the Minister of Local Government and DIA of this investment package allocation decision for the Waikato Region.

4. Background to Three Waters Reform

5. On 8 July 2020, the Prime Minister and the Minister of Local Government announced a three-year programme for reforming three waters service delivery arrangements, to be delivered in parallel with an economic stimulus package of Crown investment.
6. Specifically, the Government committed to investing up to \$702 million in an investment package to support local government to supplement planned investment and enhance asset quality. This package is intended to kick-start much needed work to bring our drinking, waste and storm water infrastructure up to scratch. This investment package represents the government's response to Three Waters-related shovel ready applications.
7. The design of the investment package recognises that COVID-19 has put additional pressure on local government, and that the financial pressures councils are under may result in reductions to planned maintenance and renewal of infrastructure precisely when the economy needs a boost to protect and create local jobs.
8. The package recognises that local authorities are best placed to direct this investment to where it is most needed, provided it is used to maintain, increase and/or accelerate investment in core water infrastructure renewals and maintenance. The Government is also looking to use this opportunity to accelerate progress on reform of water services delivery.
9. The joint central-local government Three Waters Steering Committee has worked together on the design of the process for accessing funding and endorses the Memorandum of Understanding, Funding Agreement and Delivery Plan. It has also agreed a proposed approach to the regional allocation component of the funding discussed below.

Attachment 1

10. Information on the water reform package is available at: <https://www.dia.govt.nz/Three-Waters-Reform-Programme>
- 11. Allocation of the investment package (economic stimulus)**
12. The investment package has been designed to:
- Support investment across the economy, helping to stimulate economic activity and jobs in all regions of New Zealand; and
 - Support the objectives of the three waters services reform by encouraging as many councils as possible to participate in the reform programme.
13. Consistent with these objectives, the Government has determined a notional allocation framework based on a nationally-consistent formula, with some adjustments to take account of exceptional circumstances.
14. The general approach to determining each authority's notional allocation is based on a formula that gives weight to two main factors:
- The population in the relevant council area, as a proxy for the number of water connections serviced by a territorial authority (75 per cent weighting); and
 - The land area covered by a local authority excluding national parks, as a proxy for the higher costs per connection of providing water services in areas with low population density (25 per cent weighting).
15. Territorial authorities that agree to participate in the Three Waters Services Reform programme, and that sign a Memorandum of Understanding and Funding Agreement with the Crown, will be eligible to access the investment package.
16. The investment package is structured into two components:
- 1) A direct allocation to each territorial authority, comprising 50% of that territorial authority's notional allocation; and
 - 2) A regional allocation, comprising the sum of the remaining 50% of the notional allocations for each territorial authority in the relevant region.
17. The table (Attachment 1) summarises the notional territorial authority and regional allocations under the proposed investment package.
- 18. Allocation of the regional funding**
19. The purpose of the Government's regional allocations is to encourage territorial authorities within a region to collaborate with their neighbours in identifying regional investment priorities, and to establish collective participation by councils in the reform programme.
20. Each regional group of councils will have until 30 September 2020 to agree on how best to apportion the regional funds to the individual territorial authorities that make up the region.
21. Access to this regional allocation is dependent on at least two-thirds of councils within the region agreeing to participate in the programme.
22. Reflecting the varying number of councils in each region, the Minister of Local Government will have discretion to approve exceptions to the requirement that two-thirds of councils must agree to participate in the reform programme to access the regional funding allocation.
- 23. Steering Committee's preferred approach for regional allocation**

24. The joint central-local government Three Waters Steering Committee has discussed how it can support the purpose of the regional allocation and ensure territorial authorities are able to make the most of the opportunities presented by the reform programme. In their view, there is a risk that discussions on how best to apportion the regional allocation of funding could distract from the core purpose of the investment package (economic stimulus) and the long-term objectives of the reform programme.
25. To mitigate this risk, the Steering Committee recommends a preferred approach for allocating the regional funding is to adopt the national formula that has been used to determine the direct allocation to territorial authorities (i.e. the 75% population and 25% land area (excluding national parks) formula). **This approach, if adopted, would result in a total allocation for each territorial authority that is double the direct allocation to each territorial authority.**
26. The steering committee has written to Mayor Allan Sanson as Chair of the Waikato Mayoral Forum outlining this suggested approach (Attachment 2).
27. It is the view of the Steering Committee that this formula represents a transparent and equitable basis for allocating funding. Adopting this formula will help to ensure that discussions between councils are focused on the long-term objectives of reform rather than on the allocation of the stimulus funding.
28. The CEO Forum has also discussed this preferred approach for allocation of the regional funding and endorses the recommendation of the steering committee to the Mayoral Forum.
29. The Steering Committee strongly encourages territorial authorities to progress conversations within their regions about the reform programme. Through these regional conversations, the option remains open for territorial authorities to agree an alternative approach to the regional funding allocation, taking account of regional investment priorities.
30. The Steering Committee also encourages territorial authorities to continue to engage with their iwi partners on matters related to the stimulus funding and reform initiative, including the territorial authority and regional allocations.
31. Once agreed, the allocation of regional funding amongst territorial authorities who agree to participate in the programme should be communicated by way of letter to the Minister of Local Government via the ThreeWaters@dia.govt.nz email address.

Attachments

1. Notional Funding Allocations by Territorial Authority and Regional Allocation
2. Letter to Mayoral Forum Chairs

Tanya Winter and Blair Bowcott

Notional Funding Allocations

Region	Territorial Authority	Notional allocations		Total (\$m)
		TA allocation (\$m)	Regional allocation (\$m)	
Northland	Far North District Council	5.90	14.13	28.26
	Whangarei District Council	5.89		
	Kaipara District Council	2.35		
Waikato	Thames-Coromandel District Council	2.40	33.30	66.61
	Hauraki District Council	1.53		
	Waikato District Council	5.67		
	Matamata-Piako District Council	2.47		
	Hamilton City Council	8.73		
	Waipā District Council	3.41		
	Ōtorohanga District Council	1.25		
	South Waikato District Council	1.94		
	Waitomo District Council	1.75		
	Taupō District Council	4.16		
Bay of Plenty	Western Bay of Plenty Council	3.46	21.12	42.23
	Tauranga City Council	7.46		
	Rotorua District Council	4.71		
	Whakatāne District Council	3.49		
	Kawerau District Council	0.39		
	Ōpōtiki District Council	1.60		
Gisborne	Gisborne District Council	5.52	5.52	11.04
Hawke's Bay	Wairoa District Council	11.04	50.00	
	Hastings District Council	15.36		
	Napier City Council	12.51		
	Central Hawke's Bay District Council	11.09		
Taranaki	New Plymouth district	5.05	8.95	17.89
	Stratford district	1.19		
	South Taranaki district	2.70		
Manawatū-Whanganui	Ruapehu district	2.80	20.27	40.54
	Whanganui district	3.16		
	Rangitikei district	2.41		
	Manawatu district	2.54		
	Palmerston North city	4.67		
	Tararua district	2.51		
	Horowhenua district	2.17		

Notional Funding Allocations

Region	Territorial Authority	Notional allocations		Total (\$m)
		TA allocation (\$m)	Regional allocation (\$m)	
Wellington	Kapiti Coast district	3.13	29.90 (including Greater Wellington Regional Council)	59.80
	Porirua city	3.09		
	Upper Hutt city	2.55		
	Lower Hutt city	5.70		
	Wellington city	10.89		
	Masterton district	2.20		
	Carterton district	0.92		
	South Wairarapa district	1.42		
Tasman-Nelson-Marlborough	Tasman district	4.89	14.01	28.02
	Nelson city	2.86		
	Marlborough district	6.26		
West Coast	Buller district	2.27	7.62	15.25
	Grey district	1.92		
	Westland district	3.43		
Canterbury	Kaikoura district	0.94	50.00	100.00
	Hurunui district	3.75		
	Waimakariri district	4.01		
	Christchurch city	20.26		
	Selwyn district	5.33		
	Ashburton district	3.99		
	Timaru district	3.43		
	Mackenzie district	2.56		
	Waimate district	1.68		
	Waitaki district	3.73		
	Chatham Islands territory	0.32		
Otago	Central Otago district	4.73	20.60	41.20
	Queenstown-Lakes district	4.74		
	Dunedin city	7.92		
	Clutha district	3.20		
Southland	Southland district	7.03	11.15	22.31
	Gore district	1.10		
	Invercargill city	3.02		

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Item 11

Attachment 1

5 August 2020

Allan Sanson
Chair
Waikato Mayoral Forum

Tēnā koe Allan

I am writing to you on behalf of the joint central and local government Three Waters Steering Committee to provide further guidance on the process for applying for the regional funding allocation announced by the Minister of Local Government to support local government to maintain planned investment and asset quality.

The Government's \$702 million investment package will be available in two parts: a direct allocation to individual territorial authorities; and a collective allocation to regional groupings. Access to the regional funding allocation is dependent on at least two-thirds of councils within the region agreeing to participate in the programme. This reflects the Government's desire to encourage collaboration within regions in identifying investment priorities, and to establish collective participation in the reform programme.

The purpose of the Government's regional allocations is to encourage territorial authorities within a region to collaborate with their neighbours in identifying regional investment priorities, and to establish collective participation by councils in the reform programme

Each regional grouping of councils will have until 30 September 2020 to agree on how best to apportion the regional funds to the individual territorial authorities that make up the region. Once decided, this can be communicated by way of letter to the Minister of Local Government. This letter should also note how local authorities intend to collaborate with each other to progress the reform objectives.

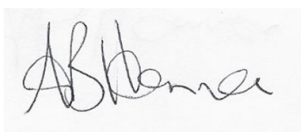
To inform the drafting of this letter, we recommend that you convene a meeting of the Mayors and Chief Executives of territorial authorities in your region to discuss how you will ensure collective participation in the reform programme, and to agree on an appropriate allocation of the regional funding.

There are several factors you may wish to consider when it comes to the allocation of funding. The Steering Committee recommends a preferred approach for allocating the regional funding, being the application of the national formula used to determine the direct allocation to territorial authorities (i.e., the 75% population and 25% land area (excluding national parks) formula). This approach, if adopted, would result in a total allocation for each local authority that is double its direct allocation.

The Steering Committee considers this represents a transparent and equitable basis for allocating the regional funding and enables regional conversations to focus on the long-term objectives of the reform, rather than the allocation of the stimulus funding.

Further information on the funding allocation and process for accessing this is available on the Three Waters Reform webpage at <https://www.dia.govt.nz/Three-Waters-Reform-Programme>. You may also send any questions you have on the process to the Steering Committee at 3WatersSteeringGroup@dia.govt.nz.

Ngā mihi



Brian Hanna

Chair

Three Waters Steering Committee



Te Tari Taiwhenua
Internal Affairs



UNISA Mayors Chairs Minutes

Meeting held in the Zoom Meeting ID: 927 1160 2427 - Passcode: 683359
on Friday 7 August 2020, commencing at 10.00am

Present:

Auckland Council Mayor Phil Goff
Bay of Plenty Regional Council Chair Douglas Leeder
Whangarei District Council Mayor Sheryl Mai
Auckland Council Deputy Mayor Bill Cashmore
Waka Kotahi | NZTA Representative Steve Mutton
Northland Regional Council Chair Penny Smart
Waikato Regional Council Chair Russ Rimmington
Hamilton City Council Mayor Paula Southgate
Tauranga City Council Mayor Tenby Powell
Head of Auckland Policy Office (MBIE) Michael Quinn

In Attendance:

Full Meeting

Whangarei District Council CEO Rob Forlong
Auckland Council Chief of Strategy Megan Tyler
Hamilton City Council CEO Richard Briggs
Tauranga City Council CEO Marty Grenfell
Bay of Plenty Regional Council, Karen Aspey Manager People & Capability
Northland Regional Council, Malcolm Nicolson CEO
Northland Regional Council, Phil Heatley Strategic Projects and Facilities Manager
Northland Regional Council, Sally Bowron, PA/Admin Strategy Governance and Engagement Group
Auckland Council, Luke Christensen
James Clarke, Hamilton City Council
Graham Nielsen
Toby Shephard (AC)

Part Meeting

Waikato Regional Council Vaughan Payne, CEO
Bay of Plenty Regional Council Fiona McTavish, CEO
Ministry for Primary Industries, Sophia Clark
Auckland Council, Imogen Bassett
Department of Conservation, Sarah Hucker
Northland Regional Council, Don McKenzie
Bay of Plenty Regional Council, Greg Corbett
Ministry of Urban Development and Housing, Ernst Zollner
Minister Phil Twyford
Private Secretary to Minister Twyford, Julia Minko

The Chair declared the meeting open at 10.00am.

Apologies (Ngā whakapahā) (Item 1.0)

Bay of Plenty Regional Council CEO Fiona McTavish, part meeting. Karen Aspey attending on her behalf.

Secretarial Note: Items were addressed in the following order: 2.2, 2.3, 2.5, 2.4, round table, 2.1, 2.6.

Waikato Wellbeing Project (Item 2.1)

ID: A1347290

Report from Vaughan Payne – Chief Executive Waikato Regional Council

Vaughan Payne presented on the Waikato Wellbeing Project. Key points included:

- Developed as a community-led initiative to create SMART wellbeing projects based on the UN's Sustainable Development Goals (SDGs)
- Endorsed by Mayoral Forum and supported by Waikato Plan Leadership Committee
- Community workshops held and draft targets peer reviewed by Shamubeel Eaquab, which were then discussed at Community Conversations
- 10 targets to work towards 13 of UN's 17 SDGs, some are aspirational
- Well Energy Trust involvement was critical to fund the project and provide support – have to ensure every dollar is accounted for – projects are a better way to use the money than individual rebates
- Resourcing for project – core staff of 6 people
- Central government is supportive of wellbeings but doesn't have the infrastructure to deliver on them in our communities – align local and central government
- Acknowledgement of Vaughan's work and contributions to UNISA.

UNISA statement in Regional Land Transport Plans (Item 2.2)

ID: A1347273

Report from Bron Healey, Principal Advisor – Regional Development, Bay of Plenty Regional Council

It was agreed that officers are to progress developing a UNISA statement for the 2021 RLTP, as has been done previously for the 2015 and 2018 RLTPs. It's a good opportunity for UNISA to collaborate and provide a compelling local government voice.

Briefing for incoming Ministers (BIM) (Item 2.3)

ID: A1347282

Report from Sally Bowron, Strategy, Governance and Engagement Team Admin/PA

Post the 2017 general election, UNISA provided a briefing on UNISA to key Ministers of the new government. It is intended to do this again, with Mayors and Chairs approving the tailored letters immediately before the election and sending them as soon as Ministers and portfolios are named. It was noted that Zoom may make attending meetings easier for Ministers.

Action/Outcome:

- Officers to start the work now
- Letters to be succinct with clear priorities

UNISA Mayors Chairs
7 August 2020

- Consider how to articulate differences of opinion (eg ports) in the BIMs – focus on what will work for Auckland, UNI and NZ

Marine Pest Management (Item 2.4)

ID: A1347297

Report from Don McKenzie, Biosecurity Manager Northland Regional Council and Chair of Top of the North Marine Biosecurity Group on behalf of the Top of the North Collective

Attending: Ministry for Primary Industries, Sophia Clark, Auckland Council, Imogen Bassett, Department of Conservation, Sarah Hucker, Northland Regional Council, Don McKenzie, Bay of Plenty Regional Council, Greg Corbett.

An update on the Inter-regional Marine Pest Management Pathway Plan. Key points:

- Aim of project is to acquire consistent rules for marine pest management across UNI, focusing on boat hulls
- An issue that is beyond what one region can fix on its own
- Will improve efficiencies and there are opportunities for marine stakeholders
- Thanks for the work done by the team on such a significant environmental collaboration.

Upper North Island Supply Chain (Item 2.5)

ID: A1347271

Report from UNISA Officers

Key themes from discussion and agreement on the next stages and what engagement UNISA wants to have as a group and as constituent members:

- Need one report, done well, backed by facts that will stand up to scrutiny
- Port of Auckland doesn't have to move for 30 years
- Sapere process didn't work for councils – little engagement
- The focus needs to be on the supply chain rather than getting narrowed into a port discussion – take an interregional infrastructure view with a UNI supply chain focus.

Minister Twyford (Item 2.6)

ID: A1347298

Minister Twyford is attend to discuss UNISCS and spatial planning. Key points included:

- The report added useful information but what is needed is a robust evidence-based analysis of options for the port move and a collaborative, transparent consultative process
- There's a window of 10 – 15 years in which to make a decision
- If there was a cheap or easy option, it would have been done already
- Government doesn't have a view on the options
- The ports are a vital part of supply chain infrastructure and it would be a terrible direction if they were environmental unsustainable or economically inefficient
- H2A approach very successful in outcomes and forging a new way for central and local government and iwi to work together - co-governance
- Randerson RMA report – legislation to make integrated regional planning the default approach
- This forum in existence for 10 years and provides central government an opportunity to see the UNI as an integrated system and project from a spatial planning point of view
- The local government boundaries have no relevance to how people, water and freight work which is why an integrated approach is needed

ID: A1355196

3

- The UNISA model of collaborative partnership also has potential for economic development as well
- Align central government with local government and regional state highways to get a more joined-up approach – room for both a macro and place-based approach

Action/Outcome:

Send a letter of thanks to the Minister for attending.

meeting). Notes are incomplete.

Round table (Item 2.7)

ID: A1347299

Highlights and issues from the past quarter.

Acknowledged Michael Quinn, his first meeting as head of Auckland Policy Office.

Whangarei District Council

- Northland working well together

Northland Regional Council

- focus on resilience and working well together through civil emergencies
- Kaipara Moana Remediation Programme

Auckland Council

- Water crisis
- Covid-19
- Three waters and link to Northland Regional Council
- Kaipara Moana Remediation Programme

Hamilton City Council

- Covid-19 quarantine facilities and risk – need to have social infrastructure in place
- Construction – consenting continued during lockdown
- Ruakura inland port
- Rail connection to Auckland
- Uplift in crime

Waikato Regional Council

- Mainly opex rather than capex so able to cut cloth easier
- Watercare consent for Auckland – an example where UNISA could have been used to facilitate a solution
- Esplanade planting
- Train service to Auckland
- Tuwharetoa – transfer of powers – Lake Taupo
- Freshwater policy
- Vaughan leaving CEO role

Tauranga City Council

- Government funding for Rotorua Lakes
- Inherited historical difficulties within council.

Action/Outcome:

It was agreed that one kanohi ki te kanohi meeting a year was sufficient with the rest being via online meetings.

UNISA Mayors Chairs
7 August 2020

Conclusion

The meeting concluded at 12.03pm.



ROTOKAURI STAGE 1 DETAILED BUSINESS CASE

As at 1 October 2020

DRAFT OVERVIEW DOCUMENT

This is a live document that will be amended due to any ongoing commercial developments and Long-Term Plan processes.



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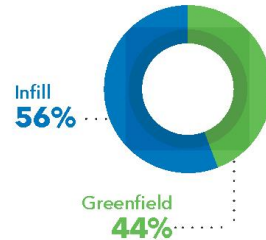
28The Commercial
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Case

SUMMARY

STRATEGIC URBAN GROWTH



Greenfield opportunities support Hamilton's infill and regeneration balance.



WELL CONNECTED

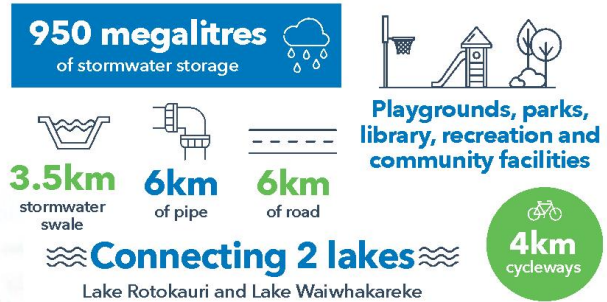
WINTEC
THE ZOO
THE BASE
TRANSPORT HUB
LAKE ROTOKAURI
TE RAPA INDUSTRIAL
WAIWHAKAREKE NATURAL HERITAGE PARK

A place where people can live, work, play and visit.

OUR CHALLENGE



WHAT NEEDS PAYING FOR?



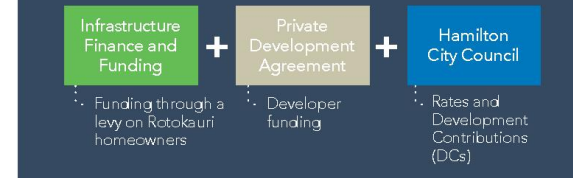
OUR OPTIONS

All our options below need similar infrastructure in place before we can move forward with development.

The difference between our options depend on timing and funding




HOW WILL WE PAY FOR IT?



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KEY MESSAGES

- 

1 Rotokauri already has a community of 138 houses and more than 1000 building consents have been lodged. Existing and future residents expect strategic infrastructure to be in place.
- 

2 Developers are committed, with detailed subdivision plans, but face conditions they are unhappy about and effects they cannot mitigate. This will lead to piecemeal development with poor wellbeing and infrastructure outcomes.
- 

3 There are serious infrastructure risks (liquefaction and settlement) that may arise through piecemeal development, which may lead to significant litigation and reputational damage, eg Wimbledon Close.
- 

4 The opportunity exists now to benefit from the off balance sheet IFF funding tool and the potential to share the upfront funding with key developers. This could provide up to \$178 million towards the cost of Rotokauri which may or may not be available in the future.
- 

5 The Build Community Option is consistent with Council's current growth principles for the LTP. The Piecemeal Community and Deferred Community Options are not. Equally they are financially comparable but have significantly different wellbeing and infrastructure outcomes.
- 

6 While Hamilton has enough greenfield land supply in the short-term, if Rotokauri is not opened up in the 2021-31 Long-Term Plan Council will be relying on other developments and infill generation (over which it has less control). Notably the stormwater floodway is still a critical requirement (regardless of supply) for existing and future residents.
- 

7 Accelerating development is affordable, but does require some upfront funding and may be at the expense of other Council priorities.
- 

8 All options presented by the Rotokauri DBC result in a similar number of residential, commercial and industrial properties by Year 30. The difference is the timing and the risks surrounding delayed timeframes.

ROKOKAURI OPTIONS

The Rotokauri Stage 1 DBC is consistent with Council's growth principles that have been developed to aid with the long-term planning process.

The scope of the DBC is to assess:



The acceleration of delivering the infrastructure needed in Rotokauri Stage 1 using the IFF tool in combination with traditional funding mechanisms



The options available to Council and the outcomes from a wellbeing perspective, considering in detail the social, economic, environmental and cultural outcomes of each option



All options result in a similar number of residential, commercial and industrial properties by Year 30. The difference is the timing and significant risks of the delayed timeframes. Infrastructure and wellbeing outcomes will be affected if timeframes are delayed.












Council can consider a different time profile but the solution remains the same. Upfront funding for design and land is still required regardless of the option

Council's growth principles

*subject to change



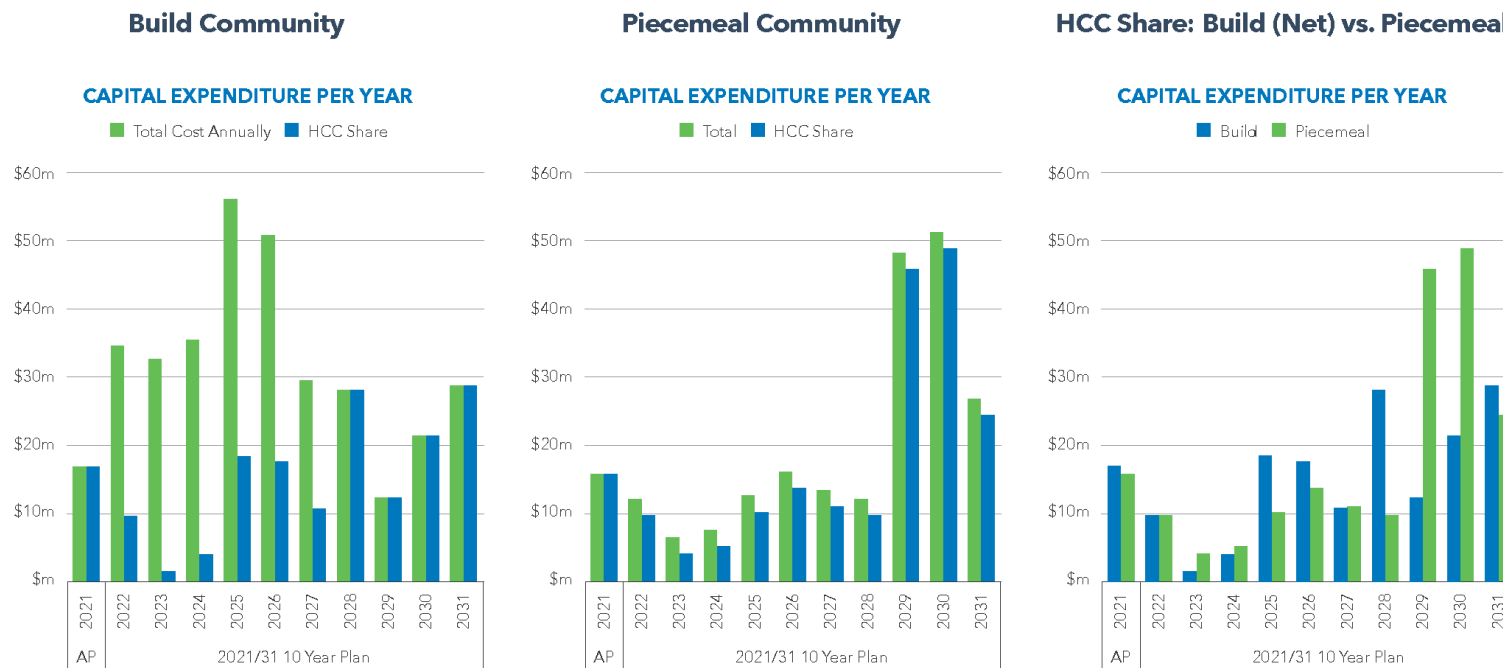
DRAFT**ROTOKAURI STAGE 1 DBC OPTIONS**

	Option Summary	Cost Estimates		10 yr Cost Share		10 yr Homes and Jobs	Opportunities	Risks
		10 yr	30 yr	HCC	Others			
Build Community Option	<ul style="list-style-type: none"> Advance connections – floodway, transport and utilities. Facilitate efficient development. Improved wellbeing outcomes. Land now and community facilities to match demand. Alternative funding. 	\$349M	\$437M	\$171M	\$178M (estimate)	 2,109 Homes  1,351 Industrial jobs  1,765 Commercial jobs	<ul style="list-style-type: none"> Leverage investment. Within new debt: revenue ratio. Developers share costs Enhanced wellbeing outcomes. Work/live/play in connected communities. Avoid future liquefaction and settlement liability risk. 	<ul style="list-style-type: none"> Accelerated delivery. Very challenging programme. New funding tool. Complex interdependencies. Early access for investigations and construction is critical. Debt capacity for other priorities limited.
Delivers homes and business land with facilities to support a community. Floodway timeframe: 7 years (2027). Programme cost \$437M (inflated).								
Piecemeal Community Option	<ul style="list-style-type: none"> Work reactively with developers. Receptive to limited consents and advancement. Commit to 'right-size' infrastructure. Defer floodway and road connections. Poor infrastructure and wellbeing outcomes. 	\$224M	\$463M	\$200M	\$24M (nominal)	 571 Homes  650 Industrial jobs  895 Commercial jobs	<ul style="list-style-type: none"> Some development. Developers share costs. 	<ul style="list-style-type: none"> Inefficient development. Poor environmental outcomes. Future liquefaction and settlement liability risk. Worse levels of service - more residents. Potentially more road crash injuries. Walking and cycling deterred. Missed funding opportunities. Debt capacity for other priorities limited.
Delivers homes and business land with facilities to support a community. Floodway timeframe: 11 years (2031). Programme cost \$463M (inflated).								
Deferred Community Option	<ul style="list-style-type: none"> Oppose development not consistent with Council LTP funding. Avoid Council expenditure. Delay connections past LTP. 	Legal Costs	\$585M	\$0	\$0	 80 Homes  0 Industrial jobs  0 Commercial jobs	<ul style="list-style-type: none"> Debt capacity for other priorities. 	<ul style="list-style-type: none"> Stranded existing residents/poor levels of service. Future liquefaction and settlement liability risk. Constrained development in conflict with growth commitments. Broken relationships with developers and government agencies. Court decisions overruling Council and development proceeding. Adverse effects elsewhere. Missed funding opportunities.
Restricts and delays homes, business land and the community. Floodway timeframe: 17 years (2037). Programme cost \$585M (inflated).								

10 YEAR CAPITAL COST PROFILES

Note: the majority of the 2020/21 annual plan year has been deferred, therefore it is included in the 10 year totals throughout the DBC.

	AP	2021/31 10 Year Plan											
S in millions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	10YP Total	11YR Total
BUILD COMMUNITY													
Transport	13.1	16.7	12.5	13.6	18.0	16.5	5.2	9.0	5.9	2.5	10.6	110.4	123.5
Storm Water	2.2	14.3	16.2	16.2	16.2	16.2	16.2	1.3	2.4	7.2	0.0	106.1	108.3
Waste Water	0.2	0.2	0.1	0.4	1.6	1.3	0.7	0.4	0.2	0.1	-	5.0	5.1
Water Supply	0.3	0.2	0.2	0.6	1.5	1.9	1.7	1.3	1.0	0.6	0.0	9.0	9.4
Community	-	-	-	-	10.0	6.0	-	10.0	-	5.5	10.2	41.7	41.7
Total (Pre-Inflation)	15.8	31.3	29.0	30.7	47.4	41.8	23.7	22.0	9.5	15.9	20.8	272.2	288.0
Total (Post inflation)	17.1	34.8	32.9	35.7	56.5	51.1	29.7	28.3	12.5	21.6	29.0	332.1	349.3
Less funding opportunities													
IFF funding	-	(25.0)	(20.0)	(20.0)	(20.0)	(15.0)	-	-	-	-	-	(100.0)	(100.0)
PDA funding	-	-	(11.4)	(11.6)	(17.9)	(18.3)	(18.8)	-	-	-	-	(78.0)	(78.0)
Total	17.1	9.8	1.6	4.1	18.6	17.8	10.9	28.3	12.5	21.6	29.0	154.2	171.3
PIECEMEAL COMMUNITY													
Transport	8.4	9.5	5.4	5.3	3.5	6.1	2.9	1.9	13.0	10.8	7.8	66.4	74.7
Storm Water	5.7	1.2	0.0	-	7.0	7.0	7.0	7.0	22.1	25.8	9.7	86.9	92.6
Waste Water	0.6	0.1	0.3	1.0	0.1	0.2	0.6	0.1	0.1	0.2	0.1	2.8	3.4
Water Supply	0.1	0.2	0.0	0.3	0.0	-	0.2	0.5	1.4	1.2	1.7	5.4	5.5
Community	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Pre-Inflation)	14.7	11.0	5.8	6.6	10.7	13.2	10.8	9.5	36.7	37.9	19.4	161.5	176.2
Total (Post inflation)	15.9	12.2	6.6	7.6	12.7	16.2	13.5	12.2	48.5	51.5	27.0	207.9	223.9
Build (net) vs. Piecemeal													
Total (net)	1.2	(2.4)	(5.0)	(3.5)	5.9	1.6	(2.5)	16.1	(36.0)	(29.9)	2.0	(53.7)	(52.5)
Cumulative	1.2	(1.2)	(6.2)	(9.8)	(3.8)	(2.2)	(4.8)	11.3	(24.6)	(54.5)	(52.5)		
DEFERRED COMMUNITY													
Transport	2.0	-	-	-	-	-	-	-	-	-	-	-	2.0
Storm Water	2.0	-	-	-	-	-	-	-	-	-	-	-	2.0
Waste Water	0.6	-	-	-	-	-	-	-	-	-	-	-	0.6
Water Supply	0.1	-	-	-	-	-	-	-	-	-	-	-	0.1
Community	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Pre-Inflation)	4.6	-	-	-	-	-	-	-	-	-	-	-	4.6
Total (Post inflation)	5.0	-	-	-	-	-	-	-	-	-	-	-	5.0

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NATIONAL AND REGIONAL CONTEXT

New Zealand's current Infrastructure Funding Financing (IFF) system has constraints which makes responding to urban pressures difficult for the market and local authorities. There is a national need for more housing, especially in high growth areas like Hamilton, but most high-growth councils' debt levels are restricting their ability to fund critical infrastructure to enable development.

URBAN GROWTH AGENDA (UGA)

There are a range of national and regional initiatives underway to address this. These initiatives will support the market to respond to growth and reduce the high cost of urban land; improving housing affordability and supporting thriving communities. The national UGA is an ambitious programme to remove barriers to land supply and infrastructure and allow cities to grow up and out.

One of the five interconnected focus areas of the UGA is IFF. Government has been investigating funding infrastructure through a Special Purpose Vehicle (SPV). The newly-enacted Infrastructure Funding and Financing (IFF) Act (2020) enables SPV finance to be raised through private financiers and recovered over a period of up to 50-years through an annual charge over current and future owners of the leviable land area. Rotokauri has been the key case study for the development of this new IFF model.

HAMILTON TO AUCKLAND CORRIDOR PLAN (H2A)

In June 2018, as part of the UGA's planning workstream, the Hamilton to Auckland corridor was studied to create a long-term joint spatial vision for future urban growth corridor and identify key transformative projects. The result is '**Hei Awarua ki te Oranga - Corridor for Wellbeing**'. Rotokauri is a priority development area in the H2A.



HAMILTON-WAIKATO METRO SPATIAL PLAN (HWMSP)

The HWMSP is the first joint spatial plan for the Hamilton-Waikato metropolitan area and is a workstream of H2A, developed through the Future Proof partnership of Government, Waikato Tainui, Waikato District Council, Waipa District Council, Hamilton City Council and Waikato Regional Council.

Its purpose is to determine a shared 100-year vision and spatial framework for the emerging Hamilton-Waikato area, with a 30-year plan for priority development areas, including Rotokauri. The plan supports the emergence of Hamilton and its surrounds as an important metro area and identifies the pathway to achieve this.

Together, these initiatives provide a long-term coordinated approach to managing land use and transport infrastructure provision, while focusing on building communities. Without this, there will be ongoing and potentially irreversible negative impacts on the economy and the environment.

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HAMILTON CONTEXT

Hamilton's economy has grown strongly over the past 15 years. The city wants to maintain this momentum, but grow in a way that supports community development and avoids 'soulless suburbs'.

With around 169,500 residents, Hamilton is well on the way to being a city of 200,000 in the next 10 to 15 years. As population increases, so does the demand for housing and employment, bringing both opportunities and challenges.

The challenges currently facing Hamilton are:

- The current National Policy Statement sets requirements on land availability for housing – for Hamilton this means 31,900 homes by 2048. Previous planning processes have ensured enough land has been set aside for housing, but more capital investment is required to ensure there is enough supply of zoned and serviced land to meet forecast demand.
- The National Policy Statement also requires Hamilton to provide enough business land for the retail, commercial and industrial sectors. Recent monitoring indicates Hamilton has sufficient industrial land in the short term and long term. However a small shortage (2ha) is projected in the medium term (3-10 years) unless additional long-term supply can be brought forward.
- While Hamilton has enough greenfield land supply under the National Policy Statement, current growth projections based on Councils 2018-28 Long-Term Plan (LTP) are that Peacocke Stage 1 will be full in three years, and Rototuna and Ruakura by 2030. If Rotokauri is not opened in the 2021-31 LTP, Council will be relying on other developments and infill regeneration to provide the bulk of its future residential land supply. Council has less

control over the latter types of supply, which relies on homeowners redeveloping their properties or private entities advancing larger development areas subject to favourable economic conditions.

- Development is constrained because the high initial cost of strategic infrastructure for wastewater, stormwater and transport exceed both individual developers' and the Council's capacity for funding.
- Areas such as Rotokauri (Stage1) have been zoned residential, with developers forging ahead through the Resource Management Act (RMA) process to progress development without the critical strategic infrastructure in place. This leads to piecemeal development and poor infrastructure and wellbeing outcomes.

Investing to address these problems provides access to homes, employment opportunities, safe and more liveable communities and a wide range of economic benefits. It also supports the H2A and HWMSP objectives.

New funding tools like IFF complement traditional funding mechanisms, avoid the poor outcomes listed above, and allow planned greenfield development areas to be developed more quickly.

Hamilton's development as a vibrant city, attracting people and businesses, is essential for the balanced development of the broader New Zealand economy. If Hamilton doesn't maintain its growth aspirations, a ripple effect across the region could put heightened population and infrastructure pressures on other growth areas.



WHY ROTOKAURI?

Rotokauri became part of Hamilton in 1989 to provide for long-term development and city growth, and is one of our key strategic development areas in the Hamilton Urban Growth Strategy. Rotokauri is in a prime position for urban development, near the *Rotokauri Transport Hub*, *Wintec*, *The Base*, *Hamilton Zoo*, *Waiwhakareke Natural Heritage Park* and the *Te Rapa employment zone*. Rotokauri could provide up to 6,444 homes for 17,000 people.

Consistent with the idea of a 20-minute city, Rotokauri is in the Northern Corridor priority development area for the HWMSP and is a key future public transport node.

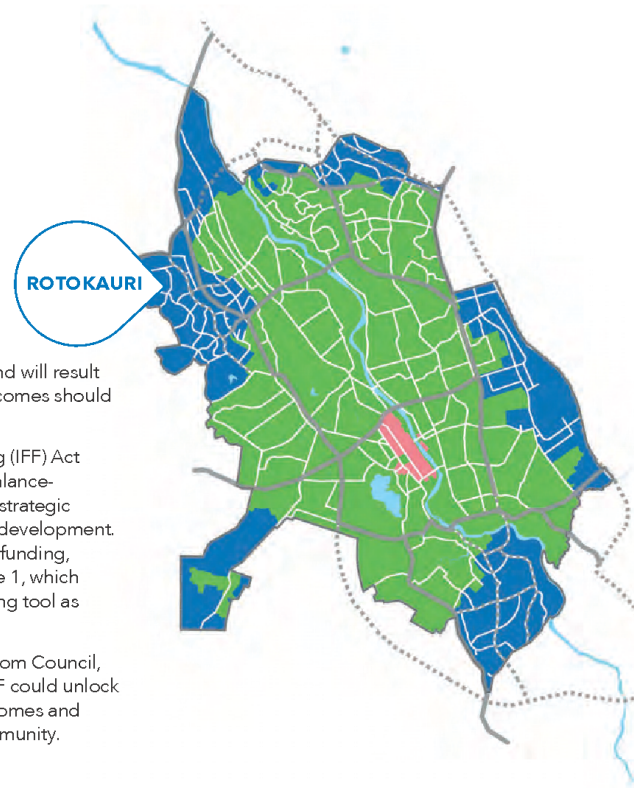
The area was zoned from rural to future urban in 1999 and a structure plan prepared between 2006-09, which enabled Stage 1 for residential development and kept Stage 2 as future urban. After the structure plan's completion in 2009, the first subdivision sections were sold in 2014. In June 2020 there is a growing community of 138 homes, with more than 1000 building consents pending.

Enabling quality development in Rotokauri requires significant investment to complete the major stormwater floodway and arterial road. There is a high expectation from developers for interim or permanent strategic infrastructure ahead of the wastewater and

floodway options. This creates tension and will result in poor infrastructure and wellbeing outcomes should piecemeal development continue.

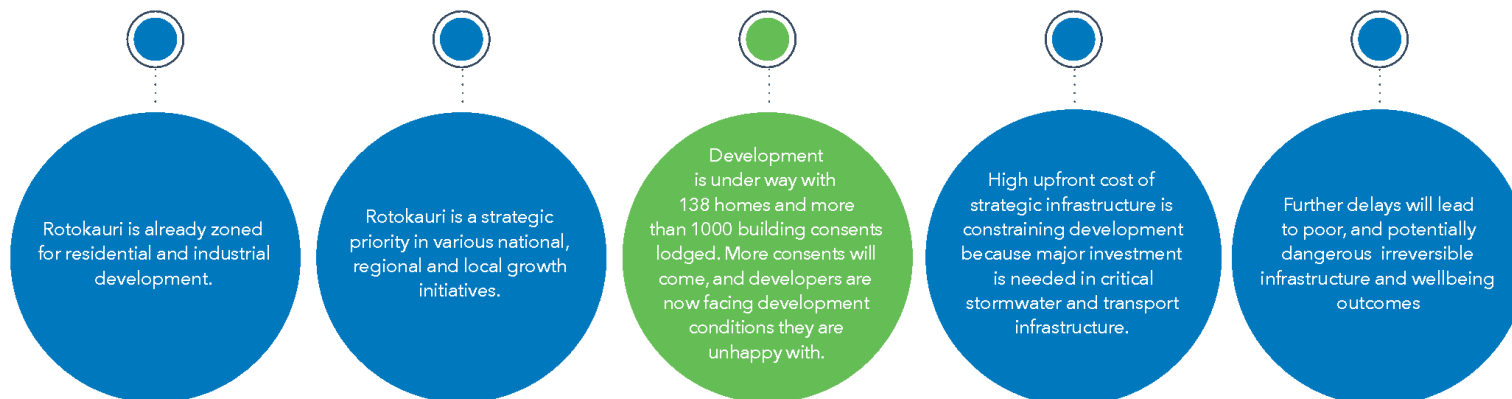
The Infrastructure Funding and Financing (IFF) Act (2020) provides an opportunity for off-balance-sheet funding to help pay for the critical strategic infrastructure needed to unlock Stage 1 development. This will significantly aid in the planning, funding, financing and delivery of Rotokauri Stage 1, which has been the test case for this new funding tool as legislation was development.

At this critical point in time, investment from Council, developers and Government through IFF could unlock Rotokauri Stage 1, preventing poor outcomes and enabling development of a thriving community.

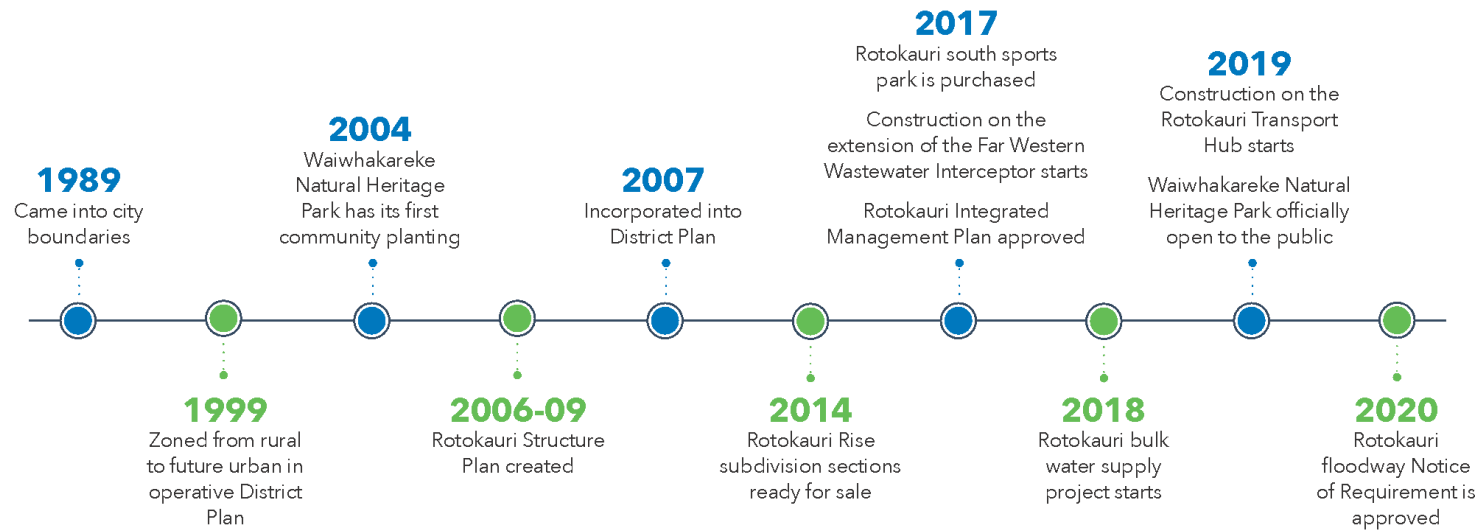


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THE CHALLENGE WITH ROTOKAURI



DEVELOPMENT OF ROTOKAURI STAGE 1



Rotokauri is not a new growth cell, activity has been happening since the 1980s, and developers are forging ahead with their development plans. There is now a critical need for the enabling strategic infrastructure to be built to unlock the growth cell to prevent piecemeal development and negative infrastructure and wellbeing outcomes.

There are significant lessons to be learned from the development of Rotokauri over the years which can be applied to new growth cells and future business cases.

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HAMILTON RESIDENTIAL DEMAND AND SUPPLY

The supply of land for housing and the market demand for new houses are important economic factors in determining where and how fast new housing development occurs. There needs to be serviced land which can be developed, and demand for housing on that land for residential development to progress. This section takes a bird's eye view of Hamilton's supply of land suitable for residential development now and in the future, and of forecast demand for new housing.

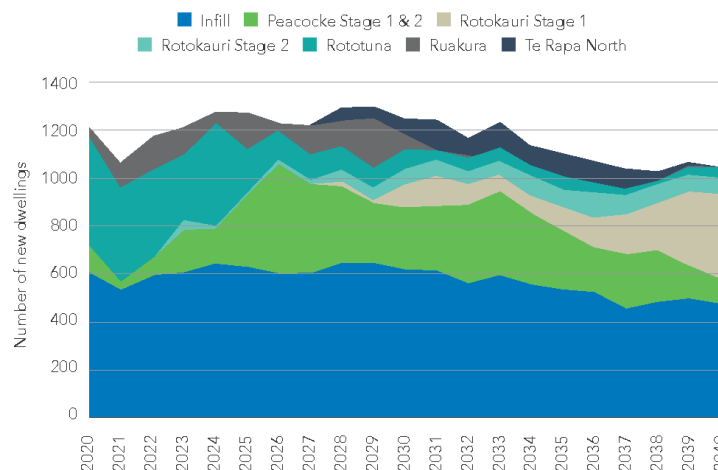
HOUSING DEMAND IN HAMILTON

The graphs below illustrate the projected uptake of new houses in various areas of the city, which is also referred to as housing yield or housing demand. New land supply unlocked under the Build Community

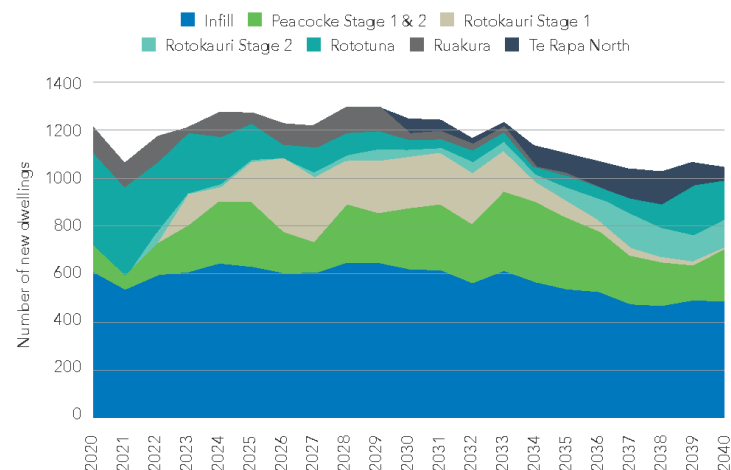
option leads to more new houses sooner in Rotokauri Stage 1 (grey area) and extends the growth cell life of Ruakura by about three years, Rototuna by about 10 years, and Peacocke beyond 2050. Under the

Deferred Community option Rototuna and Ruakura are effectively full by 2030. The small amount of Rototuna development after then is regeneration of a now brownfield area.

DEMAND - DEFERRED COMMUNITY OPTION



DEMAND - BUILD COMMUNITY OPTION



CANNIBALISATION OF OTHER FUNDED GROWTH AREAS

Consideration was given to the hypothesis that increasing the supply of development ready land increases the aggregate level of growth in Hamilton. However, there was inconclusive economic evidence to support this, so this business case is based on the conservative assumption of the same level of demand with or without the advancement of Bulk Housing Infrastructure (BHI) in Rotokauri. Under this assumption, uptake or houses in Rotokauri to some extent come at the expense of other areas in Hamilton, and notably Peacocke where Council has significant funding commitments.

Based on a desktop analysis this impact for each option could be:

Build Community Option - results in an impact to both Peacocke and Rototuna of 300-500 houses each across the 10-years to 2030. This impact is largely from year 7 and beyond, and it does not remove housing from either area it only means it happens later.

Piecemeal Community Option - results in no change as it adopts 2018-28 LTP projections.

Deferred Community Option - results in the redistribution of approximately 200 sections across the remainder of the city over the seven years to 2028.

RESIDENTIAL LAND SUPPLY IN HAMILTON

Under the National Policy Statement – Urban Development (NPS-UD), Hamilton is required to ensure there is sufficient development capacity to meet demand for housing in the short, medium and long term, plus a competitiveness margin of 20% additional land in the short-medium term and 15% in the long term.

The NPS-UD requires this land to be zoned for development, have existing or planned infrastructure, be commercially feasible to develop and to be reasonably expected to be realised based on developer intentions.

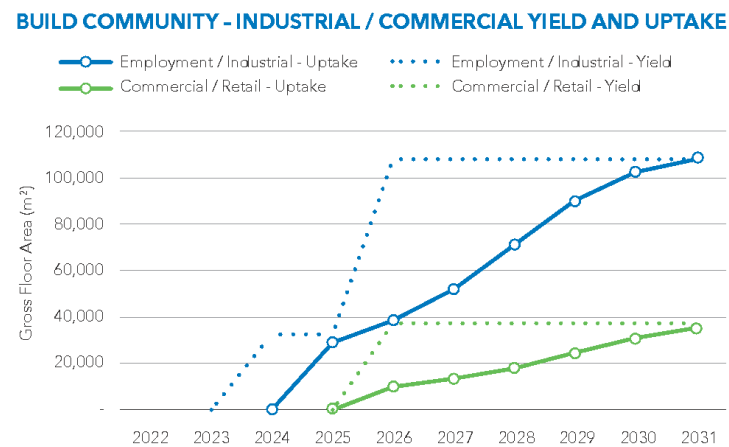
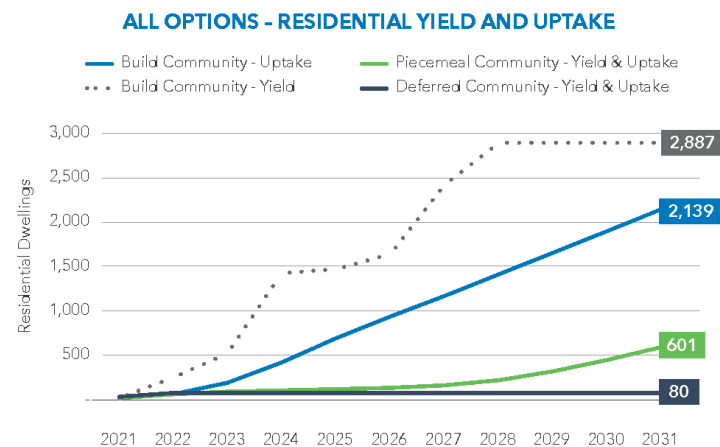
Greenfield Growth Cell	Total initial capacity (dwellings)	Total number of people	Total remaining capacity (dwellings)
Peacocke Stage 1 & 2	approx. 8,000	Up to 20,000	5,000 to 7,000
Rotokauri Stage 1	approx. 3,400	Up to 10,000	approx. 3,000
Rotokauri Stage 2	approx. 3,200	Up to 10,000	approx. 3,000
Rototuna	approx. 13,000	Up to 35,000	approx. 2,500
Ruakura	approx. 3,000	Up to 8,000	approx. 1,200
Te Awa Lakes	approx. 900	Up to 2,500	approx. 900



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YIELD AND UPTAKE

- Council growth modelling suggests the full 14.5ha of commercial/industrial land made available by the acceleration of infrastructure will be developed and sold by 2031.
 - » No commercial/industrial land will be yielded until the floodway is constructed.
 - » The floodway and major arterials unlock the balance of Stage 1 (2,887 homes), with growth modelling projecting 2,139 will be sold in the period to 2031.
- The Piecemeal Community and Restrict Community options are developer-led with yield aligned to uptake.



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JOB CREATION IN ROTOKAURI

The development of Rotokauri Stage 1 will create a significant number of jobs, both during construction and afterwards, but timing of these jobs vary between the options.

The preferred **BUILD COMMUNITY** option presented by the Rotokauri Stage 1 Detailed Business Case (DBC) creates:

- An average of 135 direct construction jobs per year to 2031 to deliver infrastructure.
- The economic impact sees an increase in GDP of 1.5-1.6% pa, leading to increased household incomes.
- Around 3,300 jobs created by residential, industrial and commercial construction through the supply chain.
- Most of the benefits are realised by 2031.

The alternative **PIECEMEAL COMMUNITY** option presented by the Rotokauri Stage 1 DBC creates:

- An average of 65 direct construction jobs per year to 2031 to deliver infrastructure.
- The economic impact sees an increase in GDP of 0.9-1.0% pa.
- Around 3,300 jobs through the supply chain.
- Less than a third of these benefits would be realised by 2031.



WHAT DOES ROTOKAURI NEED?

950,000
megalitres
of stormwater storage



3.5km
stormwater
swale



6km
of pipe



6km
of road

Connecting 2 lakes

Lake Rotokauri and Lake Waiwhakareke



4km
cycleways



**Playgrounds, parks,
library, recreation
and community facilities**

CRITICAL INFRASTRUCTURE

This map shows the critical infrastructure needed in Rotokauri Stage 1

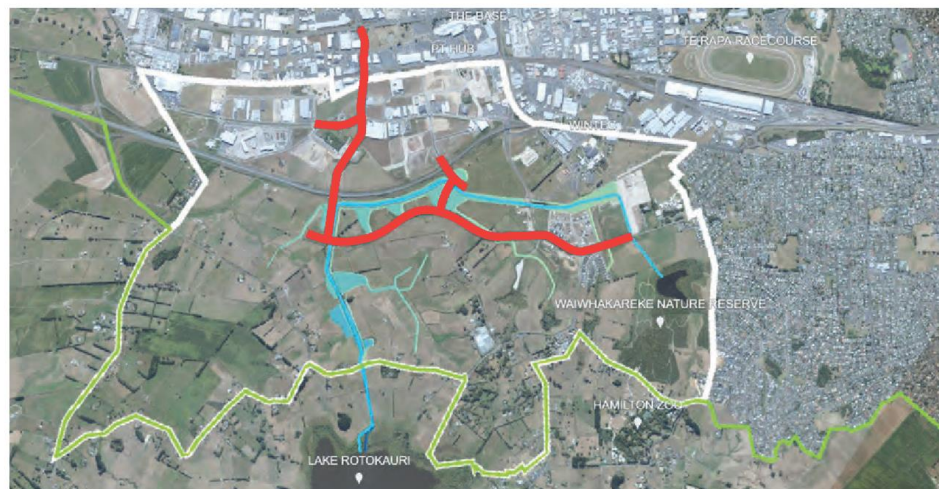
STORMWATER

Detailed in **blue** is the stormwater floodway, also referred to as the 'swale' or 'greenway', which is effectively an open drain running from Horseshoe Lake in the south east to Lake Rotokauri in the west. This operates as a combined flood storage facility and conveyance channel, moving water from lake to lake. It also offers transport and recreation functions when fully built. Any staging of the stormwater floodway construction must commence from Lake Rotokauri to Lake Waiwhakareke to maintain drainage function, which is the opposite starting point in relation to current development, water and transport connections.

TRANSPORT

Detailed in **red** are the major transport connections needed in Rotokauri Stage 1. The cell requires access through Te Wetini Drive adjacent to Wintec, a north-south main arterial and two further transport connections in the employment zone.

Ultimately, around 6,000 households in Rotokauri generate around 50,000 vehicle movements per day so these transport connections are crucial. Walking and cycling improvements will also be required to reduce car use and protect public safety.

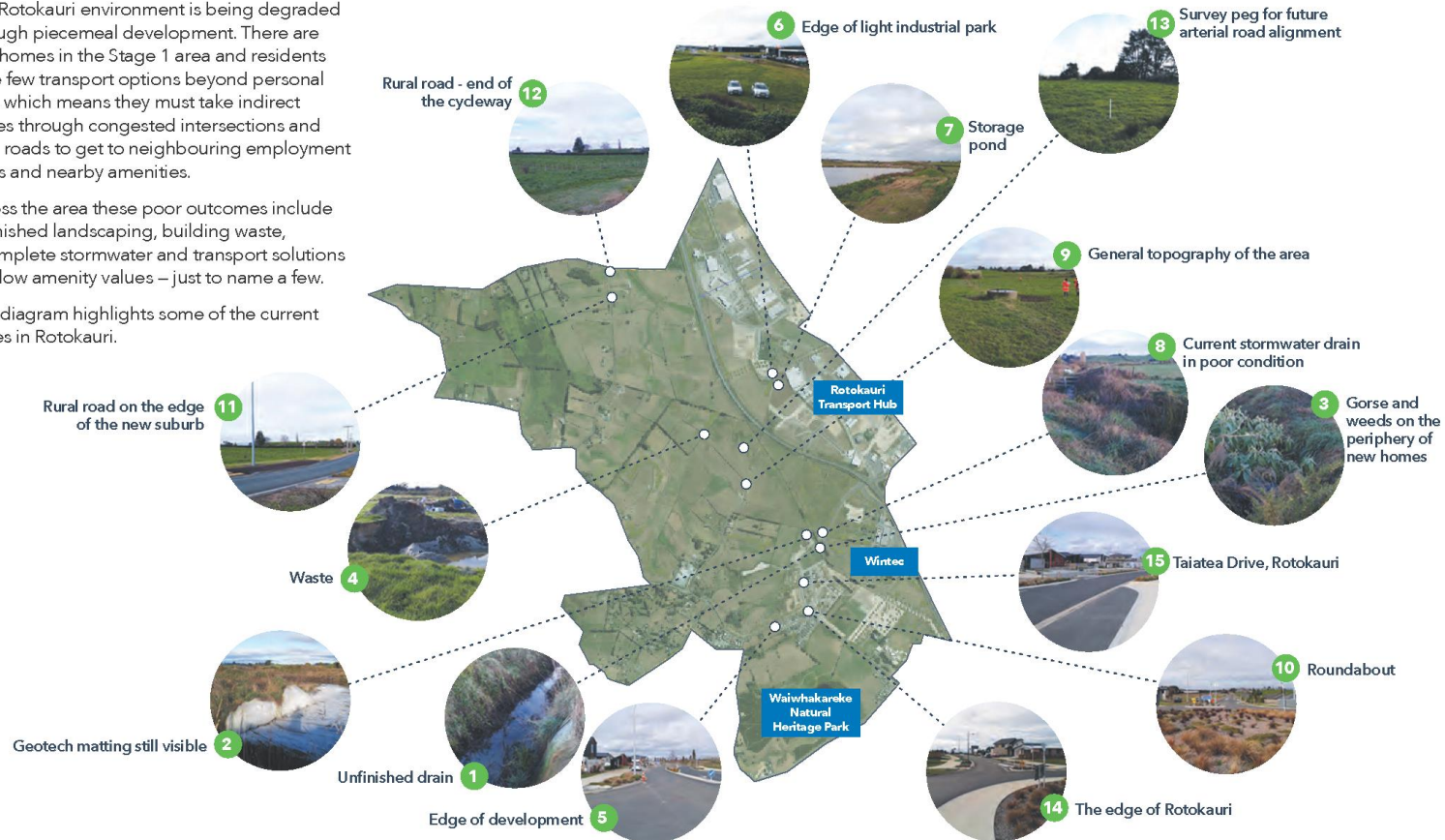


ROTOKAURI - CURRENT SITUATION

The Rotokauri environment is being degraded through piecemeal development. There are 138 homes in the Stage 1 area and residents have few transport options beyond personal cars, which means they must take indirect routes through congested intersections and rural roads to get to neighbouring employment areas and nearby amenities.

Across the area these poor outcomes include unfinished landscaping, building waste, incomplete stormwater and transport solutions and low amenity values – just to name a few.

This diagram highlights some of the current issues in Rotokauri.









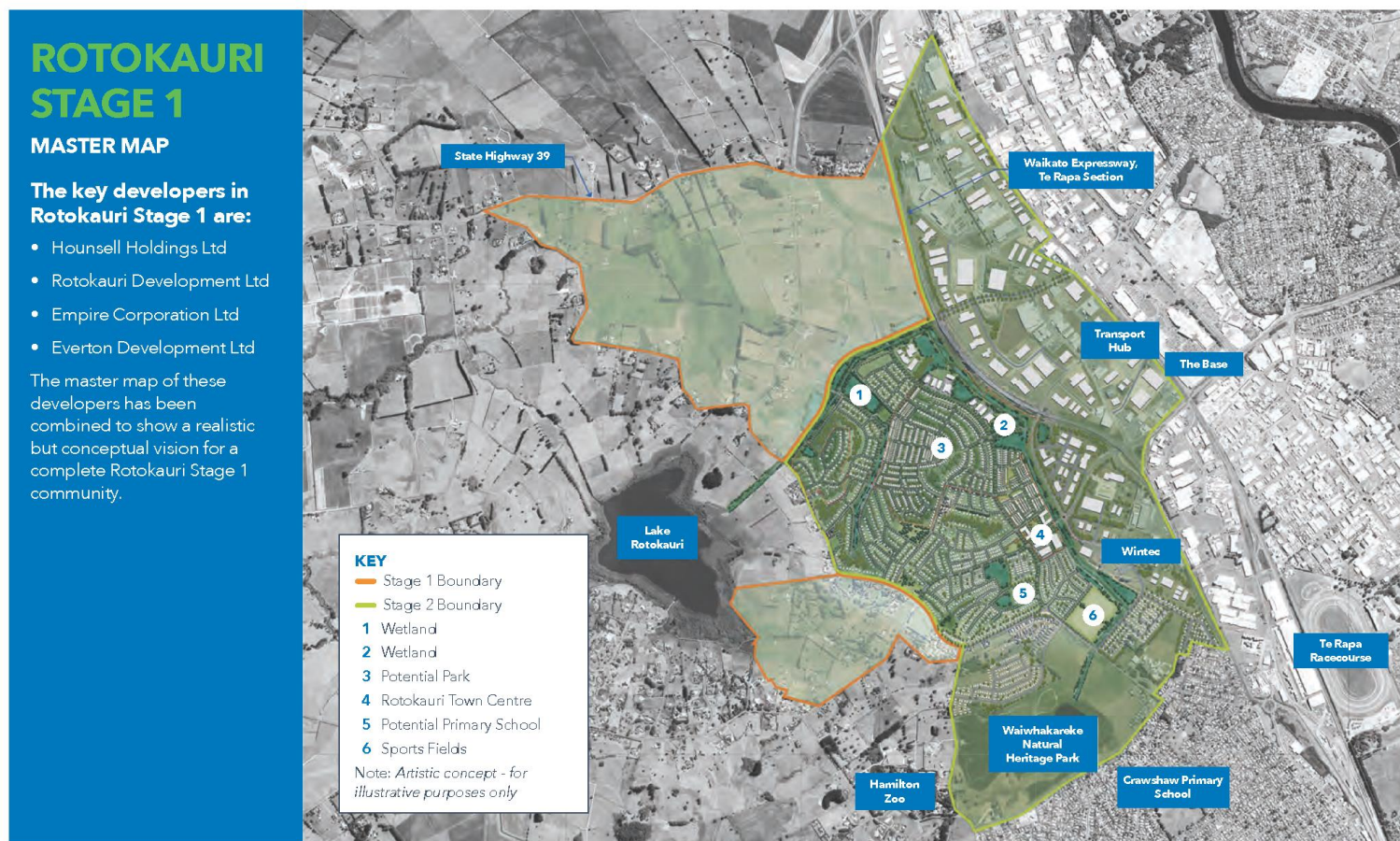


OPPORTUNITY - RESIDENTIAL AND AMENITY

(ARTIST'S IMPRESSION ONLY)

There will be a range of leisure amenities close to homes in Rotokauri such as playgrounds, outdoor spaces and walking and cycling facilities.

Hamilton City Council - Rotokauri Stage 1 **DRAFT** Detailed Business Case Overview 23

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THE WELLBEING CASE

In 2019, the Local Government (Community Well-being) Amendment Act made a change to the purpose of local government, meaning councils are responsible for the social, economic, environmental and cultural wellbeing (the Four Wellbeings) of their communities.

Wellbeing is about creating the conditions for our people to thrive. We're committed to this outcome in Rotokauri - a thriving community, supported by a high-quality environment and amenities, not just a collection of houses and workspaces.

A 'Wellbeing Case' is incorporated into the Rotokauri DBC, alongside conventional tools such as economic cost benefit analysis. The Wellbeing Case uses Council's Wellbeing Framework outcomes and is consistent with Treasury's Living Standards Framework and the United Nations Sustainable Development Goals.

The Wellbeing Case assesses each option against the

Four Wellbeings, which are heavily influenced by the timing and speed of the options in the Rotokauri DBC. Once all strategic, local and community infrastructure is in place, Rotokauri will be flood-protected by a high-quality stormwater system. Arterial roads will connect residents safely and quickly to the wider Hamilton road network. Cyclists and pedestrians will have tracks and footpaths separated from road traffic. Families will have a range of community facilities on their doorstep, enabling them to build social networks and enjoy their recreation time. Riparian plantings alongside the stormwater floodway and the creation of wetlands, will not only safeguard the natural environment but

enhance it and provide an outstanding natural amenity for the community to enjoy. Rotokauri will have space for industrial and commercial businesses, creating more jobs for Hamiltonians.

Although the infrastructure delivered is ultimately the same in both options, a longer-term delivery means some of the short-term negative wellbeing effects cannot be fully reversed.

This table summarises the options from a wellbeing perspective:

BUILD COMMUNITY OPTION	PIECEMEAL COMMUNITY OPTION	DEFERRED COMMUNITY OPTION
<p>Delivers homes and a community</p> <ul style="list-style-type: none">• Current residents benefit from accelerated infrastructure delivered in a structured manner.• The optimal infrastructure solution is delivered with the associated wellbeing benefits advanced.• Improvements in water quality though the floodway and wetland network and associated benefits for flora and fauna.• Social and cultural wellbeings advanced though community facilities, walkways, cycleways.• Rotokauri is a true 20-minute neighbourhood. <p>BENEFIT COST RATIO: 18.7</p>	<p>Delivers some houses but delays community</p> <ul style="list-style-type: none">• Current residents continue to be adversely impacted consistent with 2018/28 LTP.• Piecemeal development and suboptimal infrastructure leads to further degradation of the environment and embeds negative transport behaviours.• A lack of community assets, parks, walkways, cycleways embeds poor social and cultural wellbeing behaviours. <p>BENEFIT COST RATIO: 12.5</p>	<p>Restricts and delays houses and the community</p> <ul style="list-style-type: none">• Current residents adversely impacted for extended period of time.• A risk that the current degraded environment worsens over the 10 years of inactivity.• Social and cultural connectedness of existing residents suffers as they are 'stranded' without significant community infrastructure for 15+ years.• Economic benefit reduced, albeit may be captured in spending elsewhere in the city. <p>BENEFIT COST RATIO: 17.6</p>

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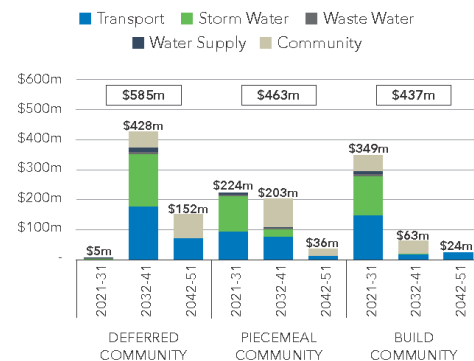
THE FINANCIAL CASE

The Financial Case considers the financial affordability of the preferred Build Community option against the other options. The financial modelling is based on the June 2020 2018-28 LTP forecast (latest available at the time of this report) with a number of adjustments, being:

- Accelerated Rotokauri Stage One Capital Programme;
- Updated development contributions based on inclusion of Rotokauri capital programme;
- Consequential operating costs; and
- Increased interest costs.

Approximately \$30 million has been spent on infrastructure within Rotokauri to date, with the remaining capital programme summarised below for each option.

CAPITAL COST BREAKDOWN OF DBC OPTIONS



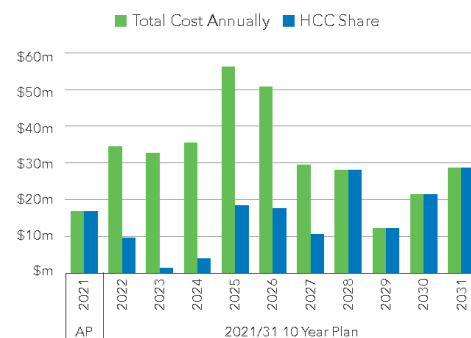
FUNDING OPPORTUNITY

The opportunity exists now to benefit from the IFF funding tool and the potential to share the upfront funding with key developers. Indicative modelling suggests the Build Community option is affordable with the benefit of **\$100 million IFF funding** and with a **Private Developer Agreement (PDA) funding \$65 million (uninflated), \$78 million (inflated)**, of the upfront funding of infrastructure. This results in the upfront Council funding contribution under the three scenarios being:

Option	10 Year	Total
Build	\$171m (49%)	\$266m (61%)*
Piecemeal	\$200m (89%)	\$439m (95%)
Deferred	Legal Costs Only	\$585m (100%)

*Part of PDA allocation likely to be remitted via DCs

BUILD COMMUNITY: ILLUSTRATION OF COUNCIL FUNDING SHARE

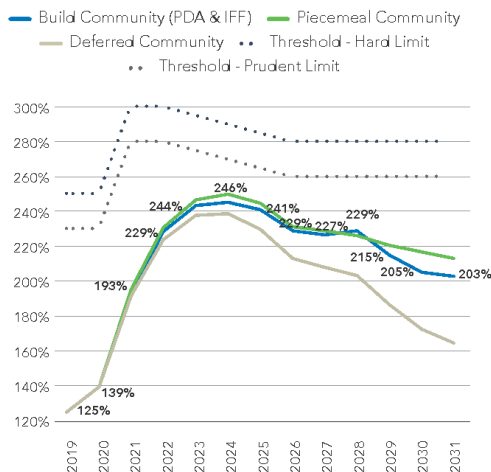


AFFORDABLE BASED ON DEBT CONSTRAINTS

The Local Government Funding Agency (LGFA) has increased the debt to revenue limit from 250% to 300% for a two year period, then declines in 5% increments annually back to 280%. As a result, the Rotokauri DBC has modelled the options in the document against this new debt to revenue limit, while continuing to retain the 20% buffer.

The Build Community option is affordable, with the debt to revenue ratio peaking at 246% in 2024, allowing a buffer of 44% against the LGFA limit of 290% at that time.

FINANCIAL COMPARISON OF DBC OPTIONS



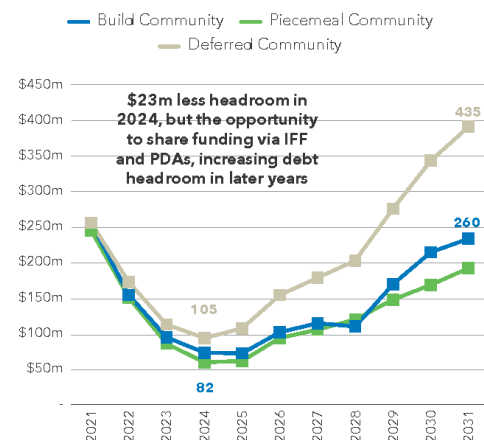
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THE FINANCIAL CASE

Allowing a 20% buffer against the 290% limit (2024) there is \$82 million of debt capacity available for other Council priorities. Further debt capacity is available from 2026 and beyond as illustrated below (numbers relate to the Build Community and Defer Community options).

The Piecemeal Community option provides materially the same available debt headroom as the Build Community option through to 2028 when the Rotokauri capital programme spend increases. The Deferred Community option spends nothing in Rotokauri over the 10 year period, therefore there is \$105 million available in 2024 with headroom increasing significantly beyond this point.

AVAILABLE DEBT HEADROOM (PRUDENT LIMIT)

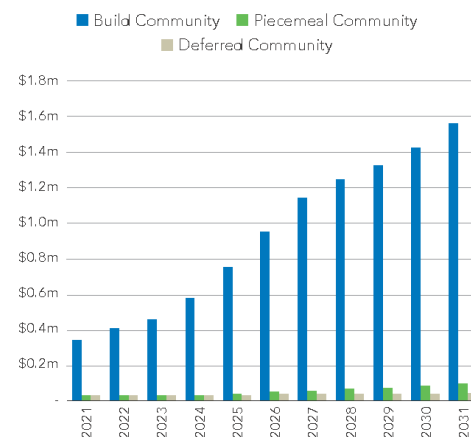


IMPACT ON COUNCIL BOOKS

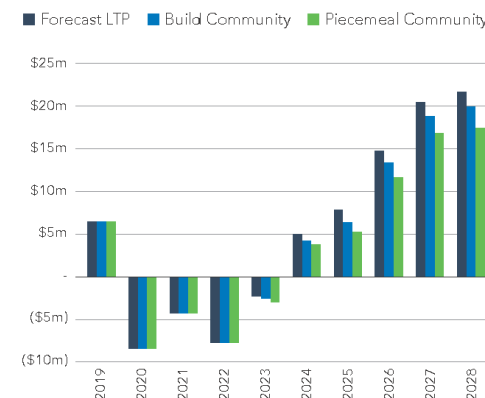
Although affordable within the new debt to revenue limit, the consequential operating costs (OPEX) are considerably more for the Build Community option, this cost includes project management costs associated with delivering the accelerated capital programme.

The consequential operating costs, interest and depreciation driven by the Rotokauri capital programme have some impact on the balance the books measure, however they are not projected to impact the transition to surpluses in 2024 as forecast but will reduce surpluses in later years.

CONSEQUENTIAL OPERATING COSTS OF DBC OPTIONS



BALANCE THE BOOKS IMPACT



OPPORTUNITY

The IFF (\$100 million) and large scale PDA (\$78 million inflated) present an opportunity to share the upfront funding of bulk housing infrastructure between Council, Crown Infrastructure Partners (CIP) and developers.

Based on the shared funding assumption the preferred Build Community option is financially affordable based on current Council financial forecasts and capital programme projections.

However, it is acknowledged Council has committed to a strong period of growth-related capital expenditure driven by the Peacocke growth cell, meaning funding for other priorities is reduced. This needs to be considered by Council as part of the long-term planning process.

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THE COMMERCIAL CASE

The Commercial Case considers the commercial viability of the preferred Build Community option and how the market will be engaged. It acknowledges successfully accelerating Rotokauri Stage 1 infrastructure needs IFF and negotiation of PDAs. A close working relationship between Council, Crown Infrastructure Partners (CIP) and developers is crucial.

Key is the willingness of Council and developers to commit to an accelerated programme of appropriate, cohesive infrastructure delivery, including the entire stormwater floodway and major arterial roads.



PDAs

The uniqueness of the stormwater floodway, as the largest 'piece' of infrastructure required, means key developers are best placed to lead its delivery, with Council seeking to finance an 'upsized' (beyond developer needs) to deliver wider benefits. Developers could progress their plans earlier than a Council-funded scenario and use the extensive material from floodway excavation for their own earthworks. This is a significant cost saving for all parties.

Initially the key developers are:

- Hounsell Holdings Limited (Hounsell)
- Rotokauri Development Limited

The Council's objectives in related to PDAs are:

- To transfer some of the upfront cost of the BHI to developers, which will be partly remitted through the Development Contributions (DCs)
- Council will act as a financial investigator for the lead developer and ensure compliance with approved design specifications
- DCs will be charged in relation to the remaining catchment infrastructure and citywide charges that fall outside the PDA agreement
- The PDA will preserve the ability to use the IFF funding tool

IFF

The IFF model provides alternative funding complementary to traditional funding mechanisms. CIP are exploring an IFF arrangement to fund Rotokauri's critical stormwater floodway and major arterials, enabling more land, sooner, for houses.

The finance is raised from the private sector with current and future Rotokauri landowners being levied annually for repayment of the initial IFF investment.

Importantly, this financial arrangement is off-balance sheet and doesn't impact Council's debt capacity. Council is also protected from cost escalation risk but is responsible for operating costs to maintain the built assets. CIP do require some upfront work including land acquisition, design and procurement.

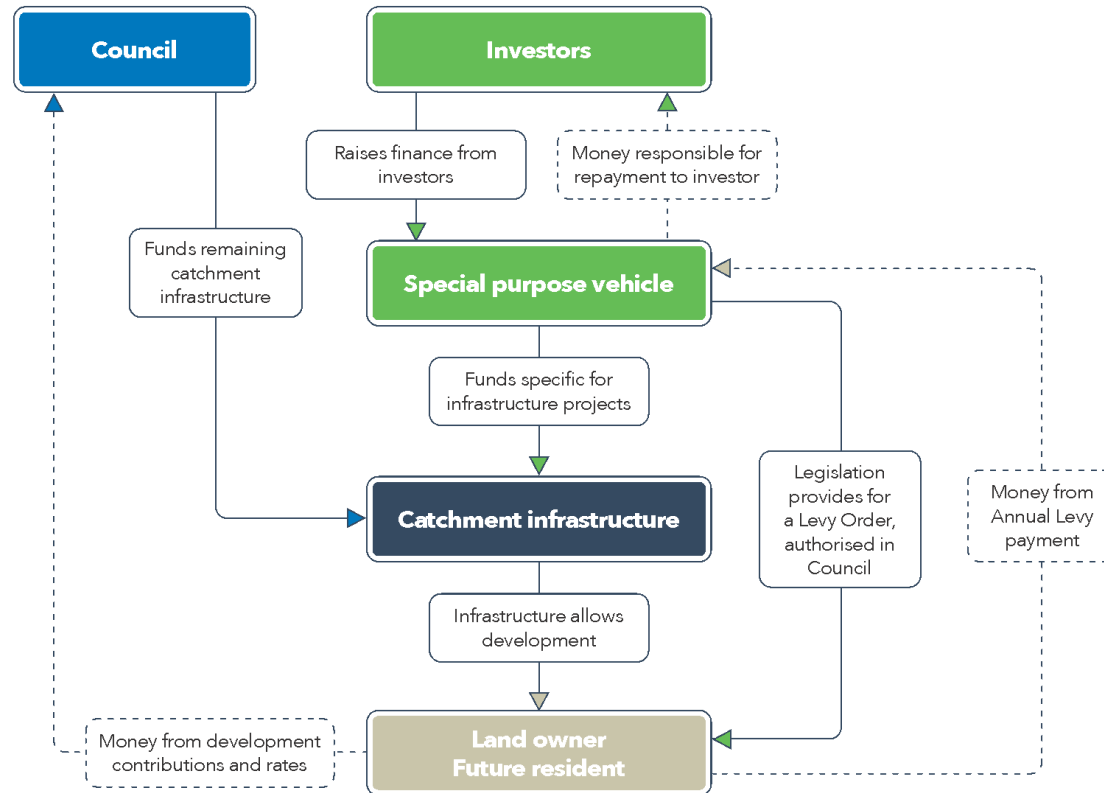
Indicative terms suggest up to \$100 million could potentially be accessed for Rotokauri with each household-equivalent landowner paying approximately \$1,500-2,000 annually for 30 or more years, increasing with inflation.

Economic analysis suggests affordability for homeowners will be neutral as section prices should be lower due to the levy, but it will be important for the market to be well informed to ensure this is taken into account.

The concept of privately funded infrastructure, with a levy on homeowners, is a new model to New Zealand but is now enshrined in legislation. The only comparable example is the private encumbrance model in Milldale, Auckland. However, there are fundamental differences between this and the proposed IFF model discussed in the Rotokauri DBC.

THE COMMERCIAL CASE

THE INFRASTRUCTURE AND FUNDING FINANCING MODEL



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THE MANAGEMENT CASE

The Management Case describes how the programme will be delivered, as well as the benefits, costs and risks associated with the preferred Build Community option. It outlines that a delivery programme in time to attract the required IFF funding is going to be very challenging and requires support from the Council, CIP, developers and landowners to make it work. A place based programme approach will be taken to delivering the community, like the Peacocks development.

Given the significance of the funding required, and the complexities of negotiating with both CIP (for IFF) and developers (for PDAs), the following staged approval is suggested:

PHASE ONE:

Enabling Work

To advance meaningful PDA and IFF negotiations design work needs to be advanced enough to support land owner engagement. This is estimated to take 12 months. Preliminary work could also provide more information to aid LTP decisions. At this point consents for BHI works could be lodged, which is a 6 to 24-month process.

Funding is required to support negotiations with CIP and developers. These pre-construction costs are recoverable under the Infrastructure Funding and Financing Act (2020).

PHASE TWO:

LTP approval, detailed design and land

Detailed design will allow Council to confirm land designations, advance PDA negotiations with developers and allow Council to secure land. The accelerated timeframes under the Build Community option require early access to the land. This will require collaboration and agreement with developers, which puts further emphasis on advancing design and PDA discussions in Phase One to avoid further delays during Phase Two.

PHASE THREE:

Final negotiation of PDA and IFF

With key consents in place, project designations confirmed and access likely to be led by others for investigation and construction (not necessarily acquired), the IFF and PDA documents can be executed. Moving into procurement this will be the last chance for Council to control decisions. Construction is partially funded by the IFF with Council's role changing to quality assurance.

PHASE FOUR:

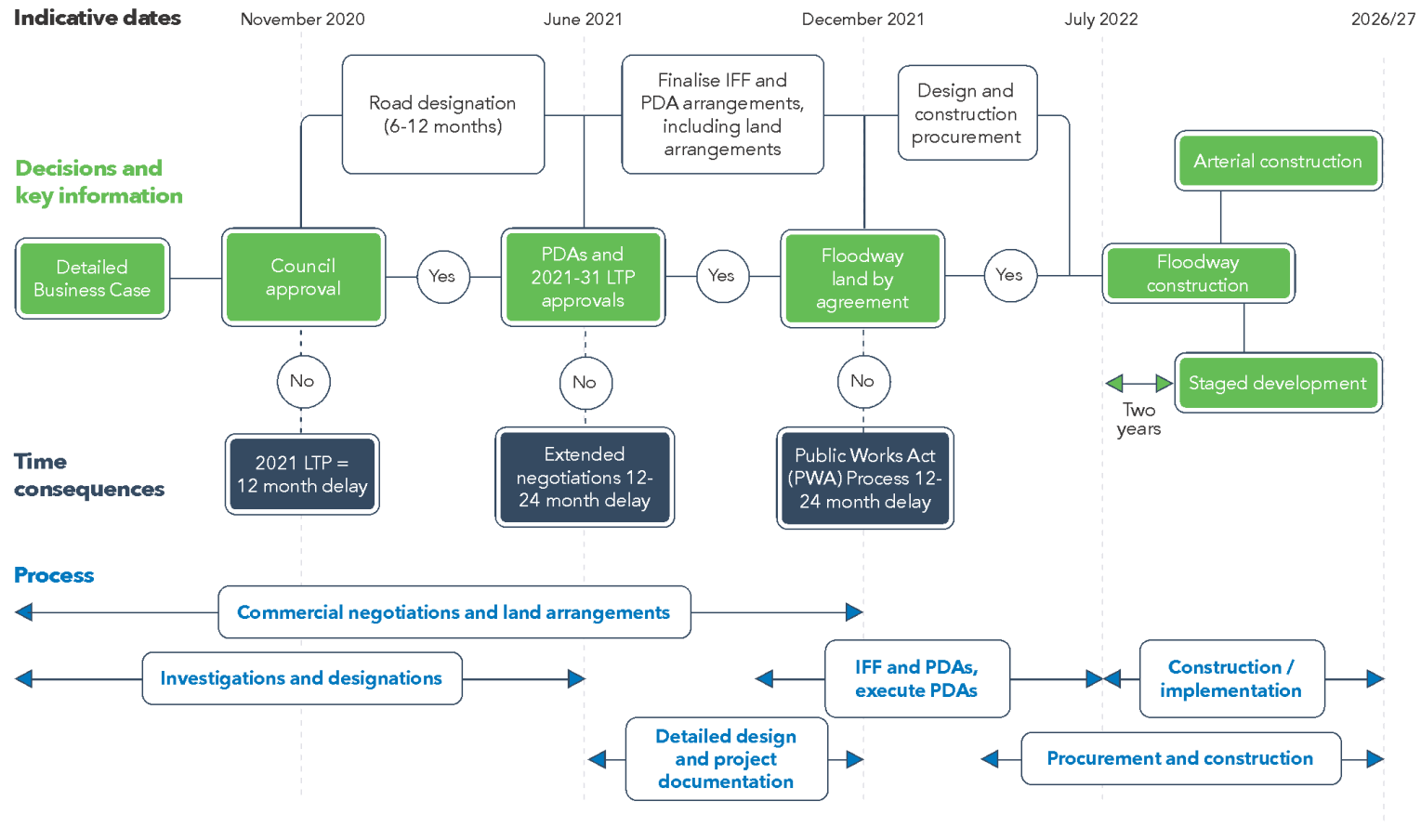
Construction

Detailed management of the programme will be driven by the terms of the PDA, IFF and those responsible for delivery and approval.

The Management Case is subject to change and will evolve as IFF and PDA negotiations continue. It will be refined as part of Council's long-term planning process

If the Build Community option does not go ahead, a new programme will need to be developed. This will need to address the risks of the piecemeal approach and support the Deferred Community option.


THE MANAGEMENT CASE



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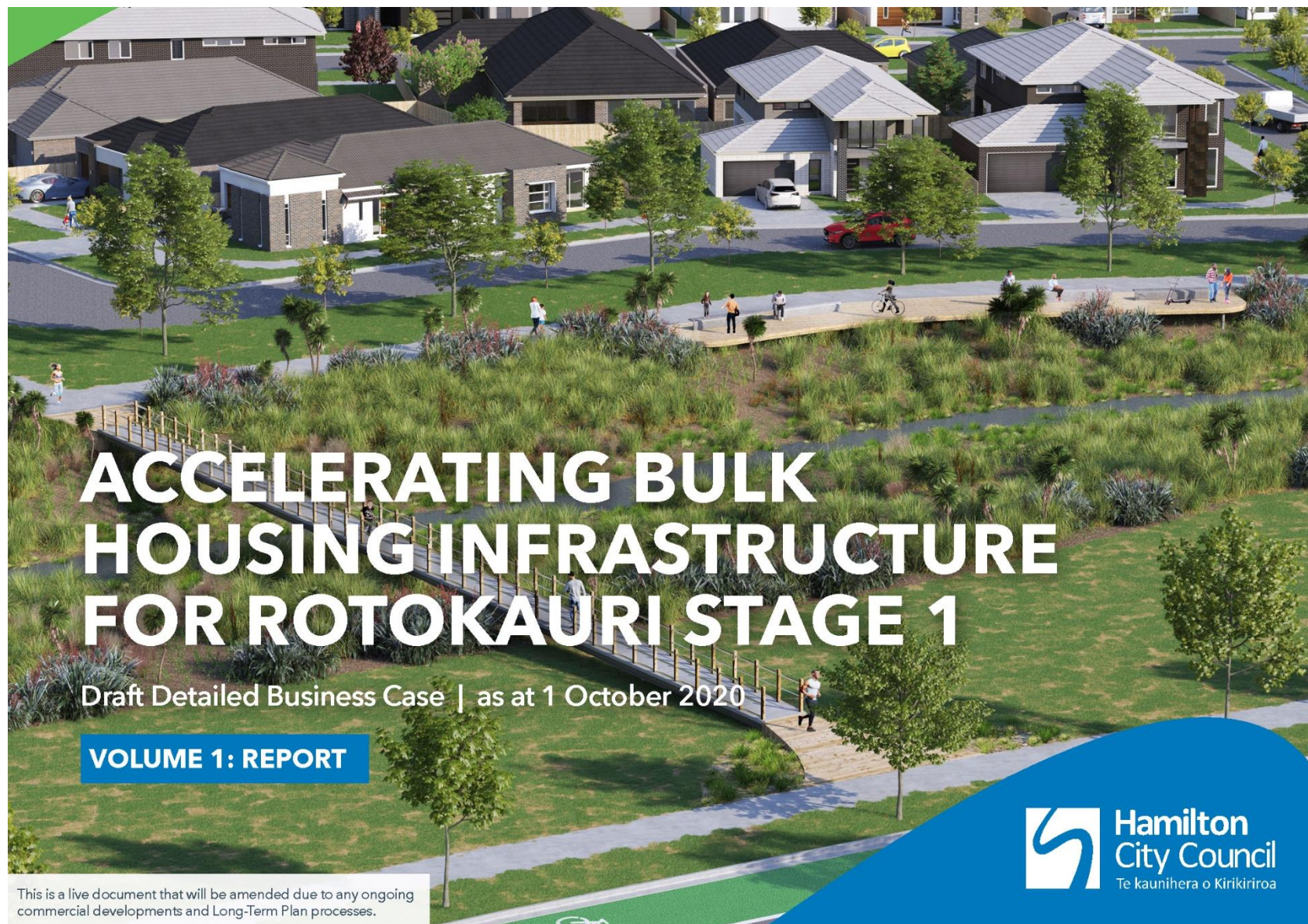
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ANY QUESTIONS?

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Attachment 1

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2. DOCUMENT CONTROL

2.1 Explanatory Note

(not for inclusion in the eventual detailed business case document)

This document is draft, the financial case has been rendered obsolete by the developments of COVID-19, the financial modelling and resulting conclusions will be updated in due course once Council's long-term financial outlook can be better projected.

2.2 Document Change History


Version #	Date	Revision by	Description of change
0.1	19 July 2020	n/a	Draft Detailed Business Case Document circulated to GMs and key internal stakeholders for feedback.
0.2	20 August 2020	Lucie Robinson & consultant contributors	Draft Detailed Business Case Document finalised for circulation to elected members.

2.3 Document Review

Reviewer	Role	Date	Comments

2.4 Document Approval

Document to be reviewed or approved in the following order:

Project Sponsor – Blair Bowcott (endorsed)		26 August 2020
Governance Group (approved)	Creating Communities Governance Group for Rotokauri Detailed Business Case on 26 August 2020	

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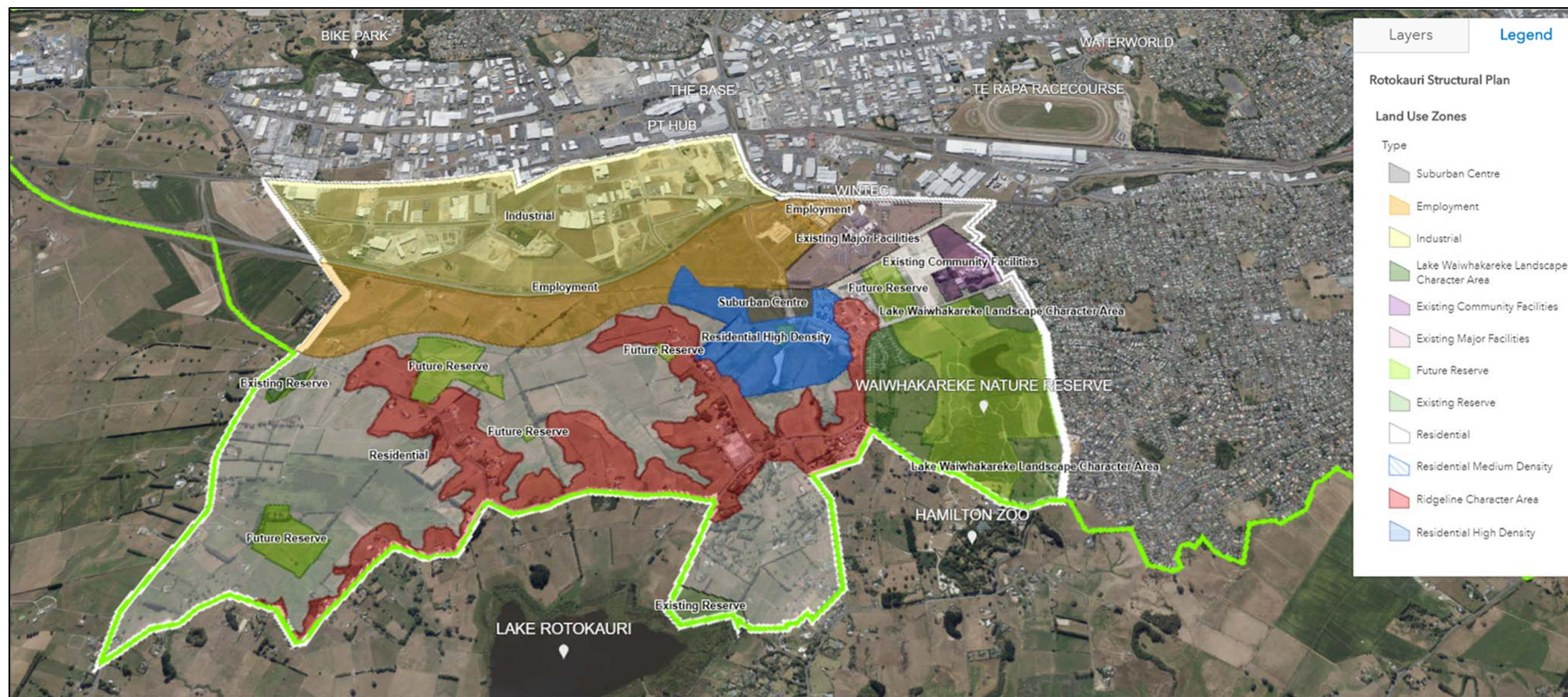


Figure 1: Land Use Map

Proposed Land Use Zoning

- 955ha Stage 1 and 2
- Two stages of development
- Approx. 6000 residential lots across both stages
- Employment gross floor area of 14.53ha

Rotokauri Stage 1

- Approximately 2857 residential lots
- Employment gross floor area of 14.53ha
- Suburban Centre
- Sports Fields
- Connectivity between existing residents and the Te Rapa employment zone



Figure 2: Map indicating Bulk Housing Infrastructure

Bulk Housing Infrastructure

- The stormwater floodway, also referred to as the swale or greenway, is effectively an open drain running from Lake Waiwhakareke in the south-east to Lake Rotokauri in the west.
- Operating as a combined flood storage facility and conveyance channel, moving water from lake to lake. It also has transport and recreation functions when fully built.
- Rotokauri Stage 1 requires access through Te Wetini Drive adjacent to

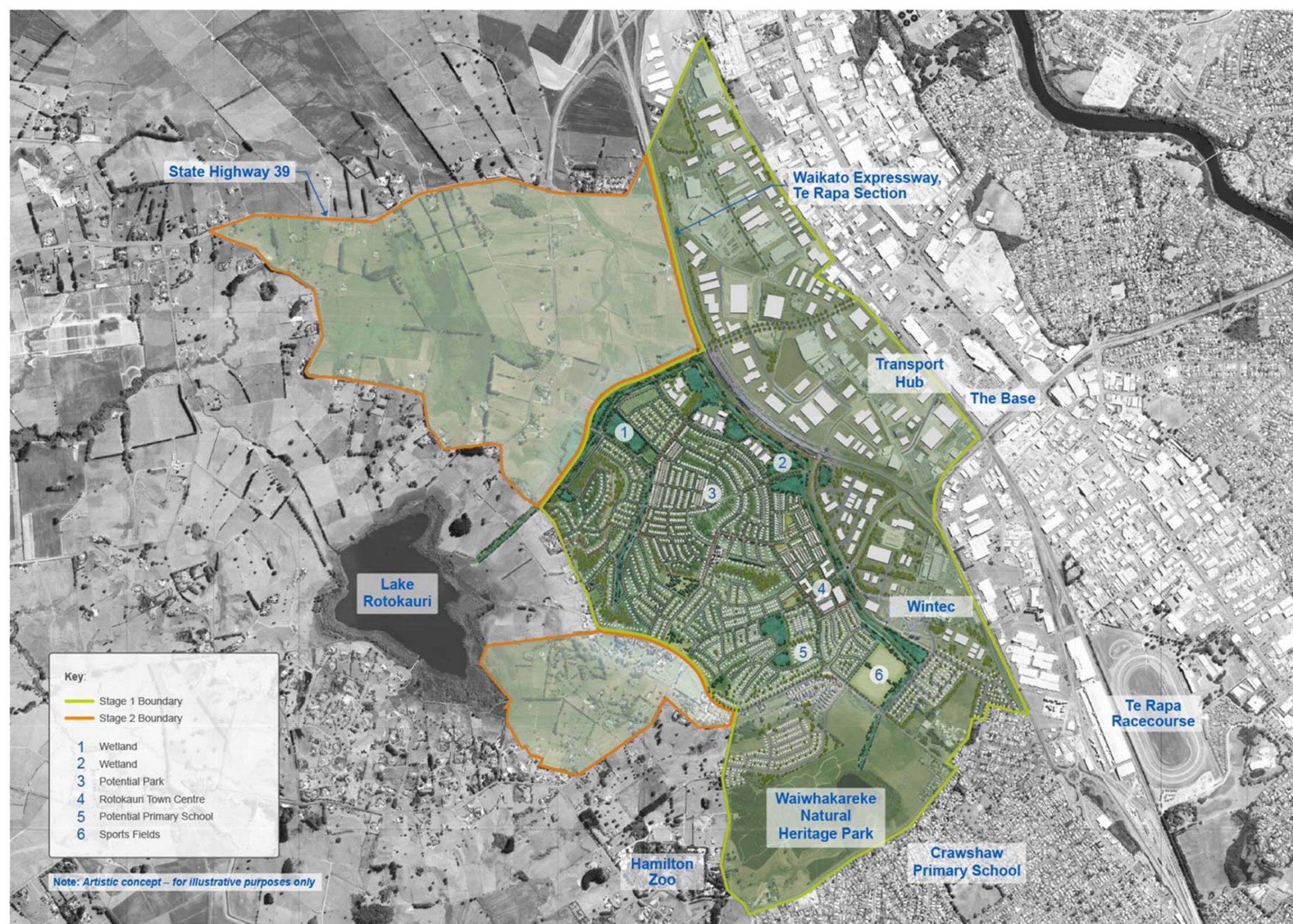


Figure 3: Concept Rotokauri Stage 1 Master Map for Illustrative Purposes Only

The key developers in Rotokauri Stage 1 are:

- Hounsell Holdings Ltd
- Rotokauri Development Ltd
- Empire Corporation Ltd
- Everton Development Ltd

This map has combined the master maps of these key developers to show a realistic but conceptual vision for a complete Rotokauri Stage 1 community.

3. EXECUTIVE SUMMARY

Scope

The scope of the document is:

- To consider the acceleration of delivering critical Bulk Housing Infrastructure in Rotokauri Stage 1 using the Infrastructure Funding and Financing (IFF) tool in combination with traditional funding mechanisms.
- To understand the whole needs of the Rotokauri Stage 1 area including strategic, local and community infrastructure.
- To analyse the options available to Council and the outcomes from a wellbeing perspective, considering in detail the social, economic, environmental, and cultural outcomes of each option.

The Rotokauri Situation

Rotokauri is zoned, development has commenced, and it will continue to happen. The Rotokauri Stage 1 Detailed Business Case looks at when and how growth occurs, as well as the opportunities and risks surrounding development.

The challenge is multi-faceted:

- 1 Rotokauri is zoned for residential and industrial development.
- 2 Rotokauri is a strategic development priority as stated in the Hamilton Urban Growth Strategy, Hamilton-Auckland Corridor Plan and the Hamilton Waikato Metro Spatial Plan.
- 3 Rotokauri Stage 1 development is well under way with 1360 subdivision consents lodged, 402 granted and 138 houses completed. More consents are coming, and developers are now facing conditions they are unhappy with and effects that they cannot mitigate.
- 4 Rotokauri is a growth cell that requires costly, critical Bulk Housing Infrastructure to unlock development and prevent serious infrastructure risks arising. To date, this exceeds individual developers' ability to fund, as well as Council's current funding capacity and therefore constrains development.
- 5 Further delays in delivering the critical Bulk Housing Infrastructure risks piecemeal and potentially dangerous development, leading to poor infrastructure and poor wellbeing outcomes that may become irreversible.

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National and Regional Context

New Zealand's current infrastructure funding and financing system presents a range of constraints that make it difficult for the market and local authorities to respond to urban pressures. Nationally, there is a well-understood need for more housing, particularly in high growth areas such as Hamilton. However, most councils in these areas are close to their maximum debt levels, which means they cannot finance the critical infrastructure needed to enable development.

Urban Growth Agenda

In response to this, there are a range of national and regional initiatives currently under way, which have been designed to create the conditions for the market to respond to growth, bring down the high cost of urban land to improve housing affordability, and support thriving communities. As a result, the national Urban Growth Agenda was created, which is an ambitious programme designed to remove barriers to the supply of land and infrastructure and make room for cities to grow up and out.

One of the five interconnected focus areas of the Urban Growth Agenda is Infrastructure Funding and Financing. As part of this workstream, the Government has been investigating how to finance this infrastructure through a Special Purpose Vehicle (SPV). The newly enacted Infrastructure Funding and Financing Act (2020) enables finance to be raised through private financiers and recovered

over a period of up to 50 years, via an annual charge over current and future owners of the leviable land area. Rotokauri has been the key case study for the development of this IFF model.

Hamilton to Auckland Corridor Plan

In June 2018, as part of the Urban Growth Agenda's planning workstream, an enquiry was undertaken into the Hamilton-Auckland corridor area, with the intention of investigating how to create a long-term shared spatial vision for this future urban growth corridor and identifying the key transformative projects. The output from these investigations is the [Hei Awarua ki te Oranga – Corridor for Wellbeing](#) document. Rotokauri features as a priority development area in the Hamilton to Auckland Corridor Plan.

Hamilton-Waikato Metro Spatial Plan

One of the technical workstreams of the Hamilton-Auckland Corridor Plan is the development of the Hamilton-Waikato Metro Spatial Plan. This transformative piece of work is the first joint spatial plan for the Hamilton-Waikato metropolitan area and is being prepared under the Future Proof partnership, which comprises: central government, Waikato Tainui, Waikato District Council, Waipa District Council, Hamilton City Council, and Waikato Regional Council.

The purpose of the Plan is to determine a shared 100-year vision and spatial framework for the emerging Hamilton-Waikato area, with a 30-

year plan for priority development areas, which includes Rotokauri. This important Plan will create the possibility for Hamilton and its surrounds to emerge as an important metropolitan area and identify the pathway for moving from the current to future desired state.

All these initiatives address the need for a long-term, coordinated approach to managing land use and transport infrastructure provision, while focussing on building communities. Without this there will be ongoing and potentially irreversible negative impacts on the economy and the environment.

Hamilton Context

The economy of Hamilton has grown strongly over the past 15 years and the city wants to maintain this momentum. To do this, Hamilton needs to grow in a way that supports the development of communities and not soulless suburbs.

The current population estimate is 169,500, and population projections indicate that Hamilton is well on the way to being a city of 200,000 residents in the next 10 to 15 years. As the resident population increases, so does the demand for housing and employment. With that growth comes both opportunities and challenges.

The challenges currently facing Hamilton are:

- The current National Policy Statement sets a requirement for the city to have additional land available for housing. For Hamilton, this

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equates to 31,900 homes by 2048. While sufficient land has been identified to accommodate demand over this period, it is anticipated that additional capital investment will be required from year 25 onwards.

- This National Policy Statement also sets a requirement for the city to provide sufficient business land for retail, commercial and industrial businesses. Ongoing monitoring of industrial land supply indicates that Hamilton has sufficient industrial land available in the short term and long term. However, a small shortage of two hectares is projected in the medium term (3 - 10 years) unless additional long-term supply can be brought forward through the availability of zoning and infrastructure.
- The high upfront costs of critical strategic infrastructure for wastewater, stormwater, and transport necessary to enable development, exceed both individual developers' and Council's capacity for funding and therefore constrains development.
- Despite the costs associated with the critical strategic infrastructure this, areas such as Rotokauri Stage1 have been zoned residential, with developers forging ahead through the Resource Management Act (RMA) process, to progress their developments without the critical strategic infrastructure in place, leading to piecemeal

development and poor infrastructure and wellbeing outcomes for both current and future residents and the city.

The benefits of investment to address these challenges will be access to homes, employment opportunities, a safe and more liveable community and a wide range of economic benefits for development and growth. It will also aid in meeting the objectives of the Hamilton-Auckland Corridor Plan and the Hamilton-Waikato Metro Spatial Plan.

New funding tools, such as the IFF model, will complement traditional funding mechanisms and provide an opportunity to bring forward planned greenfield development areas to prevent sub-optimal outcomes in zoned areas.

Hamilton plays a central role in the upper-North island and the development of Hamilton as a vibrant city, attracting people and businesses, is essential for the balanced development of the broader New Zealand economy. Should Hamilton not maintain its growth aspirations, there would be a ripple effect across the region, as well as potentially heightened population and infrastructure pressures in other growth areas.

Why Rotokauri?

Historically, Rotokauri was an ancient kauri forest with a Maaori paa site located adjacent to the lake. Maaori utilised the area for hunting, fishing, collecting wood and flax and as a burial site. Improvement and protection of waterways is therefore of cultural significance.

Rotokauri became part of Hamilton in 1989 to provide for long-term development and city growth and is one of our key strategic development areas in the Hamilton Urban Growth Strategy. Rotokauri is in a prime position for urban development with its close proximity to the Rotokauri Transport Hub, Wintec, The Base, Hamilton Zoo, Waiwhakareke Natural Heritage Park, and the Te Rapa employment zone. Rotokauri has the potential to provide homes for 17,000 in to up 6,444 homes.

The area sits within the Northern Corridor priority development area for the Hamilton-Waikato Metro Spatial Plan and is a key future public transport node. It leverages the significant investment by Waka Kotahi NZ Transport Agency and Council in the Te Rapa Bypass and the Rotokauri Transport Hub, which will feature a rail service.

The area was zoned from rural to future urban in 1999 and a structure plan prepared between 2006-09, which enabled Stage 1 for residential development and kept Stage 2 as future urban. Following the completion of the structure plan in 2009, the first subdivision sections were sold in 2014. As of June 2020, there is a growing community of 138 homes, with over 1000 building consents pending.

Enabling quality development in Rotokauri requires significant investment to complete the major stormwater floodway and arterial roads. There is high expectation from developers for interim or permanent strategic infrastructure

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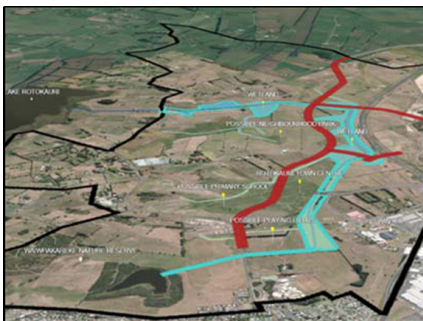
ahead of the wastewater and stormwater floodway options. This creates tension and will result in poor infrastructure and wellbeing outcomes should piecemeal development continue.

The Government's recent enactment of the Infrastructure Funding and Financing Act (2020) provides an opportunity for off-balance-sheet funding to help pay for the critical strategic infrastructure needed to unlock Stage 1 development. This will significantly aid in the planning, funding, financing, and delivery of Rotokauri Stage 1, which will be the test case for this new funding tool.

Investment from Council, developers, and Government through the IFF tool, could enable Rotokauri Stage 1 to be unlocked at this critical point in time—preventing poor outcomes and facilitating the development of a thriving community.

Critical Infrastructure Required

The critical Bulk Housing Infrastructure required in Rotokauri Stage 1 is as follows:



Stormwater

Highlighted in the above image in **blue**, the critical enabling infrastructure required is the stormwater floodway — also referred to as the swale or greenway — which is effectively an open drain running from Lake Waiwhakareke (also known as Horseshoe Lake) in the south-east to Lake Rotokauri in the west. The stormwater floodway operates as a combined flood storage facility and conveyance channel, moving water from lake to lake. It also has transport and recreation functions when fully built. Any staging of the stormwater floodway construction must commence from Lake Rotokauri to Lake Waiwhakareke to maintain drainage function, which is the opposite start point from current development, water, and transport connections.

Transport

Highlighted in the same image in **red**, there are also major transport connections needed in Rotokauri Stage 1. The cell requires access through Te Wetini Drive adjacent to Wintec, a North-South main arterial and two further transport connections in the employment zone.

Ultimately, around 6,000 households in Rotokauri will generate around 50,000 vehicles per day so these transport connections are crucial. Walking and cycling improvements will reduce car use and support public safety.

Options Evaluated

The Rotokauri Detailed Business Case has been developed to be consistent with the growth principles that are being developed to support Council's 2021-31 Long-Term Plan process.



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As the focus is ultimately on building communities, the Rotokauri Stage 1 Detailed Business Case analyses three options from a wellbeing perspective, considering in detail the social, economic, cultural, and environmental outcomes of each option.

On review, it was concluded that the desired wellbeing outcomes can only be achieved with a full stormwater floodway and transport solution. All options resulted in a similar number of residential, commercial, and industrial properties by year 30. The difference was the timing and significant risks caused by the delayed timeframes on the infrastructure and wellbeing outcomes, as well as increased costs.

As a result, two infrastructure programmes are considered: an accelerated programme based on a cost-efficient delivery timeframe, and the current 2018-28 Long-Term Plan programme that spreads delivery and increased costs over an extended time period. There is also an opportunity within the accelerated programme to utilise the IFF funding opportunity.

Option 1: Build Community

Delivers homes and business land with facilities to support a community.

*Floodway timeframe: 7 years (2027).
Programme cost \$437 million (inflated).*

The preferred option is for Council to accelerate delivery of the critical stormwater floodway and arterial roads to facilitate an efficient community development in line with key partner timeframes. It enables IFF and developer funding to be utilised and optimal wellbeing outcomes to be achieved.

Option 2: Piecemeal Community

Delivers some homes and business land but delays community.

*Floodway timeframe: 11 years (2031).
Programme cost \$463 million (inflated).*

Council is receptive of consents in the near term and commits to 'upsize or right size' infrastructure. This option does not commit to advancement of the stormwater floodway or arterial roads until 2029 and beyond.

Option 3: Deferred Community

Restricts and delays homes, business land, and the community.

*Floodway timeframe: 17 years (2037).
Programme cost \$585 million (inflated).*

Council effectively restricts development for 10 years before commencing the accelerated infrastructure delivery programme in 2032.

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ROTKAURI STAGE 1 DBC OPTIONS

Option Summary	Cost Estimates		10 yr Cost Share		10 yr Homes and Jobs	Opportunities	Risks
	10 yr	20 yr	HCC	Others			
Build Community Option <ul style="list-style-type: none"> Advance connections - floodway, transport and utilities. Facilitate efficient development. Improved wellbeing outcomes. Land now and community facilities to match demand. Alternative funding. 	\$349M	\$437M	\$171M	\$178M (estimate)	2,109 Homes 1,351 Industrial jobs 1,765 Commercial jobs	<ul style="list-style-type: none"> Leverage investment. Within new debt: revenue ratio. Developers share costs Enhanced wellbeing outcomes. Work/live/play in connected communities. Avoid future liquefaction and settlement liability risk. 	<ul style="list-style-type: none"> Accelerated delivery. Very challenging programme. New funding tool. Complex interdependencies. Early access for investigations and construction is critical. Debt capacity for other priorities limited.
<i>Delivers homes and business land with facilities to support a community. Floodway timeframe: 7 years (2027). Programme cost \$437M (inflated).</i>							
Piecemeal Community Option <ul style="list-style-type: none"> Work reactively with developers. Receptive to limited consents and advancement. Commit to 'right-size' infrastructure. Defer floodway and road connections. Poor infrastructure and wellbeing outcomes. 	\$224M	\$463M	\$200M	\$24M (nominal)	571 Homes 650 Industrial jobs 895 Commercial jobs	<ul style="list-style-type: none"> Some development. Developers share costs. 	<ul style="list-style-type: none"> Inefficient development. Poor environmental outcomes. Future liquefaction and settlement liability risk. Worse levels of service - more residents. Potentially more road crash injuries. Walking and cycling deterred. Missed funding opportunities. Debt capacity for other priorities limited.
<i>Delivers homes and business land with facilities to support a community. Floodway timeframe: 11 years (2031). Programme cost \$463M (inflated).</i>							
Deferred Community Option <ul style="list-style-type: none"> Oppose development not consistent with Council LTP funding. Avoid Council expenditure. Delay connections past LTP. 	Legal Costs	\$585M	\$0	\$0	80 Homes 0 Industrial jobs 0 Commercial jobs	<ul style="list-style-type: none"> Debt capacity for other priorities. 	<ul style="list-style-type: none"> Stranded existing residents/poor levels of service. Future liquefaction and settlement liability risk. Constrained development in conflict with growth commitments. Broken relationships with developers and government agencies. Court decisions overruling Council and development proceeding. Adverse effects elsewhere. Missed funding opportunities.
<i>Restricts and delays homes, business land and the community. Floodway timeframe: 17 years (2037). Programme cost \$585M (inflated).</i>							

Key Strategic Risks by Option

Build Community

- The accelerated timeframes desired by Crown Infrastructure Partners (CIP) and developers are challenging and may not be achievable.
- Council will have less debt capacity for other priorities.
- Funding is required to continue with this option as it is resource intensive and requires upfront funding for detailed design and land acquisition.
- Increased debt and operating costs to unlock Rotokauri with no real increase in rates and activity revenue.

Piecemeal Community

- New and existing residents continue to be stranded without Bulk Housing Infrastructure for the next 12+years.
- Potentially lost the opportunity to utilise IFF funding tool and share costs with developers.
- Future liquefaction and settlement liability risk increases if development in flat areas occurs before the stormwater floodway is constructed.
- Sub-optimal infrastructure solutions contributing to the health and safety risk and incurring additional cost to fix in the future.

Deferred Community

- Existing residents stranded without Bulk Housing Infrastructure for 17+ years, forced to use congested rural roads with higher risk of injuries.
- Lost opportunity to utilise IFF funding tool and share costs with developers.
- Staff time and cost in dealing with consents and environment court hearings. If hearings are lost, then 'Piecemeal Community' risks become relevant instead.
- Reputational damage.

Wellbeing Assessment

In 2019, the Local Government (Community Wellbeing) Amendment Act, resulted in a change to the purpose of local government, which is to promote community wellbeing. This means that local authorities are responsible for the Four Wellbeings of the communities they serve, being: social, economic, environmental, and cultural.

Wellbeing is about people and creating the conditions for everyone to thrive. The intention is to develop Rotokauri as a thriving community, supported by a high-quality environment and amenities, rather than simply a collection of houses and workspaces.

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Council is committed to this outcome for Rotokauri and has therefore incorporated a Wellbeing Case into the Rotokauri Detailed Business Case, alongside conventional tools such as economic cost benefit analysis. The Wellbeing Case utilises the outcomes in the Hamiltonians' Wellbeing Framework currently being developed by Council and is consistent with the Treasury's Living Standards Framework and the United Nations Sustainable Development Goals.

The Rotokauri Wellbeing Case assesses each option against the four wellbeings, which are heavily influenced by the timing and speed of the options. Once all the strategic, local and community infrastructure is in place, Rotokauri will be safe from flood because a high-quality stormwater floodway system will have been developed. The community will be served by arterial roads that connect safely and quickly to the wider Hamilton City road network. Cyclists and pedestrians will have tracks and footpaths separated from road traffic. Families will have a range of community facilities on their doorstep, enabling them to build social networks and enjoy their recreation time. Riparian plantings alongside the stormwater floodway and the creation of wetlands, will not only safeguard the natural environment, but enhance it and provide an outstanding natural amenity for the community to enjoy. Rotokauri will have space for industrial and commercial premises that will provide employment opportunities for Hamiltonians.

Despite the same infrastructure ultimately being in place in the long term, some of the negative wellbeing impacts over the short term cannot be fully reversed.

Environmental Wellbeing

The relevant environmental outcomes sought by the Hamiltonians' Wellbeing Framework are:

Our city protects and enhances our natural taonga, green spaces and biodiversity

Our city is actively responding to the challenges of climate change.

The lake to lake stormwater floodway with extensive riparian planting and wetland areas for native flora and fauna will seek to address flooding risk, improve water quality in the long term and enhance all wellbeings for residents, with the promotion of social and cultural connectivity. The Rotokauri environment contains several native fish species, including the endangered Black Mudfish, which will also benefit from the stormwater floodway and interconnected wetland network.

Social Wellbeing

The relevant social outcomes sought by the Hamiltonians' Wellbeing Framework are:

Our city has neighbourhoods with a strong sense of community, and is inclusive and accessible to all

Our city supports people to be healthy and happy

Our city is a place where people feel safe, and it is easy, safe, and affordable to get around.

A sense of belonging to a community is best established in the beginning. Community facilities such as playgrounds, libraries, parks, schools, and recreation centres help foster the sense of community. The Build Community option will provide funding for community infrastructure sooner and will therefore enable these benefits to be realised earlier. The improved arterial and public transport networks will make travelling safer for residents and allow them to access local and citywide amenities more easily.

Cultural Wellbeing

The relevant cultural outcomes sought by the Hamiltonians' Wellbeing Framework are:

Our city embraces our social and cultural diversity

Our city supports the values, aspirations, and growth of our taangata whenua

Our city values, protects and celebrates our rich history and heritage.

The Cultural Impact Assessment of the Rotokauri area noted that in ancient time, Maaori lived mainly on the lake margins, but used the area for hunting birds, catching fish, collecting timber, flax and for burial grounds. In the context of Rotokauri promoting or safeguarding cultural wellbeing largely means developing the land in a way which

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acknowledges taangata whenua and the special importance of the area. Under the Piecemeal Community option, a sub-optimal stormwater floodway could result, which would likely be in conflict with the kaitiaki role, and the scope for mitigation measures could be impeded. Conversely, the Build Community option will enable the creation of a stormwater floodway that will enhance the cultural and social diversity of the neighbourhood and contribute to all four wellbeings.



This artist's impression of a completed stormwater floodway shows how a piece of critical infrastructure can, if done properly, contribute positively to all of the four wellbeings.



This artist's impression shows how an industrial area in Rotokauri could blend seamlessly into a vibrant social setting next to the stormwater floodway and other recreational activities.

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Economic Wellbeing

The relevant economic outcomes sought by the Hamiltonians' Wellbeing Framework are:

Our city enables individuals and businesses to prosper

Our city has a thriving, sustainable business sector, and is a hub for innovation

Our city has quality employment and education opportunities for all

Our city is affordable to live in and provides appropriate housing options that meet the needs of all our people.

In terms of economic wellbeing all three options enable development over different time periods. Delivering benefits earlier delivers the highest Benefit Cost Ratio as detailed below.

Real Discount Rate		
	2.0%	6.0%
Deferred Community	19.2	17.3
Piecemeal Community	20.2	15.6
Build Community	24.2	19.8

The Build Community option unlocks the residential and industrial development which enables the creation of homes and more employment opportunities for residents. The other options delay this development, which

therefore results in significantly less economic benefits being realised in the short to medium term. Equally, a greater number of residents in Rotokauri will mean that there is additional household expenditure that can be injected into the local economy. Industrial land will be unlocked meaning that businesses will have more space to grow and prosper.

As expected, across all four wellbeings, the Build Community option provides better outcomes over the long term than the Piecemeal Community option. The Deferred Community option is projected to result in neutral or worsening of wellbeing outcomes, some of which may be irreversible.

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
	Short term	Long term	Short term	Long term	Short term	Long term
ENVIRONMENTAL WELLBEING						
SOCIAL WELLBEING						
CULTURAL WELLBEING						
ECONOMIC WELLBEING						

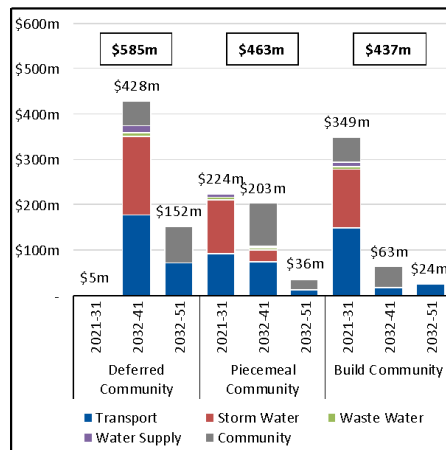
Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

Financial Assessment

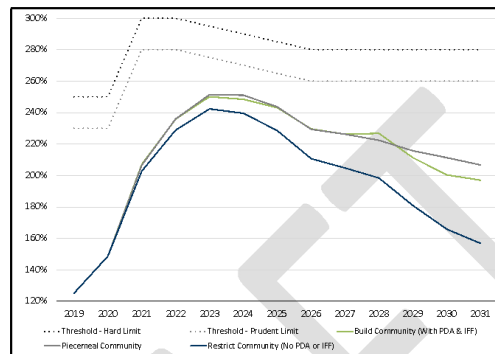
The Financial Case considers the financial affordability and robustness of the preferred Build Community option against the other options. It outlines that accelerating the delivery of Rotokauri presents a funding challenge for Council, who have already spent a significant sum in Rotokauri, but the cost to fully develop the Stage 1 area, including strategic, local and community infrastructure is approximately \$437 million.

The opportunity exists **now** to benefit from the IFF funding tool and the potential to share the upfront funding with key developers. If Council restricts and delays the development of the critical enabling infrastructure, the cost to fully develop the growth cell increases to approximately \$585 million, as can be seen in the graph – Capital cost breakdown of the Rotokauri Stage 1 Detailed Business Case options.



Capital cost breakdown of the Rotokauri Stage 1 Detailed Business Case options

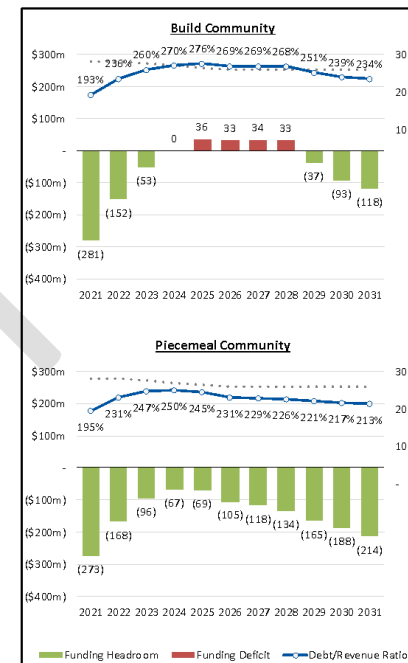
The Local Government Funding Agency has increased the debt to revenue limit from 250% to 300%, for a two-year period, then declining in steps back to 280%. As a result, the Rotokauri Stage 1 Detailed Business Case has modelled the options in the document against this new theoretical debt to revenue limit, whilst continuing to retain a 20% buffer, as can be seen on the right.



Financial comparison of the Rotokauri Stage 1 Detailed Business Case options

Council has committed to a strong period of growth-related capital expenditure in the next 10 years, driven by the Peacocke growth cell, meaning there is limited headroom for additional capital spend — a challenge exacerbated by the economic impact of COVID-19.

To illustrate the size of the challenge, the graph following shows the funding deficit and debt to revenue ratio of the Build Community and Piecemeal Community options should capital costs be fully funded by Council (before the benefit of private developer agreement and IFF cost transfers).



Funding deficit and debt to revenue ratio of the Rotokauri Stage 1 options if fully funded by Council

Council fully funding the development would also leave little debt capacity for other priorities moving into the 2021-31 Long-Term Plan process.

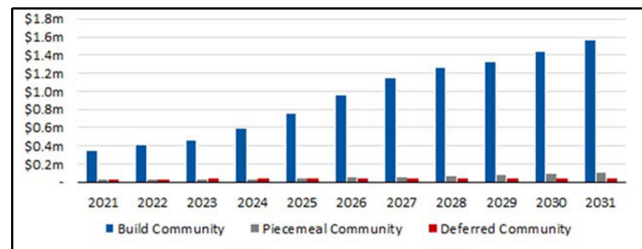
Therefore, the Rotokauri Stage 1 Detailed Business Case explores options for Council to reduce the burden of funding upfront infrastructure through:

- Large scale **Private Developer Agreements** (PDAs)
- Utilising the Government's newly legislated IFF tool

These tools are considered in addition to traditional funding mechanisms, such as Rates and Development Contributions, the amount and collection of which may be varied as a result of the Private Developer Agreements and IFF funding opportunities.

Indicative modelling suggests the Build Community option is affordable with the benefit of **\$100 million IFF funding** and with a **Private Developer Agreement funding \$78 million (inflated)** of the upfront cost of the required critical infrastructure. Further debt headroom could be achieved through increasing the IFF levy above \$100 million, however this would increase the annual levy charge and be less politically appealing.

Although affordable within the new theoretical limit, the consequential operating costs (OPEX) are considerably more for the Build Community option.



Consequential operating costs of Rotokauri Stage 1 options

Although the preferred Build Community option is deemed financially viable by utilising a range of funding tools, Council needs to consider Rotokauri Stage 1 as part of the Long-term Plan process to assess the impact against competing funding priorities.

Commercial Assessment

The Commercial Case considers the commercial viability of the preferred Build Community option and how the market will be engaged. Successful acceleration of infrastructure in Rotokauri Stage 1 will require the negotiation of Private Developer Agreements and the utilisation of the IFF funding tool. There will need to be a close working relationship between Council, Crown Infrastructure Partners and key developers.

Vital to this advancement is the willingness of Council and developers to commit to an accelerated programme of infrastructure delivery, which delivers appropriate all-of-cell infrastructure solutions, namely the entire stormwater floodway and major arterial roads.

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Private Developer Agreements

The uniqueness of the stormwater floodway, as the largest piece of infrastructure required, means key developers are best placed to lead the delivery of this, with Council seeking to finance the

upsized over and above developer requirements, in order to service other beneficiaries and all-of-city benefits. The benefit to developers is that they can progress their development plans earlier than a Council funded scenario and utilise the extensive material in digging the stormwater floodway for their own earthworks. This is a significant cost saving for Council and developers.

The key developers in Rotokauri Stage 1 are:

- Hounsell Holdings Ltd (Hounsell)
- Rotokauri Development Ltd (RDL)
- Empire Corporation Ltd
- Everton Development Ltd

Council's objectives in relation to Private Developer Agreements are:

- To transfer a portion of the upfront cost of the Bulk Housing Infrastructure to developers, which will be partly remitted through the Development Contributions.
- For Council to act as a financial investor for the lead developer and ensure compliance with approved design specifications.

- For Development Contributions to be charged in relation to the remaining catchment infrastructure and citywide charges that fall outside the agreement.
- To enable the utilisation of the IFF funding tool to be preserved through any agreement.

The IFF Model

The IFF model provides an alternative funding opportunity that can be used to complement traditional funding mechanisms. Crown Infrastructure Partners are exploring an IFF arrangement in Rotokauri Stage 1 to finance the delivery of the critical stormwater floodway and major arterials, to facilitate the delivery of more land for houses sooner.

The finance is raised from the private sector with current and future Rotokauri landowners being levied annually for repayment of the initial IFF investment.

Importantly, this financial arrangement is off-balance sheet and therefore does not impact Council's debt capacity. Council is also protected from cost escalation risk but is required to maintain the assets (operating costs) once built. Crown Infrastructure Partners do require some upfront work to be done, including land acquisition, design and procurement.

Indicative terms suggest up to \$100 million could potentially be accessed for Rotokauri with each household equivalent landowner paying approximately \$1500 – \$2000 annually for 30+ years increasing with inflation. Insight

Economics concluded that a levy in the vicinity of \$1500 – \$2000 would be the equivalent of a small shift in interest rates (less than 0.75%) and can be offset by a reduction in house prices of 5.0% to 8.0% reflecting the net present value of the levy.

The levy effectively transfers the cost from the developer, through reduced Development Contributions, to the homeowner via the annual levy. Therefore, if the buyer and seller are informed, the net present value of the levy should be considered, and the house and land discounted accordingly. This means the buyer is no worse off as illustrated on the table below.

	(Without IFF) Traditional Approach	(With IFF) Levy Approach
Property Purchase Details:		
House Price	800,000	770,000
Equity	200,000	200,000
Mortgage	600,000	570,000
Annual Home-Related Outgoings:		
Rates	3,500	3,500
Mortgage Repayments*	35,200	33,450
Levy Payments	0	1,750
Total Home Payments	38,700	38,700

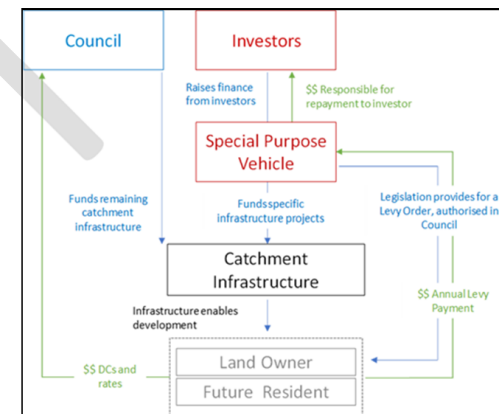
Potential impact of an IFF levy on house prices

Ultimately the housing market will need to be well informed to ensure that an IFF levy is taken into account when houses are valued and that potential buyers understand the implications of the IFF Model.

The concept of privately funded infrastructure, with a levy on homeowners, is a new model to

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New Zealand but is now enshrined in legislation. The only comparable example is the private encumbrance model in Milldale, Auckland. However, there are fundamental differences between this, and the proposed IFF model discussed in the Rotokauri Stage 1 Detailed Business Case.



Basic mechanics of the IFF Model

Managing Delivery

The Management Case evaluates how the programme will be delivered, along with the benefits, costs and risks associated with the preferred Build Community option. An accelerated delivery programme in time to attract the required IFF funding is going to be very challenging and will require support from Council, Crown Infrastructure Partners, landowners and developers to make it work. Given the significance of the funding required, and the complexities of negotiating with both Crown Infrastructure Partners (for IFF) and developers (for a Private Developer Agreement), the following staged approval is suggested:

Phase One: Enabling Work

To advance meaningful commercial negotiations, funding is required to commence detailed design work, estimated to take 12 months. This preliminary work could also feed into the 2021-31 Long-term Plan process, providing more information to aid decisions. At this point consents for Bulk Housing Infrastructure works could be lodged, which is a 6 – 24-month process.

If funding is not received, the design cannot commence, which will effectively pause any commercial negotiations and put the IFF and Private Developer Agreement opportunities at risk. These pre-construction costs are

potentially recoverable under the Infrastructure Funding and Financing Act (2020) as part of an IFF deal with Crown Infrastructure Partners.

Phase Two: 2021-31 Long-term Plan Approval and Detailed Design

Detailed design will allow Council to confirm the land designations, further advance Private Developer Agreement negotiations and allow Council to commence the land procurement activities. Note that the accelerated timeframes under the Build Community option may require immediate access to land. This approach will require collaboration and agreement with developers, which puts further emphasis on advancing design and Private Developer Agreement discussions in phase one to avoid further delays during phase two.

Phase Three: Final Negotiation of IFF and Private Developer Agreements

With consents lodged, land designations confirmed, and access and legal right to develop land, not necessarily legally acquired, the IFF and Private Developer Agreement documents can be executed. Moving into procurement, it will be the last chance for Council to maintain control and influence, assuming construction is developer-led and partially funded by the IFF.

Phase Four: Construction

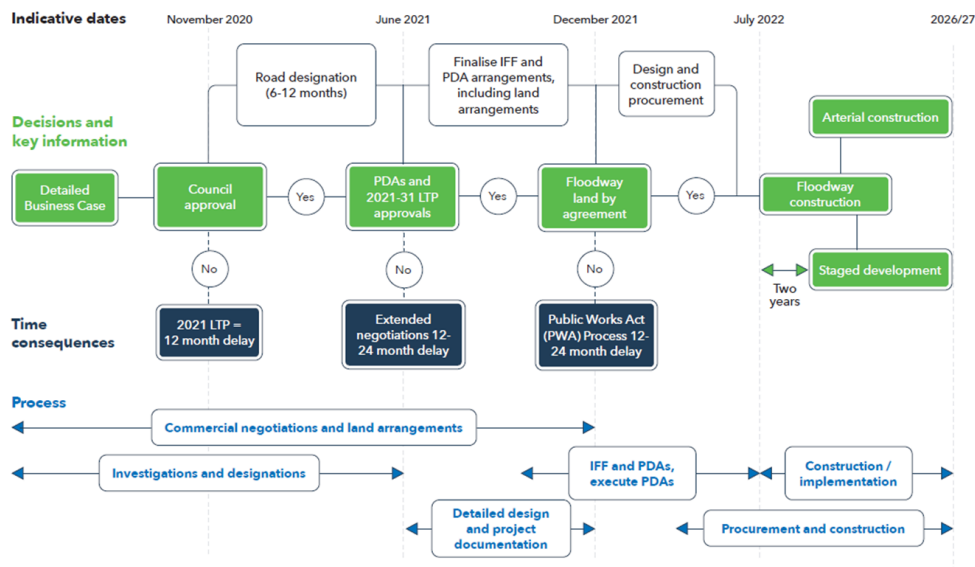
The detailed management programme will be driven by the terms of the IFF arrangement,

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Private Developer Agreements and who is responsible for delivery and approval. The Management Case is subject to change as IFF and Private Developer Agreement negotiations continue and will be updated as part of Council's Long-term Plan process.

Please refer to the following page for an illustration of the indicative timeline encompassed in the Management Case.

THE MANAGEMENT CASE



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Summary of Key Messages

- Rotokauri has a community of 138 houses and over 1000 building consents have been lodged.
- Developers are committed, with detailed subdivision plans, but facing conditions they are unhappy about and effects they cannot mitigate.
- There are dangerous infrastructure risks (liquefaction and settlement) that may arise as a result of piecemeal development, which may lead to significant litigation costs.
- The opportunity exists now to benefit from the IFF funding tool and the potential to share the upfront funding with key developers.
- The Build Community Option is consistent with Council's current growth principles for the Long-Term Plan, whereas the Piecemeal Community and Deferred Community Options are not.
- The Build Community Option and the Piecemeal Community Option are financially comparable but have significantly different wellbeing and infrastructure outcomes.
- Accelerating development is affordable but may be at the expense of other Council priorities and does require some upfront funding.

4. STRATEGIC CASE

4.1 Introductory Comment

The development of the Rotokauri Stage 1 Detailed Business Case began in 2019 before the COVID-19 outbreak and subsequent impact on the New Zealand economy. The current assessment of the impact is set out in the Management Case section below and it is noted that it directly impacts the strategic context.

4.2 Overview

In New Zealand there is a well-understood need for more housing, particularly in the high-growth areas of Auckland, Queenstown, Tauranga, and Hamilton. However, most councils in these areas, including Hamilton, are close to their maximum debt levels which means they cannot finance the critical infrastructure needed to enable development. Arguably, and even more importantly, it does not allow for the development of community infrastructure needed to build strong communities. In addition, there has been strong demand and uptake of industrial land in recent years, but the level of supply has not kept pace with the level of demand for industrial land and commercial properties.

In response to this, and as part of its Urban Growth Agenda, the government and Crown agencies have been investigating how to finance large infrastructure investments through a Special Purpose Vehicle. If enabled by legislation, this would enable the Special Purpose Vehicle investment to be recovered via a charge over current and future owners of the leviable land area. Under this scenario, there would be reduced development contributions for developers, and a levy applied to the property over a set period of up to 50 years.

Under this model, a company (likely to be Crown Infrastructure Partners) will collect the levy on behalf of the Special Purpose Vehicle and it will most likely be administered by Council and show on the Council rates bill as a separate item. The Government's intention is that this off-balance-

ACCELERATING BULK HOUSING INFRASTRUCTURE FOR ROTOKAURI STAGE 1
DRAFT Detailed Business Case, as at 1 October 2020

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sheet funding tool will enable strategic infrastructure to be built without overburdening individual councils with debt and exceeding their debt to revenue ratios. In the case of Rotokauri, it also presents an opportunity to avoid sub-optimal development in a zoned residential area.

4.3 National and Regional Direction

New Zealand's current infrastructure funding and financing system presents a range of constraints that make it difficult for the market and local authorities to respond to urban pressures.

In response, there are a range of national and regional initiatives currently under way, which have been designed to create the conditions for the market to respond to growth, bring down the high cost of urban land to improve housing affordability, and support thriving communities.

The Urban Growth Agenda

The Urban Growth Agenda is the initiative of several government ministries, primarily led by the Ministers of Housing, Transport, Finance, Environment and Local Government. It is an ambitious multi-faceted programme that aims to remove barriers to the supply of land and infrastructure and make room for cities to grow up and out.

The Urban Growth Agenda is a shift in the approach to urban development and infrastructure and the mix of instruments and levers that are available. It is designed to address fundamentals of land supply, development capacity and infrastructure provision by removing undue constraints and introducing innovative practices and tools used overseas to deliver growth outcomes.

The Urban Growth Agenda's long-term strategy is to provide competitively priced supply of land and development capacity.

The Urban Growth Agenda has five interconnected focus areas:

1. Infrastructure Funding and Financing
Enabling a more responsive supply of infrastructure and appropriate cost allocation.
2. Urban planning
Allowing for cities to make room for growth, support quality-built environments, and enable strategic integrated planning.
3. Spatial planning (initially focussed on Auckland and the Auckland-Hamilton corridor)
Building a stronger partnership with local government as a means of developing integrated spatial planning.
4. Transport Pricing
Ensuring the price of transport infrastructure promotes efficient use of the network.
5. Legislative reform
Ensuring that regulatory, institutional, and funding settings are collectively supporting Urban Growth Agenda objectives.

Figure 4 indicates the scale of ambition associated with the Urban Growth Agenda.

ACCELERATING BULK HOUSING INFRASTRUCTURE FOR ROTOKAURI STAGE 1
DRAFT Detailed Business Case, as at 1 October 2020

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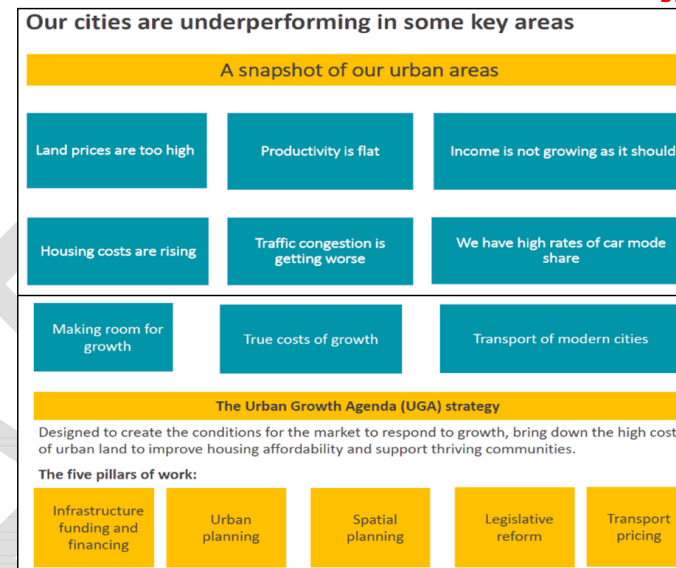


Figure 4: Urban Growth Agenda Diagram

The introduction of new off-balance-sheet funding tools that will enable strategic infrastructure to be built without breaching individual councils' financial strategies, is one workstream under the Urban Growth Agenda's Infrastructure Funding and Financing pillar of work.

Hamilton-Auckland Corridor Plan (H2A)

In June 2018, as part of the Urban Growth Agenda's Spatial Planning pillar of work, a group of ministers, mayors and chairs requested that joint officials undertake an enquiry into the Hamilton-Auckland corridor, and to report back by December 2018 with:

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- A summary of 100+ year shared spatial intent for future urban growth and development along this cross-boundary transport corridor
- A draft programme of possible key transformative projects.

The purpose of the project was to develop an integrated spatial plan and establish an ongoing growth management partnership for the transport corridor which:

- Accelerates identified transformational opportunities
- Outlines key housing, employment, social, environmental, and network infrastructure priorities for the corridor over the next 30 years to successfully accommodate growth and address levels of service, remedial or renewal needs
- Identifies planning, development, infrastructure, mitigation and restoration works required, and the funding and legislative projects which partners may take in the short term for implementation of a long-term vision.

The output of these investigations is the '[Hei Awarua ki te Oranga – Corridor for Wellbeing](#)' document. This is a summary of shared spatial intent for the Hamilton-Auckland Corridor encompassing the settlements along the transport corridor between Cambridge, Te Awamutu and Papakura.

Growth Management Objectives

The following are the growth management objectives for the Hamilton-Auckland Corridor:

Aspect	Growth management objectives
Wāhi toitū, wāhi toiora Places with enduring presence Places to grow only with great care	To manage growth in a manner that... <ul style="list-style-type: none"> • protects and enhances the quality of the natural environments and cultural heritage, • anticipates the transition to a low-carbon future and builds climate resilience, and • avoids increasing the impacts and residual risks of natural hazards.
Awarua Key corridors	To strengthen corridor connections that... <ul style="list-style-type: none"> • shape and guide future urban growth towards sustainable, resilient and affordable settlement patterns, and • improve access to housing, employment, public services and amenities through, along and within the corridor.
Wāhi mahi, wāhi noho Places to work and live	To grow urban settlements and places that: <ul style="list-style-type: none"> • make efficient use of existing infrastructure and resources, • are transit-oriented and connected • provide affordable housing choices that respond to demand, including quality intensification, and • provide high quality live-work-play settlements.
Whakamana Enablers	To support and underpin urban growth through investments and initiatives that are: <ul style="list-style-type: none"> • responsive and timely, so that growth and development does not result in a reduction of services, and • delivered at the required pace and scale to fully realise development opportunities.

Figure 5: Hamilton-Auckland Growth Management Objectives

Five Focus Areas

The conclusions of the Hamilton-Auckland investigation identified five unique focus areas across three spatial locations:

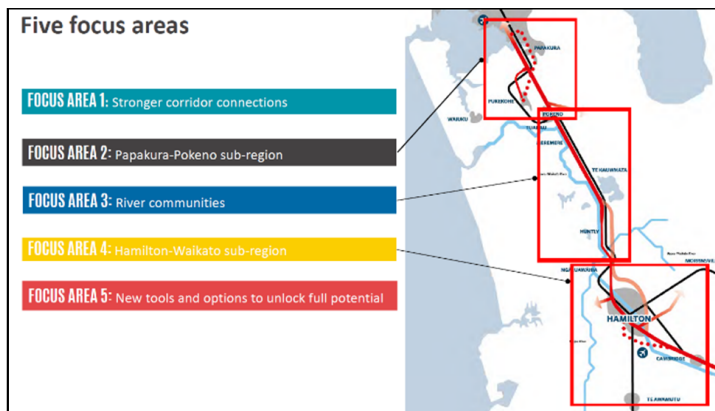


Figure 6: Hamilton-Auckland focus areas

From this emerged several technical workstreams, including the development of a Hamilton-Waikato Metro Spatial Plan.

The Hamilton-Waikato Metro Spatial Plan

The Hamilton to Auckland Corridor Plan is a transformational piece of work to plan for growth over the long term. The Plan aims to better support growth and increase connectivity within the Hamilton-Auckland corridor while improving housing affordability and choices, improving access to employment, services and amenities as well as creating new employment opportunities.

The Hamilton-Waikato Metro Spatial Plan is the first joint spatial plan for the Hamilton-Waikato Metropolitan area, being prepared under the Future Proof partnership, which comprises: Waikato Tainui, central

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government, Waikato District Council, Waipa District Council, Hamilton City Council and Waikato Regional Council.

The purpose of the Hamilton-Waikato Metro Spatial Plan is to determine a shared 100-year vision and spatial framework for the emerging Hamilton-Waikato area, with a 30-year plan for priority development areas and enabling investment, regardless of administrative boundaries with these four concise and strategic components:

1. Identification of critical areas for protection and restoration, and 'no go' areas for development
2. Core transport corridors
3. Priority development areas, where (if required) new planning, funding, and financing tools could be piloted
4. Required leading and enabling social and network infrastructure needs.

By resolution of the Future Proof Implementation Councils, 3 waters (stormwater in the case of Rotokauri) is the highest priority focus area.

The Hamilton-Waikato Metropolitan Spatial Plan will:

- Create the possibility for Hamilton and its surrounds to emerge as a metropolitan area and identify a pathway for moving from the current state to that new future
- Be strategic and outcomes focussed – that is, it sits above other plans and indicates priorities and provides direction on issues of long-term strategic importance
- Be enabling – facilitate land, development, and infrastructure markets to meet long-term growth demands
- Be enduring – flexible and responsive to change and new data/evidence (or monitoring) over time

- Enable integrated decision-making across central, regional, and territorial government, other infrastructure providers, iwi and other decision makers
- Be deliverable – decision makers and communities are committed to its implementation as it reflects their aspirations and priorities. It is supported by a clear plan and accountabilities for implementation, fit for purpose tools (e.g. infrastructure funding and financing) and robust monitoring.

All of these initiatives address the need for a long-term and coordinated approach to managing land use and transport infrastructure provision. Without this, there will be ongoing negative impacts on the economy and the environment.

These initiatives provide a framework for development to help manage growth in a way that provides access to the services people need, while protecting and enhancing natural and cultural assets.

Rotokauri within the Hamilton-Waikato Metro Spatial Plan

The Hamilton-Waikato Metro Spatial Plan outlines the future urban growth areas, which are grouped together into four corridors: the Northern, Central, Eastern and Southern Corridors.

Rotokauri sits within the Northern Corridor, which is categorised within the Hamilton-Waikato Metro Spatial Plan as a Priority Development Area.

The Hamilton-Waikato Metro Spatial Plan contains some conceptual imagery to help visualise development and density. They show that Rotokauri has a low-medium residential density supported by a town centre, with access to various modes of public transport.

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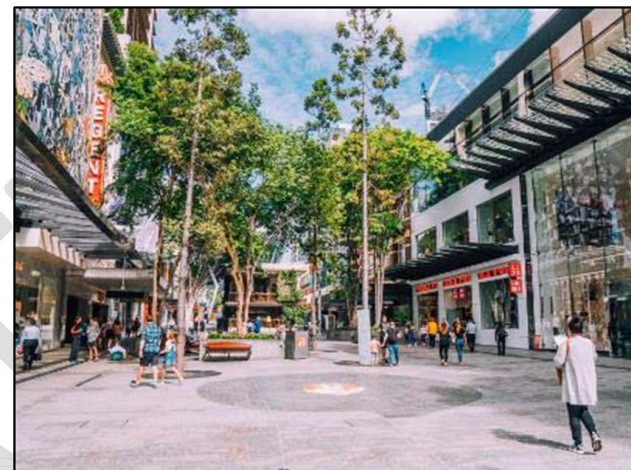


Figure 7: Hamilton-Waikato Metro Spatial Plan commercial and retail development (concept)



Figure 8: Hamilton-Waikato Metro Spatial Plan: Net Density for Rotokauri of 30 - 40 dwellings per hectare (concept)

4.4 Hamilton Context

The economy of Hamilton has grown strongly over the past 15 years and the city wants to maintain this momentum. To do this, Hamilton needs to grow, but in a way that supports the development of communities and not just soulless suburbs.

The current population estimate is 169,500 and population projections indicate that Hamilton is well on the way to being a city of 200,000 residents in the next 10 to 15 years. As the resident population increases so does the demand for housing and employment.

However, with that growth comes both opportunities and challenges. The challenges currently facing Hamilton are:

- The National Policy Statement sets requirements on land availability for housing –for Hamilton this means we need an additional 31,900 homes by 2048. Previous planning processes have ensured enough land has been set aside for housing but more capital investment is required to ensure there is a sufficient supply of zoned and serviced land to meet forecast demand.
- The National Policy Statement also requires Hamilton to provide enough business land for the retail, commercial and industrial sectors. Recent monitoring indicates Hamilton has sufficient industrial land in the short term and long term. However, a small shortage (2ha) is projected in the medium term (3-10 years) unless additional long-term supply can be brought forward.
- Whilst Hamilton has sufficient greenfield land supply under the National Policy Statement, current growth projections based on Council's 2018-28 Long-Term Plan are that Peacocke Stage 1 will be full in 3 years, and Rototuna and Ruakura by 2030. If Rotokauri is not opened in the 2021-31 Long-Term Plan, Council will be relying on other developments and infill regeneration to provide the bulk of its future residential land supply. Council has less control over the latter types of supply, which relies on homeowners redeveloping their

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properties or private entities advancing larger development areas subject to favourable economic conditions.

- The high upfront costs of critical strategic infrastructure for wastewater, stormwater, and transport necessary to enable development, exceed both individual developers' and Council's capacity for funding and this therefore constrains development.
- The 2018-28 Long-Term Plan assumes gateway infrastructure at Rotokauri is funded in the back end of the 10-year period. Significant housing yield therefore occurs beyond 2028, with insufficient debt capacity to advance the delivery of the infrastructure on Council's balance sheet.
- Despite this, areas such as Rotokauri Stage 1 have been zoned residential, with developers forging ahead through the Resource Management Act process, to progress their developments without the critical strategic infrastructure in place. This is resulting in piecemeal development and sub-optimal outcomes for both current and future residents and the city.

The benefits of investment to address these problems will be access to homes, employment opportunities, a safer and more liveable community, and a wide range of economic benefits for development and growth. It will also aid in meeting the objectives of the Hamilton-Auckland Corridor Plan and the Hamilton-Waikato Metro Spatial Plan.

These initiatives seek to enable Hamilton City Council to meet its investment objectives to:

- Be the third city economy in New Zealand by 2025
- Increase the amount of developer-ready land to meet National Policy Statement requirements
- Support the provision of affordable housing through the allocation of developer-ready land for infill, intensification, and density increase
- Build a vibrant community that integrates with Hamilton

- Enable coordinated land use and strategic infrastructure
- Ensure financial stability for Hamilton City Council and the community.

The development of a new alternative IFF tool, to complement traditional funding mechanisms, could provide an opportunity to bring forward planned greenfield development areas, such as Rotokauri, and prevent piecemeal sub-optimal development in areas that have been zoned residential. It is also intended that the use of such a tool would support Hamilton in achieving these investment objectives.

The development of Hamilton as a vibrant city, attracting people and businesses, is essential for the balanced development of the broader New Zealand economy. Hamilton plays a central role in the upper North Island as a strategic transport hub, as well as hosting vital research centres and business-related opportunities. Should Hamilton not meet its growth aspirations, there would be a ripple effect across the region, as well as potentially heightened population and infrastructure pressures in other growth areas.

4.5 The Rotokauri Pilot Project

Rotokauri is an area of approximately 955 hectares to the northwest of the Te Rapa area in Hamilton. This area, along with Rototuna and Peacocke, was incorporated into Hamilton City to provide for long-term development and growth.

Under the Hamilton Urban Growth Strategy, Rotokauri was identified as one of the 4 greenfield growth cells in Hamilton. It was specified that Rotokauri would be developed in two stages and a Structure Plan has been developed. This detailed business case considers Rotokauri Stage 1, which has an indicative potential residential yield of 2,857 lots, in addition to an employment gross floor area yield of 14.53ha. The total residential yield for Rotokauri stages 1 and 2 is 6,444 lots, in addition to an employment gross floor area yield of 24.88ha.

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Rotokauri is a desirable urban development location and investment option as it is located within close proximity to The Base, the WINTEC Rotokauri campus, Hamilton Zoo, and major employment areas located on the western side of the city. Rotokauri also has high levels of amenity due to its natural landscape and proximity to the Waiwhakareke Natural Heritage Park and Hamilton Zoo. It also leverages off the recent significant investments made by the Waka Kotahi NZ Transport Agency and Hamilton City Council in the Te Rapa Bypass and the Rotokauri Transport Hub. Rotokauri will also benefit from the integrated transport centre project and a start-up rail service.

Rotokauri needs critical strategic bulk water infrastructure to open up residential development in this area. It is proposed that a strategic bulk water connection will go from Pukete to Rotokauri. This will allow potable water from the Pukete Reservoir to be redirected to Rotokauri. This water project will be funded by Council as part of the Long-Term Plan but is the key part of the overall programme of works in Rotokauri.

To date, Council has completed a significant wastewater interceptor extension into Rotokauri to support zoned industrial land and economic development. A further extension of the far western interceptor will provide the strategic wastewater infrastructure for the residential Stage 1 area.

Stormwater is a key constraint to development in Rotokauri, as this is critical to opening up residential development in this area. Council is best placed to provide the Rotokauri stormwater floodway to deal with stormwater issues rather than an individual landowner or developer. This is due to the nature of stormwater, including the function of the stormwater floodway to deal with a 100-year storm event and related property ownership. However, stormwater and the construction of the Rotokauri stormwater floodway is currently a prohibitive cost for Council to accommodate within its financial strategy, particularly if Council is to deliver this as lead strategic infrastructure.

As such, only a proportion of the stormwater floodway costs are presently provided for in the later years of Council's 10-Year Plan. This is the reason

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why the stormwater floodway needs to be funded from external sources. Without the stormwater floodway it is very challenging, if not impossible, for developers to individually develop a stormwater floodway solution. Despite this, Rotokauri is zoned residential and is subject to a number of Resource Management Act requests to commence works and a joined-up solution is needed to mitigate piecemeal development under Resource Management Act mitigation.

Development of Rotokauri is also consistent with the Regional Policy Statement, sub-regional growth strategies and Hamilton's District Plan. Council has made significant investment in wastewater infrastructure and is currently procuring water distribution works. The Rotokauri area has an operative structure plan including an arterial road network to complement the Te Rapa section of the Waikato Expressway.

The Rotokauri arterials are recognised as regionally significant in the Regional Policy Statement.

For these reasons, Council plans to explore the opportunity presented by an off balance sheet alternative infrastructure funding and financing solution, to enable the development of the critical stormwater and arterial infrastructure needed in Rotokauri, to progress optimal residential development.

However, Council acknowledges that risk is a big factor in growth development and although the alternative infrastructure funding and financing model may present a significant opportunity, there are potential constraints that need to be fully analysed, to enable a fully informed decision to be made by Council on whether to progress, and as such a detailed business case approach is being undertaken.

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Figure 9: Staging Map of Rotokauri

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4.6 The Rotokauri Commercial Story

Alongside the opportunity for residential growth, Rotokauri is also an attractive proposition for commercial growth in Hamilton.

Council's Hamilton Urban Growth Strategy 2008 identified the Rotokauri Structure Plan as being appropriate for residential and employment growth in the longer term in Hamilton but signalled Rotokauri Stage 1 for immediate residential development, with Stage 2 coming later. Stage 1 provides for a total of 438ha for residential development, along with a suburban centre, employment area and industrial zoning.

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The broader Rotokauri Stage 1 area also comprises two main hydrological stormwater catchments. These stormwater catchments have been utilised to identify between the IFF catchment (Lake Rotokauri), and the industrial land east of the Te Rapa bypass (Mangaheka). The IFF catchment (Lake Rotokauri) comprises the suburban centre and a portion of the employment area.

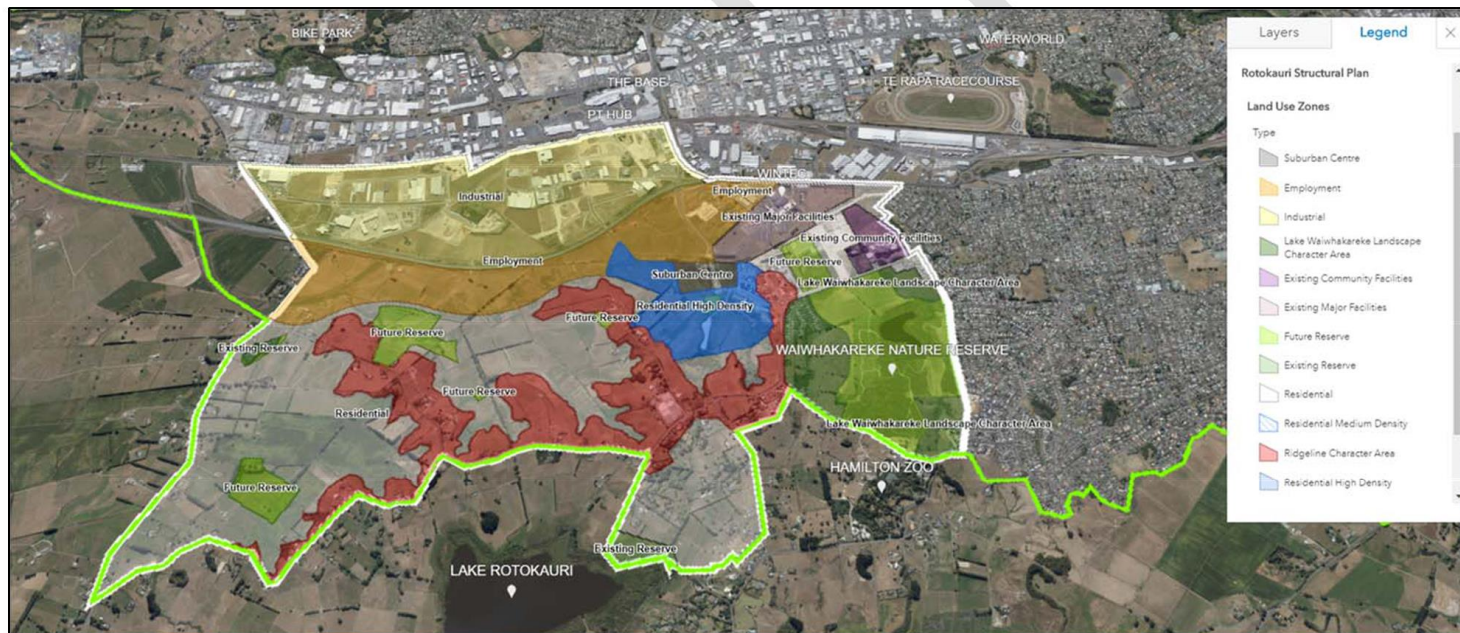


Figure 10: Land Use Zoning Map

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The suburban centre encompasses an area of 7.5ha and has been zoned and provided for. A suburban centre is provided for as a mixed use environment of health-care services, goods, services and employment at a scale appropriate to suburban catchments, while not undermining the primacy, function, vitality, amenity or viability of the central city. This is provided at a scale and nature appropriate to the needs of the surrounding residential areas and provides an opportunity to reduce the need for travel by providing for a diverse range of activities, services and trading formats.

The Rotokauri Stage 1 employment area, which is within the IFF catchment, comprises an area of 10.8ha. This provides for a wide range of light industrial activities and promotes higher amenity standards than other industrial areas. Activities expected here are: light and service industrial activities, wholesale retail and trade supplies, trade and industry training facilities, building improvement centres and food and beverage outlets.

The wider Rotokauri Structure Plan area comprises a total of 51ha of employment land, however this is split between the IFF catchment, the Mangaheka catchment, and the Rotokauri Stage 2 catchment.

Outside of the IFF Catchment, an area of 189ha is zoned industrial. This comprises the land area between the Te Rapa bypass and railway line. A large part of this area has been developed in recent times and comprises a mix of industrial activities, wholesale retail and trade supplies, yard-based retail, transport depots, warehousing, light industrial services, and the like.

Ancillary offices and retail are provided for on a small scale in conjunction with industrial uses provided, however, it has been clearly identified that the industrial zone seeks to ensure that industrial land is not occupied by land activities that are non-industrial.

This indicates that commercial and industrial development has been provided for in conjunction with residential activities, which provides an opportunity for co-location of these land uses, allowing for greater sustainability and live, work, and play.

A neighbourhood centre of 1ha has also been planned for in Rotokauri North (Part of Stage 2 – 140ha of residential development), which provides for a

small commercial area serving residents for their day to day needs. This area is proceeding through a private plan change to rezone the land and will provide up to 2,000 dwellings. This will adjoin an area of 26ha of future employment area.

4.7 Context Setting Around the Growth Cell

There are several other projects happening near Rotokauri Stage 1, which should be noted for context setting. The scope of this detailed business case is Rotokauri Stage 1. The areas listed below are included for context setting but it is acknowledged that this business case could be extended to cover these areas if deemed appropriate in the future.

Te Rapa North Deferred Industrial Zone

- The Te Rapa North area of Hamilton is currently an unbudgeted growth cell with no new 3 waters or transport infrastructure provided for in the current 10-Year Plan. There is an associated risk of insufficient water allocation to service the area.
- There has been strong demand and uptake of industrial land in Hamilton in recent years. The level of supply has not kept pace with the level of demand for industrial properties.
- This trend of tightening conditions in the industrial property market is evident in the two annual market measures of industrial vacancy rates provided by CBRE NAI Harcourts and Bayleys Research.
- This is a plan change with the purpose of bringing more land to market for industrial growth in Hamilton.
- Relevant to this issue is the Te Awa Lakes Plan Change which, if approved, would result in the loss of 51ha of industrial-zoned land to housing.
- The merit, nature and timing of this development area should be subject to a business case and infrastructure scoping study prior to proceeding. Those studies require Council guidance and support and adequate funding to be effective.

Rotokauri North Private Plan Change

- This is a plan change that seeks to rezone the site (140ha) from Future Urban to a Medium Density Residential Zone (138ha) and a Business zone (1.2ha) to enable residential development, along with a small neighbourhood commercial centre. The application also seeks to retain the natural open zone over the significant natural area.
- The developer and Council have entered a Private Developer Agreement that includes the bulk infrastructure and timing that the developer will be responsible for constructing.
- The local infrastructure beyond the developer's internal infrastructure is unfunded.
- The residential component of Rotokauri North would enable the construction of 1700 to 2000 residential units with a mix of dwelling types, including duplexes and apartments.

Te Awa Lakes Plan Change

- This plan change seeks to rezone the site (62ha), currently Te Rapa North Industrial Zone, including Medium Density Residential Zone (39.7 ha), to provide around 860 dwellings of a mix of single dwellings, duplexes, and apartments.
- Long-term infrastructure upgrades will be required, most significantly to ensure water and wastewater network capacity, and upgrades to the connecting transport corridors such as Te Rapa Road, to support Vision Zero road safety outcomes.

Sensitivity analysis and testing has been done to assess the impact that these projects would have on Rotokauri Stage 1 (and vice versa), later in this detailed business case.

4.8 The Indicative Business Case

An indicative business case for Rotokauri Stage 1 was undertaken as part of the Housing Infrastructure Fund process.

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This highlighted that there is a need for investment in two broad types of infrastructure:

1. Strategic infrastructure for water and roads
2. Community infrastructure, including sports and recreation facilities, libraries, and meeting spaces.

The indicative business case for Rotokauri concluded that the preferred option is to advance \$154.2 million of strategic infrastructure needed to enable development. This would comprise a stormwater floodway, strategic arterial roads that support the Te Rapa section of the Waikato Expressway and water distribution mains to optimise supply from the existing Pukete reservoir.

The indicative business case also recognised the need for investment in community infrastructure, although the investment was not costed and incorporated into the analysis. It has subsequently been estimated that \$31 million – \$71 million will be required for the community infrastructure. This is important in the context of building communities as opposed to soulless suburbs and the detailed business case will include a wellbeing case to explore this in further detail.

The large upfront cost of this infrastructure will put significant financial pressure on Council. Although the alternative infrastructure funding and financing tool provides an opportunity to cover some of these strategic infrastructure costs, the point at which this funding would become available leaves a large funding gap for the land acquisition and design stages.

A potential solution for Council to resolve this funding gap has been identified as using the alternative infrastructure funding and financing tool to transfer a proportion of the Peacocke Housing Infrastructure Fund loan into the off-balance-sheet model, therefore effectively making money available for the land acquisition and design stage in Rotokauri. The detailed business case will analyse whether this is feasible and commercially viable for Peacocke.

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Although the indicative business case has provided useful insight into the development needs for Rotokauri, it was based on the Housing Infrastructure Fund loan and is therefore largely irrelevant in this context. Consequently, a new set of long and short options for the alternative infrastructure funding and financial model are explored in this summary detailed business case. The preferred option outlined in this document will undergo full analysis as part of the final detailed business case.

4.9 A Funding Mix

To bring forward development in Rotokauri, it is expected that the necessary investments would be funded through a combination of development contributions, private developer agreements, rates, and IFF, in terms of supporting the achievement of Council's investment objectives and making it a financially viable proposition.

IFF funding is appealing because it would have the effect of incentivising landowners to release their holdings, consequently speeding up the development process and bringing more houses to the market quicker.

Development contributions will remain the primary source for growth infrastructure in Rotokauri, along with general rates. If IFF funding is secured for selected assets, they will essentially be swapped out of the development contribution schedule of assets, and instead be funded by an IFF levy. The balance of infrastructure to be funded by Council will be funded by development contributions, e.g. citywide components and upsizing.

The Commercial Case within this detailed business case analyses both privately-led, and Council-led commercial proposals in Rotokauri and surrounding areas, e.g. private plan changes, special housing areas, private developer agreements and any other commercial arrangements with developers. Decisions or progress in these matters may or may not impact, positively or negatively, on the feasibility of an IFF model.

The optimal funding mix will be fully explored as part of the Financial Case within this detailed business case.



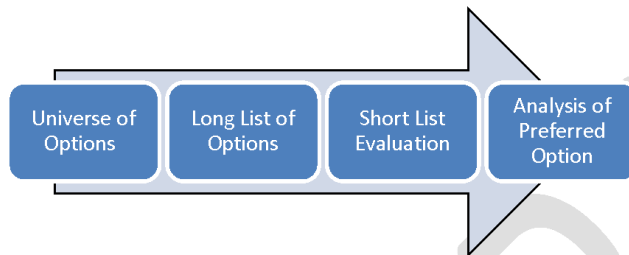
Figure 11: This artist's impression shows a potential future housing development in Rotokauri close to a range of outdoor recreational facilities.

5. OPTIONS DEVELOPMENT

5.1 Options Development

Assessing and evaluating the options through this detailed business case has been an iterative process of refinement and elimination based on information, analysis and feedback relating to engineering, wellbeing, commercial and financial considerations.

This process was essentially undertaken in four phases as highlighted below and set out in the following pages.



In formulating the options available, it is pivotal to understand the strategic responses available to Council in delivering the Rotokauri growth cell.

5.2 Universe of Options based on possible Strategic Responses

The strategic responses available to address the infrastructure and development capacity (yield) needed in Rotokauri Stage 1 include:

1. Different infrastructure levels of service for 3 waters, transport, and community infrastructure

- Transport – mode shift options, such as enabling buses, walking and cycling, and different balances for efficiency and safety emphasis.
- Stormwater – enabling urbanisation/coordination with development, futureproofing, treatment standards, operational considerations.

- Water supply – demand area supply confidence, including reservoir options (need, location, connection networks).
- Wastewater – collection and transfer arrangements including pump stations, gravity networks, etc.
- Different combinations for each.

2. Changing timing of infrastructure

- Reverting to rural or rural residential zoning to internalise impacts and reduce the need for infrastructure.
- Supporting housing elsewhere with lower upfront infrastructure costs, effectively delaying infrastructure beyond what is assumed in the 2018-28 10-Year Plan.
- Continuing with the status quo 2018-2028 10-Year Plan with minimal additional funding.
- Accelerating delivery of the strategic infrastructure, including options for land protection/acquisition and staged implementation.

Further overlaid across the infrastructure levels of service and timing are the delivery and funding options:

3. Alternative funding and financing mechanisms

Note that all options require some level of Council funding

- Developer funded through large-scale private developer agreements requiring developers to fund the upfront cost of infrastructure that can be allocated to them as beneficiaries.
- Council funded through debt (balance sheet).
- Alternative IFF model (levy model).
- Combinations of the above, including progressive introduction of alternatives, and different charging/levy options.

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4. Alternative delivery mechanisms

- a. Council led.
- b. Developer led enabling the potential for cost efficiencies for both Council and developers through the utilisation of cut (stormwater floodway) and fill (developer land).
- c. Other delivery entity (alliance, development company or equivalent).

Based on initial evaluation criteria, set out at Appendix 3, combinations of these strategic responses were used to identify a wide range of potential options – the Universe of Options.

5.3 Long List of Options

The Universe of Options was filtered for fatal flaws (such as not contributing to Council's objectives or acceptability to project stakeholders), and criteria such as affordability and duplication to establish a long list of options.

The long list of options was prepared based on practical combinations of the following features:

1. Location

2. Infrastructure Scope

- a. Unfunded 10-Year Plan – Remove all funding from the 2021-31 10-Year Plan and cease to be receptive of consents.
- b. Absolute minimum – Just enough to get consent/keep up with development in small stages – upsize – already exhausted.
- c. Stormwater minimum – Stormwater floodway only, as the main infrastructure item needed to commence unlocking Rotokauri, plus upsize connections, water, and wastewater.
- d. Desirable minimum – Arterial Roads and stormwater floodway – required to facilitate full development, plus upsize connections, water, and wastewater.

- e. Ideal - Arterial Roads and stormwater floodway, wetlands, community infrastructure.

3. Funding Development Contribution, Private Developer Agreement, IFF

- a. This includes Timing (Accelerated, Expected, Current) by inference i.e. development contributions only is the current Long-Term Plan, private developer agreements needed for Expected and private developer agreements and IFF needed for Accelerated.

4. Delivery

- a. Council, developer or a mix.

There will be refinements for the allocation of funding requirements between Crown Infrastructure Partners, Council, and developers. At this long list to short list stage, the infrastructure scope ranges should be enough to inform decision-making.

Initial analysis, feedback, and debate of the long list of options were used to establish the short list of options.

The conclusions from rationalising the wide range of combinations of strategic options within the long list were that:

- Different infrastructure scopes and standards were either unaffordable (if higher standard) or less efficient (cost increases from inefficient implementation).
- The business case should focus on Council's selected levels of service as anticipated in the 2018-2028 10-Year Plan.
- Alternative delivery mechanisms did not make a material difference to evaluations, other than significant cost efficiencies from coordinating cut to waste or cut to fill earthworks for the stormwater floodway with development earthworks.
- Alternative funding and financing mechanisms could be applied to all options but with the advantages and disadvantages, making some

options and combinations impractical or comparatively unattractive to key stakeholders.

5.4 Basis of Shortlist – description and timing

The focus of the short list options is the timing, delivery and funding of the core strategic infrastructure comprising transport (arterial roads and collector upgrades), stormwater (stormwater floodway and conveyance channel), wastewater pump stations and pipe upsizes, and water supply.

The infrastructure level of service is broadly consistent with the concept in Council’s 10-year Plan infrastructure maps (attached) other than water supply, which is subject to changes including upgrading to 450mm water pipes.

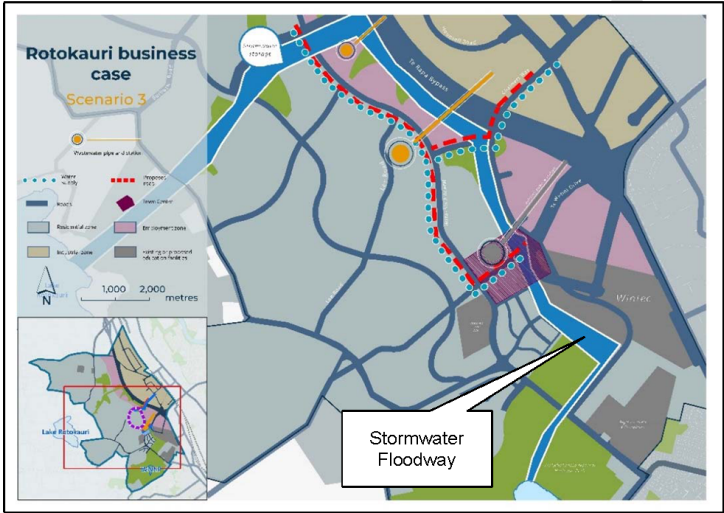


Figure 12: Illustration of Rotokauri Strategic Infrastructure

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Stormwater

Detailed above is the designated stormwater floodway (referred to in the Notice of Requirement as the Rotokauri Greenway, which also includes transport and recreation functions). It is effectively an open water course running from Lake Waiwhakareke in the south-east to Lake Rotokauri in the west. The topography and often peaty nature of the soil means that the stormwater floodway is critical to stormwater management in the growth cell.

The stormwater floodway operates as a combined flood storage facility and conveyance channel, moving water from Lake Rotokauri and stormwater collected in the catchment. The design aims to ensure that the stormwater floodway will function as a key means to achieve Integrated Catchment Management Plan targets for contaminant removal and flood attenuation, whilst ensuring the in-stream ecological habitat is optimised. The design includes the main corridor together with a series of wetland treatment areas, some of which are located outside the designation, to be designed and provided by developers.

The size and scale present a challenge as there is a significant upfront cost to be borne to support anything more than small-scale development and to allow efficient development while meeting Integrated Catchment Management Plan requirements. The nature of the project means a designation is necessary to provide certainty of access for construction.

Construction of the project is likely to be undertaken over three construction seasons. The construction process will commence from Exelby Road and proceed in a downstream to upstream direction as follows:

- Stage 1 – Construction of Basins 4 and 5 (from Lake Rotokauri to the Te Rapa Bypass), with the associated wetlands within this section of the stormwater floodway.
- Stage 2 – Construction of Basin 3 (From the Te Kowhai Road Extension to the Chalmers Way collector Road), with the associated wetlands within this section of the stormwater floodway.

- Stage 3 – Construction of Basins 1 (south of Te Wetini Drive) and 2 (Te Wetini Drive to Chalmers Way), with the associated wetlands within this section of the stormwater floodway.

The stormwater floodway can be built in stages in an attempt to align cost and yield of land with projected uptake of sections. However, since the water flows from south-east to west from Lake Waiwhakareke to Lake Rotokauri, construction needs to commence at Lake Rotokauri which is the opposite start point from the current potable water, wastewater, and transport connections. Diversion drains will be used to divert the existing flow within Rotokauri drain for each basin whilst the stormwater floodway corridor is constructed. These need to manage the effects on the existing ecosystems, which may require long or seasonal lead times and monitoring.

The stormwater floodway is likely to lower the water table in the catchment, leading to potential settlement. The soils in the area also present a risk of liquefaction if there is an earthquake, which should be considered in the design of buildings and infrastructure.

A significant portion of the stormwater floodway is required before the catchment can yield a large area of developable land.

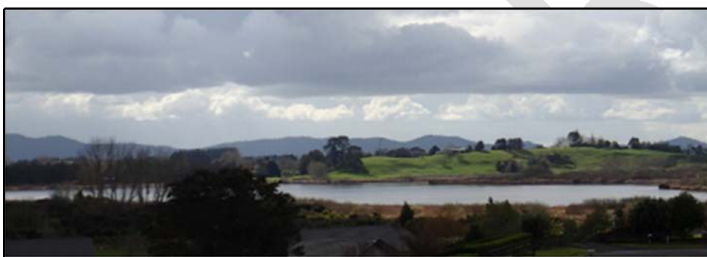


Figure 13: Lake Rotokauri, viewed from Dromara Drive (Kessels, 2015)

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Figure 14 shows the cross section of the stormwater floodway, including the stormwater floodway (left - comprising flood storage and stormwater conveyance including a low flow channel in the base), wetlands (right) and connections for transport and recreation opportunities. It is not practicable to progressively construct the stormwater floodway with smaller cross sections because of depth requirements, the additional environmental and ecological impacts, and cost of working in an active waterway. The cross section is therefore fixed, and the sequencing/staging challenge means commitment to a complete stormwater floodway in order to support development.

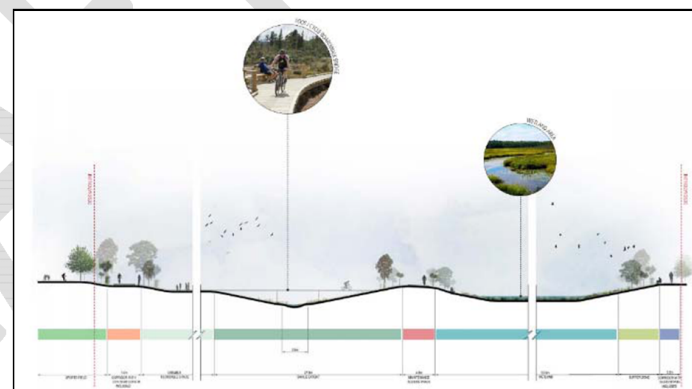


Figure 14: Rotokauri Greenway (Hamilton City Council Notice of Requirement)

Wastewater

The wastewater strategic infrastructure solution requires two further wastewater pump stations and rising mains and the extension of the Far Western Interceptor to enable servicing of new development in Rotokauri. The Far Western Interceptor will be aligned with central roading and

drainage corridors to optimise a gravity solution for the catchment to the Pukete Wastewater Treatment Plant, minimising the infrastructure footprint and optimising efficiency.

There will also be upsize costs to ensure connections through initial development can accommodate demands from adjacent developments when they take place.

Water Supply

Water supply initially requires the connection of bulk mains from Pukete Reservoir to improve water supply to the Rotokauri area, including the extension of existing supply lines and trunk mains to enable servicing of new development. Some of the connections planned in the Long-Term Plan as 250mm bulk mains will be increased to 450mm bulk mains which will provide capacity for stage 2 to the north of the mapped area and deal with recent increases in expected demand. In the long term, a new reservoir is expected to service the area. The reservoir and connections are not in the scope of this detailed business case but futureproofing for network operations will need to be allowed for in designs.

Community

Consistent with other infrastructure it was concluded that there should be one level of service or scope of community infrastructure and options should consider the optimal timing based on population as to when it should be delivered.

Transport

The stormwater floodway includes walking and cycling connections. Better facilities to support walking and cycling are likely to mean separate paths, and wider corridors and intersection footprints. The area is ideally located to be an exemplar for mode shift and integrated transport and land use planning to support wellbeing.

Illustrated in Figure 15, Stage One includes two arterials crossing the stormwater floodway – Te Kowhai Road to the north (minor arterial) and Te Wetini Drive to the South (Major Arterial). For full connectivity an extension

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of Te Wetini Drive will be sequenced first, providing existing and future residents with direct access to the Te Rapa precinct and reducing traffic on the rural roads between Rotokauri and the city.

The north to south collector road will follow along with Te Kowhai interceptor which is required to enable the residential development and associated roading that is the responsibility of developers. That corridor also includes strategic water and wastewater connections.

The cross section and allocation of road space within the major and minor arterial roads is being developed as part of an investigation to support a Notice of Requirement. The major arterials are four-lane and the minor arterials two-lane.

Ultimately, around 6000 households in Rotokauri will generate around 50,000 - 60,000 vehicles/day based on current travel preferences, equivalent to 5000 - 6000 vehicles in the peak hour. Based on around 900 - 1200 vehicles/hour per lane, even with aspirational mode shift targets reducing low occupancy vehicle use by 30%, and retaining the rural connections, the area will need at least three new connection points with a lane each, provided by the north-south arterial, Chalmers Way. Any development will require immediate improvements to walking and cycling links to reinforce safety and will be limited until the north-south arterial is available.

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5.5 Long List Evaluation to Short List of Options

With consistency of infrastructure requirements, the long list concentrates on timing, funding and the associated yield of developer-ready land and the wellbeing outcomes for current and future residents. The long list of options was then assessed and ranked to identify the preferred option(s) for more detailed evaluation.

Key features of the short list include:

- All options result in approximately the same development capacity, although ad-hoc development compromises land use efficiencies.
- All options result in approximately the same 30-year cost (pre inflation), with variations in timing, although recognising that developer-led implementation presented potential cost and risk advantages to Council.
- The main option differences relate to the timing of costs in relation to demand, with different consequences for considerations, particularly from a wellbeing perspective.
- Different finance models make a significant difference to Council's debt to revenue ratio, affecting option affordability and Council's ability to deliver infrastructure that contributes to the four wellbeings in different areas.
- The long list evaluation assessment focussed on the expected contribution to the objectives of the Rotokauri project, practicality, affordability (debt/revenue limits) and impact on wellbeing.

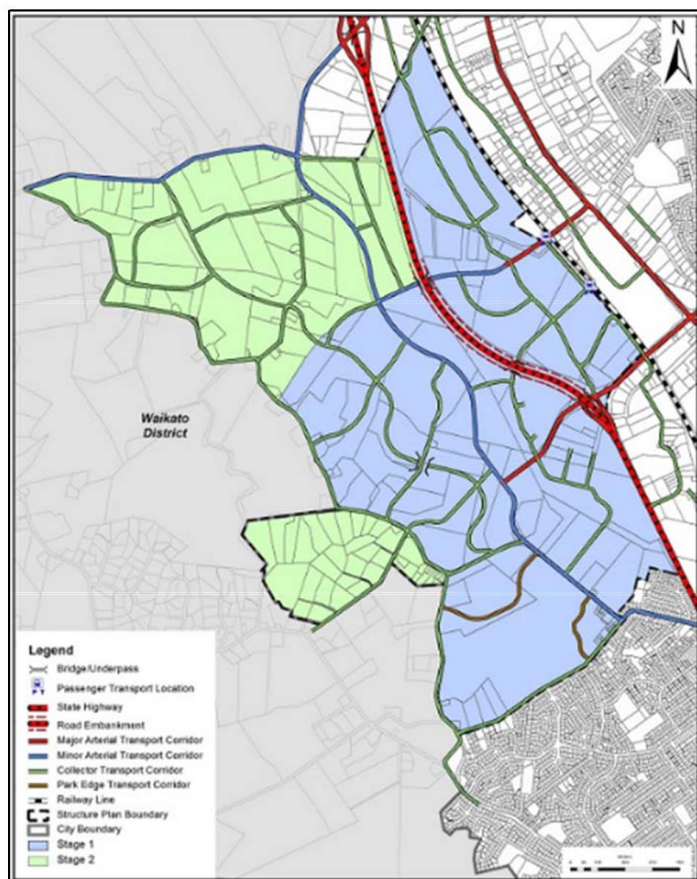


Figure 15: Rotokauri Structure Plan – Staging and Transport Network

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Option	Description	Evaluation outcome
1. Deferred Community Unfunded 10-Year Plan	Restrict consents to minimise costs to Council or require conditions precedent to make development subject to strategic infrastructure being in place. Delay Bulk Housing Infrastructure further, beyond the 2021-31 10-Year Plan period.	Not preferred – taken forward for comparison. Will not be well received from the development community and risks significant legal challenge.
2. Current Long-Term Plan Development Old Status Quo	Manage or restrict consents to minimise costs to Council or require conditions precedent to make development subject to strategic infrastructure being in place.	Eliminated – Results in ad-hoc development and consequential inefficiencies and compromised outcomes, including very high risk of land settlement and associated property damage. Used as basis for comparison.
3. Piecemeal Community	Receptive to consents and advancement, commit to upsize or right size of infrastructure. Not committing to advancement of the stormwater floodway or arterial road until it is critical.	Not preferred – taken forward for comparison Piecemeal Community option. Working with developers as funding permits to optimise developer-led implementation. Includes very high risk of land settlement and associated property damage.
4. Build Community Floodway only Developer-led Private Developer Agreement	Accelerated Infrastructure – led and delivered by developers to utilise the cost saving available from a single party managing large scale earthworks – stormwater floodway only in combination with land development.	Eliminated – Appropriate connections for all modes on the right roads necessary to provide safe access.
5. Build Community Floodway only Developer-led Encumbrance Model	Accelerated Infrastructure – led and delivered by developers to utilise the cost saving available from a single party managing large scale earthworks – stormwater floodway only in combination with land development.	Eliminated – Appropriate connections for all modes on the right roads necessary to provide safe access.
6. Build Community Floodway, Roads and Land for Community Developer-led Private Developer Agreement	Accelerated Infrastructure – led and delivered by developers to utilise the cost saving available from a single party managing large scale earthworks – stormwater floodway, roads, infill of development land.	Progressed.
7. Build Community Floodway and Roads Developer-led IFF funding	Same as 6. above but with the funding benefit of the IFF Funding Tool.	Progressed – Addition of IFF funding.
8. Build Community Floodway and Roads Developer-led Encumbrance Model	Same as [6] but with the funding benefit of a Crown Infrastructure Partners delivered encumbrance model instead of the legislated IFF Funding tool.	Progressed – Addition of Crown Infrastructure Partners encumbrance model funding.
9. Build Community Ideal Infrastructure including ideal community and wetlands IFF funding	Accelerated Infrastructure – led and delivered by developers to utilise the cost saving available from a single party managing large scale earthworks – stormwater floodway only in combination with land development.	Eliminated – The cost of ideal infrastructure is prohibitive and inconsistent with other growth cells throughout the city.

Conclusion

To avoid piecemeal development, sub-optimal infrastructure outcomes and unacceptable wellbeing outcomes all Bulk Housing Infrastructure is required to be advanced together. i.e. the stormwater floodway and transport must be advanced collectively and in full.

The timing of delivery must be balanced against affordability for both Council and developers with consideration for the timing requirements of Crown Infrastructure Partners and the IFF funding.

5.6 Options for Further Evaluation

Preliminary evaluation of the long list resulted in two base scenarios, accelerate or delay, and four options meriting further evaluation.

Accelerate

- Accelerate the delivery of Bulk Housing Infrastructure as fast as possible (two years)
- Align the delivery of Bulk Housing Infrastructure with the demand or uptake (five years).

Defer

- Defer the development of Bulk Housing Infrastructure beyond the 2021-31 Long-Term Plan, or
- Continue with the proposed 2018-28 Long-Term Plan timing which is not aligned with the timing of developers. The short list options are set out below.

Option	Option 1: Deferred Community	Option 2: Piecemeal Community	Option 3: Build Community	Option 4: Build Community Faster
Long List Description	Restricts and delays houses and the community	Delivers some houses but delays the community	Delivers houses and a community	Delivers houses and a community
Description	Restrict consents to minimise costs to Council and delay network infrastructure beyond the 2021-31 10-Year Plan. Reflects the Unfunded 10-Year Plan.	Receptive to consents and advancement, commit to upsize or right size of infrastructure. Not committing to advancement of the stormwater floodway or arterial road until it is critical.	Receptive to consents and advancement. Accelerate advancement of the stormwater floodway (5-year delivery) or arterial road to facilitate efficient development. Buy land soon for community facilities later. Longer delivery period looks to better align expenditure with demand.	Receptive to consents and advancement. Accelerate advancement of the stormwater floodway (3-year delivery) or arterial road to facilitate efficient development. Buy land soon for community facilities later.
Evaluation Outcome	Evaluated for comparative purpose.	Evaluated for comparative purposes.	Evaluated and advanced as the preferred option.	Evaluated and advanced as the preferred option.

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Evaluation Commentary

Based on the short list table above, preliminary evaluations to inform the wellbeing case concluded that the wellbeing benefits obtained from Option 4: Build Community Faster are essentially the same as Option 3: Build Community.

This is because the infrastructure solutions are so similar, the main difference being the delivery of the stormwater floodway in three years (Option 4) compared to five years (Option 3).

Under both scenarios the yield of developer-ready land exceeds uptake or demand projections. Therefore, the flattening of the spending curve in Option 3 allows Council to better manage its debt capacity and also is more attractive to developers who can better align the timing of cash expenditure with the sale of sections.

Option 4: Build Community Faster, is therefore higher cost, higher risk and with similar benefits to Option 3: Build Community, timing aligned with developers.

Therefore Option 4 was eliminated, and three options were taken forward for detailed further detailed analysis, being:

- **Option 1: Deferred Community**
- **Option 2: Piecemeal Community**
- **Option 3: Build Community**

Detailed descriptions of the three short list options are set out in the summaries below and fully evaluated in the Wellbeing Case that follows.

The Management Case provides for the accelerated approach to be responsive to market and funding conditions if necessary.

Option 1

Deferred Community – Restricts and delays houses and the community

Summary	Not receptive to consents or advancement. All consents to be conditional on Bulk Housing Infrastructure (stormwater floodway), no upsizing of developer infrastructure	
1. Strategic Infrastructure	Commenced 2032 and delivered efficiently from this point (same sequence as the Build Community option) to retain capacity under National Policy Statement targets	Expected Outcomes –Development effectively stalled and delayed to the frustration of developers
a. Community	Nil	Poor community level of service
b. Stormwater	Developer links to network for current development. Further development restricted	Higher whole of life costs Poor water outcome
c. Water Supply	Developer links to network for current development. Further development restricted	Higher whole of life costs
d. Wastewater	Developer links to network for current development. Further development restricted	Higher whole of life costs
e. Transport	Developer links to network for current development. Further development restricted	Higher whole of life costs Low level of service, high car dependency
2. Funding Options	Considerations of strategic funding arrangements delayed	
a. Development contributions	Maximising recovery in accordance with policy	Potential challenge from developers in relation to development contributions paid to date
b. private developer agreements	Not applicable in the next 10 years	Wider network connections unlikely to be economically viable without longer term certainty of return on investment
c. IFF arrangement	Not applicable	Not applicable
Delivery Arrangements/Options	Council-led	Likely to be Council-led due to breakdown of developer relationships due to delays
Opportunities	None	None
Risks	Litigation and planning risks due to further delays imposed on developers	Significant time and cost incurred by staff in relation to the delay and the commercial implications

Community Snapshot

All community deferred by 10 years compared to the Build Community option.

Delayed purchase of land has potential to make it less affordable later. Delayed development of facilities reduces the attractiveness of Rotokauri as a place to live. Wellbeing benefits deferred and potentially reduced.

Uninflated Community Spend

Rotokauri business case Scenario 1

Strategic Infrastructure Cost - Inflated (\$m)

	2021-24	2025-31	2032-51	
Activity/Funding	0-3 yrs	4-10 yrs	11-30 yrs	Total
Transport	2.2	0.0	250.3	252.4
Stormwater	2.2	0.0	173.4	175.5
Wastewater	0.6	0.0	8.3	9.0
Water Supply	0.1	0.0	15.5	15.6
Community	0.0	0.0	132.1	132.1
Total Cost	5.0	0.0	579.5	584.6

Uptake (HUEs developed and sold)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	80	-	2,777	2,857
Industrial (m²)	-	-	108,100	108,100
Commercial (m²)	-	-	37,200	37,200

Yield (Development capacity realised)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	80	-	2,777	2,857
Industrial (m²)	-	-	108,100	108,100
Commercial (m²)	-	-	37,200	37,200

(HUE = Household Unit Equivalent)

Debt to Revenue Ratio

Residential Yield v Uptake

Capex by year

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Option 2

Piecemeal Community – Delivers some houses but delays the community

Receptive to consents and advancement, commit to upsize or right size of infrastructure. Not committing to advancement of the stormwater floodway or arterial road until it is critical.

1. Strategic Infrastructure	Timing – with development	Expected Outcomes –disjointed development, early yield limited by stormwater and transport constraints
a. Community	Nil	Poor community level of service
b. Stormwater	Contribution to ensure internal development connections to devices are sized to accommodate upstream properties - developer links to network	Higher whole of life costs Poor water outcome
c. Water Supply	Contribution to ensure internal development connections are sized to accommodate upstream properties - developer links to network Council duplicates (Long-Term Plan timing) with full growth cell supply later	Higher whole of life costs
d. Wastewater	Contribution to ensure internal development connections are sized to accommodate upstream properties- developer links to network	Higher whole of life costs
e. Transport	Contribution to ensure internal development connections are sized to accommodate neighbouring traffic- developer links to network	Higher whole of life costs Low level of service, high car dependency
2. Funding Options	Considerations of strategic funding arrangements delayed	
a. Development contributions	Maximising recovery in accordance with policy	Maximising recovery in accordance with policy
b. Private developer agreements	Yes, with limited scope, largely influenced by the developer requirement	Wider network connections unlikely to be economically viable without longer term certainty of return on investment
c. IFF	Not applicable	
Delivery Arrangements/ Options	Council-led	
Opportunities	None	
Risks	Significant future costs in rectifying sub-optimal infrastructure	

Community Snapshot

All community deferred. Commenced 2032 and delivered over the period to 2050.

Delayed purchase of land has potential to make it less affordable later. Delayed development of facilities reduces the attractiveness of Rotokauri as a place to live. Wellbeing benefits deferred and potentially reduced.

Uninflated Community Spend

Rotokauri business case Scenario 1

Strategic Infrastructure Cost - Inflated (\$m)

	2021-24	2025-31	2032-51	
Activity/Funding	0-3 yrs	4-10 yrs	11-30 yrs	Total
Transport	31.9	60.6	88.7	181.2
Stormwater	7.5	112.5	25.1	145.1
Wastewater	2.3	1.7	4.0	8.0
Water Supply	0.6	6.7	5.0	12.3
Community	0.0	0.0	116.2	116.2
Total HCC	42.3	181.5	238.9	462.8

Uptake (HUEs developed and sold)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	80	491	2,286	2,857
Industrial (m²)	-	51,989	56,111	108,100
Commercial (m²)	-	17,891	19,309	37,200

Yield (Development capacity realised)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	80	491	2,286	2,857
Industrial (m²)	-	51,989	56,111	108,100
Commercial (m²)	-	17,891	19,309	37,200

(HUE = Household Unit Equivalent)

Debt to Revenue Ratio

Residential Yield v Uptake

Capex by year

Option 3

Build Community – Delivers houses and a community

Summary	Receptive to consents and advancement. Accelerate advancement of the stormwater floodway (5-year delivery) or arterial road to facilitate efficient development. Buy land soon for community facilities later. Longer delivery period looks to better align expenditure with demand.	
1. Strategic Infrastructure	Commit now to accelerate, achieving land acquisitions and planning / design requirements, then deliver slower, in line with funding / demand	Align delivery timeframes with funding demand
a. Community	Land purchase now to protect access and avoid future inflated costs	Adequate community level of service (in future)
b. Stormwater	Contribution to form long-term stormwater floodway design and internal connections sized to accommodate upstream properties	Floodway largely delivered over 5 years (FY23 to FY27) to align with developers if funding is constrained
c. Water Supply	Contribution to form long-term water supply and internal connections sized to accommodate neighbouring properties	At boundary
d. Wastewater	Contribution to form strategic connections sized to accommodate neighbouring properties	At boundary
e. Transport	Contribution to ensure internal development connections to devices are sized to accommodate upstream properties - developer links to network	Revise delivery to align with developers if funding is constrained
2. Funding Options		
a. Development contributions	Maximising recovery in accordance with policy	
b. Private developer agreements	Private developer agreements allocating costs to developers are critical	
c. IFF arrangement	IFF pursued to provide debt headroom and reduce risk	Delivers the same 10-year yield which exceeds projected demand
Delivery Arrangements/ Options	Developers will lead the delivery of infrastructure under a private developer agreement	
Opportunities	Commitment now to preserve the opportunity of advancement under both private development agreements with key developers and the IFF with Ministry of Business, Innovation and Employment	Revise delivery to align with developers if funding is constrained
Risks	Macro-economic (COVID 19) and impact on demand and the developers' timeframes and willingness to commit	Councils ability to fund and the private developer agreement outcomes at risk

Community Snapshot

The initial focus is land acquisition with delivery of initial parks 2028, sports parks 2024-27 and community facilities 2032-50.

Early acquisition of land ensures subsequent development of facilities remains feasible.

But uptake of dwellings and achievement of wellbeing benefits potentially slightly delayed, compared with Option 1.

Uninflated Community Spend

Year Range	Land purchase	Parks & playgrounds	Library and indoor recreation
0-5	\$15m	\$5m	\$5m
6-10	\$25m	\$5m	\$5m
11-15	\$22m	\$5m	\$5m
16+	\$5m	\$5m	\$5m

Rotokauri business case Scenario 3

Stormwater floodway and key transport projects delivered over a 5-year period

Strategic Infrastructure Cost - Inflated (\$m)

Activity/Funding	2021-24	2025-31	2032-51	Total
	0-3 yrs	4-10 yrs	11-30 yrs	
Transport	62.7	85.5	42.0	190.3
Stormwater	55.4	74.0	0.5	129.8
Wastewater	0.9	5.3	0.0	6.2
Water Supply	1.6	10.1	0.0	11.6
Community	0.0	53.8	44.8	98.6
Total Cost	120.6	228.7	87.2	436.5

Uptake (HUEs developed and sold)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	400	1,709	749	2,857
Industrial (m ²)	-	108,100	-	108,100
Commercial (m ²)	-	35,292	1,908	37,200

Yield (Development capacity realised)

Development type	0-3 yrs	4-10 yrs	11-30 yrs	Total
Residential (HUEs)	1,395	1,462	-	2,857
Industrial (m ²)	32,400	75,700	-	108,100
Commercial (m ²)	-	37,200	-	37,200

(HUE = Household Unit Equivalent)

Debt / Revenue Ratio

Residential Yield v Uptake

Capex by Year

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6. WELLBEING CASE

6.1 Wellbeing Summary

The Council is committed to applying a wellbeing approach in all of its activities. This means using the wellbeing approach alongside conventional tools such as financial appraisal and cost benefit analysis, to assess the merit of potential new investments.

This Wellbeing Case assesses the options for Rotokauri development against each of the four wellbeings – social, economic, cultural, and environmental. The approach is consistent with the requirement in the 2019 Amendment to the Local Government Act that Councils must promote the social, economic, environmental, and cultural wellbeing of communities in the present and for the future.

The current situation and options

The current situation is that Lake Rotokauri is degraded and will be further degraded by discharges of stormwater as a consequence of urbanisation. Further, those living in Rotokauri have few transport options beyond the personal motor vehicle. The route into the city to access employment and other services is indirect, with unavoidable congestion at key intersections.

Hamilton has seen a sustained period of growth with new residential dwellings approximating 1200 per year. This stems from both national and local population growth, alongside considerable central government investment in transport connections and related infrastructure. While the imbalance in housing demand and supply is nationwide, it is accentuated in high-growth areas. Furthermore, the attractiveness of Hamilton and the broader Waikato area is unlikely to recede, as developments in Auckland and the upper North Island take hold.

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Figure 16: Artist's impression of Rotokauri town centre



Figure 17: Rotokauri drain at Rotokauri Road looking downstream

Set out below is the photographic summary of the current situation in Rotokauri:



Figure 18: Current Situation (taken July 2019).

Three options assessed are tabulated below.

Options Assessed, Strategic Infrastructure Investment and Outcome Yields

	Deferred Community			Piecemeal Community			Build Community		
	Y1-3	Y4-10	Y1-30	Y1-3	Y4-10	Y1-30	Y1-3	Y4-10	Y1-30
Strategic Infrastructure (\$m)	5	0	585	42	182	463	121	229	437
Residential yield (HUE)	80	0	2,857	80	491	2,857	1,395	1,462	2,857
Industrial yield (m ²)	0	0	108,100	0	51,989	108,100	32,400	75,700	108,100
Commercial yield (m ²)	0	0	37,200	0	17,891	37,200	0	37,200	37,200

(HUE = Household Unit Equivalent)

All options result in similar numbers of residential, industrial, and commercial properties by year 30. Furthermore, all options project similar investments in strategic infrastructure in the form of stormwater drainage, transport connections, and community facilities by year 30.

The difference between the options lies in the timing of delivery of residential, industrial, and commercial developments and investments in infrastructure. The Deferred Community option sees little occurring in years 1 to 10 and everything thereafter. The Piecemeal Community option sees noticeable developments and infrastructure investments over years 4 to 10, although a large proportion remains to be completed thereafter. The Build Community option sees all yield and infrastructure investments concentrated in years 1 to 10.

¹ Where green indicates an improvement and red indicates a deterioration of the stated outcomes. Yellow indicates a neutral impact.

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Wellbeing

Wellbeing is about people and creating the conditions for everyone to thrive. There are many perspectives on wellbeing, with the OECD Better Life Index influencing Treasury's Living Standards Framework focussing on indicators across various domains.

Within this frame of thinking, wellbeing itself does not have to be a number and, indeed, need not be measured directly. A qualitative or descriptive explanation or statement is required. This statement is likely to encapsulate a range of desirable outcomes. Options, choices, or decisions can be assessed against their respective impact(s) on such desired outcomes.

Reflecting this, Hamilton's Wellbeing Framework defines the wellbeings and specifies a set of outcomes for each one. The assessments in this Wellbeing Case adopt a traffic light or colour scale/range – indicating the impact of each option on each of the desirable outcomes¹.

Overview of the Wellbeing Case

Development of the Rotokauri growth cell requires considerable capital expenditure on bulk housing infrastructure to enable large investments in residential, industrial, and commercial construction. The intention is to develop Rotokauri as a thriving community, supported by high quality social facilities, rather than simply a collection of dwellings and workspaces.

Once all the network and community infrastructure is in place, Rotokauri homes and businesses will be safe from flood because a high-quality stormwater system will have been constructed. The community will be served by arterial roads that connect quickly and safely to the wider Hamilton City road network. Cyclists and pedestrians will have tracks and footpaths separated from road traffic. Families will have a range of community facilities on their doorstep, enabling them to build social networks and avoid the need

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to travel elsewhere in the city for services and recreation. Riparian plantings alongside the stormwater floodway and the creation of wetlands will help to safeguard the natural environment. The development of Rotokauri will also provide space for new industrial and commercial premises, and these will provide employment opportunities, not only for Rotokauri residents, but also for Hamiltonians generally.

However, the differences in the timings between the three options are critical in assessing the outcomes for wellbeing.

The wellbeing outcomes are heavily influenced by the timing and speed of investments and developments. Despite the same infrastructure and number of dwellings being eventually delivered, negative impacts over the short term cannot be fully reversed.

For example, while the Deferred Community option ends up with a similar number of houses and level of infrastructure, the delayed implementation makes considerable difference. The Deferred Community option risks embedding existing behaviours, as well as negatively harming social and environmental outcomes over the short term. Outcomes for economic wellbeing in terms of attracting people and investment deteriorate over the short term as people and investment look elsewhere.

The importance of behaviour being facilitated or encouraged over the short term is that it then becomes difficult to change such behaviour. This applies to a range of behaviours, including transport choices, as well as building and instilling a sense of belonging and community.

The element of timing is also important in the choice between the Build Community and Piecemeal Community options from a wellbeing perspective. In particular, the absence of social infrastructure along with alternative transport corridors over the short term, will also impact on the formation and sense of community along with changing transport behaviour. This short-term impact in the Piecemeal Community option may be less harmful than the Deferred Community option, but these short-term impacts endure. Hence the improvements in wellbeing over the long term for the Piecemeal Community option are not as great as for the Build Community option.

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Conclusion

As could be expected, across all four of the wellbeings the Build Community option provides better outcomes over the long term than the Piecemeal Community option. The Deferred Community option is projected to result in neutral, or in some cases, a significant worsening of wellbeing outcomes.

Summary Impacts of Each Option on Four Wellbeings

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
	Short term	Long term	Short term	Long term	Short term	Long term
Environmental wellbeing	Red	Yellow	Red	Green	Green	Green
Social wellbeing	Red	Red	Red	Red	Green	Green
Cultural wellbeing	Red	Red	Red	Yellow	Yellow	Green
Economic wellbeing	Red	Red	Yellow	Green	Green	Green

Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

6.2 Why a Wellbeing Case?

A wellbeing case is prepared to present the broader longer-term impacts of options, or a decision choice, which are not captured by the strategic, management, commercial, and financial cases. Whereas the other cases focus on coherence with strategic direction, and implementation and funding feasibility of options, a wellbeing case focuses on the outcomes for individuals and communities across a range of dimensions.

A wellbeing case is critical if outcomes beyond strategic direction and financial or commercial success/failure criteria are to be captured in decisions between options. This Wellbeing Case takes the place of the narrower economic case that features in conventional detailed business cases, as economic is one of the four wellbeings.

Perspectives on Wellbeing

Wellbeing is about people and creating the conditions for everyone to thrive. It encompasses quality of life and prosperity, positive physical and mental health, and sustainable thriving communities. There are numerous wellbeing frameworks originating from a health perspective, although developments over the past decade have provided an economic perspective.

The [OECD](#) work and its Better Life Index is one example, looking at indices across 11 domains². The influence of this work is seen clearly in the development of the [New Zealand Treasury Living Standards Framework](#). Arguing that the four capitals generate wellbeing, the Living Standards Framework then identifies 12 domains, each with several indicators. Both the Better Life Index and Living Standards Framework approaches have a focus on the identification of a range of indicators.

² Housing, Income, Jobs, Community, Education, Environment, Civic Engagement, Health, Life Satisfaction, Safety and Work-Life Balance

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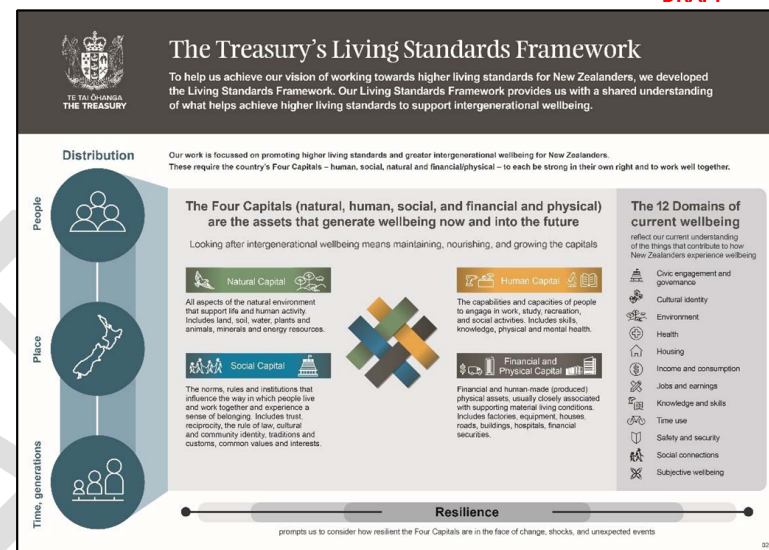


Figure 19: The New Zealand Treasury Living Standards Framework

Earlier Te Ao Maaori perspectives are not as focussed on measurables, but rather highlight the interrelationships between the various 'domains' or dimensions of wellbeing. Te Whare Tapa Whaa (Durie, 1994) spoke of the importance of Wairua, Whaanau, Hinengaro, Tinana as the four cornerstones of Maaori health and wellbeing³. More recently, work for the Tax Working Group⁴ attempts to capture Te Ao Maaori together with the Living Standards Framework perspectives. This illustrates how Kaitiaki tangata, Whanaungatanga,

³ Mason Durie, Measuring Maaori Wellbeing, Treasury Guest Lecture Series, Massey University, August 2006

⁴ He Ara Waiora / A Pathway Towards Wellbeing, Treasury DP 18/11

Oohanga/Whairawa, and Manaakitanga encompasses the capitals – and moreover how the capitals themselves are interrelated – with Waiora at the intersection.

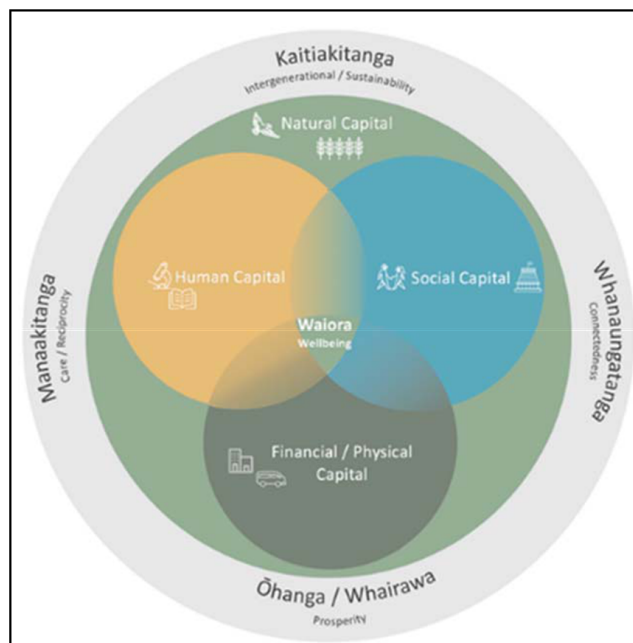


Figure 20: He Ara Waiora – courtesy of The Treasury

The Local Government Act Four Wellbeings

Local authorities have a key role in the promotion of social, economic, environmental, and cultural wellbeing (referred to as the Four Wellbeings) of

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their communities. Council acknowledges that it has a significant role to play in lifting the quality of life of Hamiltonians and the health of the environment. There is a focus on fostering liveable communities, rather than simply focussing on core infrastructure and economic benefits.

Measurement of Wellbeing

Within this frame of thinking, wellbeing does not have to be a number and indeed, need not be measured directly. A qualitative or descriptive explanation or statement is required. This statement is likely to encapsulate a range of desirable outcomes. Options, choices, or decisions can be assessed against their respective impact(s) on such desired outcomes.

The assessments in this Wellbeing Case adopt traffic light or colour scale/range – indicating the impact of each option on each of the desirable outcomes.

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The Options

While the three final options result in the same housing yield and infrastructure spend over 30 years, there are critical differences in the timing of outcomes.

Option One: Deferred Community	Option Two: Piecemeal Community	Option Three: Build Community
No funding for Rotokauri infrastructure in 2021-31 10-Year Plan period. No private development agreement or IFF is assumed. Build Community scenario (below) is assumed to start in 2032 to ensure National Policy Statement capacity.	Infrastructure programmes based on 2018-28 Long-Term Plan. Private development agreements are developer-led with limited scope. No community infrastructure within Long-Term Plan period.	Accelerate development, timing of aligned with developers (5-year stormwater floodway). \$100m of IFF funding, more community infrastructure spend over years 4-10 of Long-Term Plan period.

The following table summarises the comparative timing of the outcomes. The difference between the Y1-Y30 totals and the Y1-Y3 and Y4-Y10 numbers indicate the outcomes spread over the latter Y11-Y30 period. In addition, the difference between the options Y1-Y30 totals for strategic infrastructure spend reflect the impact of inflation on spending that occurs later in the period.

	Deferred Community			Piecemeal Community			Build Community		
	Y1-3	Y4-10	Y1-30	Y1-3	Y4-10	Y1-30	Y1-3	Y4-10	Y1-30
Strategic Infrastructure (\$m)	5	0	585	42	182	463	121	229	437
Residential yield (HUE)	80	0	2,857	80	491	2,857	1,395	1,462	2,857
Industrial yield (m ²)	0	0	108,100	0	51,989	108,100	32,400	75,700	108,100
Commercial yield (m ²)	0	0	37,200	0	17,891	37,200	0	37,200	37,200

(HUE = Household Unit Equivalent)

Council's Wellbeing Framework

Council's main purpose is to promote the Wellbeing of Hamiltonians. To reflect this commitment, Council is in the process of embedding a Wellbeing Framework to guide its strategies and operations. The framework defines the wellbeings and specifies a set of outcomes for each one. Each outcome is accompanied by a set of 'What this looks like' statements that illustrate what achieving the outcomes will mean for individuals, families, communities, and the city in practical terms.

It is important to note that the wellbeings are interdependent, which means that any action that enhances or detracts from one wellbeing, will tend to enhance or detract from one or more of the others. For example, the development of a library will improve social wellbeing, and it will also tend to improve environmental wellbeing because residents will find it less necessary to make car journeys to other areas of the city, to access the library and other services they need.

Each of the short listed options have been evaluated in terms of how they would be expected to contribute to, or maintain, the city's overall wellbeing.

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The effect of each option on economic wellbeing is largely assessed using conventional cost benefit analysis, whereas the social, environmental, and cultural wellbeings are assessed using delivery indicators that serve as proxies for wellbeing outcomes. For example, it will be inferred that the development of a recreation facility of a specified standard will contribute to the achievement of several social wellbeing outcomes.

The graphics accompanying the following discussion of the four wellbeings are taken from a Council factsheet. They are based on research into what Hamiltonians regard as important to them.

Environmental Wellbeing

“The capacity of the natural environment to support, in a sustainable way, the activities of people and communities”



Hamiltonians place high value on the city's open spaces, its green walking, cycling, and driving routes, and the wildlife its parks, gardens and reserves support. It is intended that the development of Rotokauri will

provide a good environment for living, recreation, and movement.

It is about protecting flora and fauna and air and water quality, but it is also about creating a pleasant built environment and amenities for residents. In the context of Rotokauri this means that habitats for flora and fauna are preserved as far as possible, and that people living in the community will be able to enjoy where they live, while minimising their environmental footprint.

In particular, environmental wellbeing will be fostered where the city has a healthy environment in terms of land, air, and water. The land needs to be
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protected, including things that live on the land, and the quality of the air needs to be good to breathe. The quality of the water in the waterways will be protected and enhanced.

In response to climate change, the city will be reducing its carbon footprint and will take action to reduce the risk from climate-related weather events.

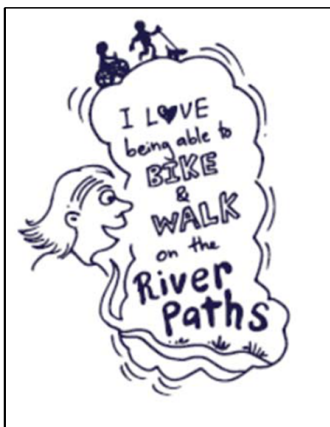
Waste minimisation and recovery are important, as is the efficiency of water use and its reuse. Additionally, homes and buildings are healthy and energy-efficient.

The desired outcomes for environment wellbeing can be summarised as follows. Our city:

- Restores and protects the health and wellbeing of the Waikato River**
- Embraces sustainable use of natural resources**
- Minimises the amount of waste that goes to landfill**
- Protects and enhances our natural taonga, green spaces and biodiversity**
- Is actively responding to the challenges of climate change**

Social Wellbeing

“The capacity of individuals, their families, whaanau, iwi, hapu and a range of communities to be connected, safe and healthy”



Hamiltonians enjoy opportunities to interact with one another in a variety of ways. They make great use of spaces for meetings and social gatherings, libraries where they can pick up a book or communicate with Council, parks for their children and for dog walking, pitches and indoor courts where they can play sports and exercise, and tracks and footpaths where they can cycle, jog or walk.

In the context of Rotokauri, social wellbeing means developing a community, rather than simply a collection of houses. This implies

the need to fund the creation of community infrastructure, as well as strategic infrastructure. Generally, within an ideal community there would be a range of amenities including libraries, community centres, swimming pools, parks, and indoor/outdoor recreation facilities. Medical, schools and related facilities are also needed so that all in the community are able to access a range of services.

People need to feel safe both in their neighbourhoods and while moving around the city. They will have access and support to health and care and the ability to play in spaces and places in the community. People will feel a sense of belonging to the community. Moreover, people may feel pride in Hamilton, believe the city looks attractive and that it is a great place to live, as well as be willing to recommend it as such.

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The desired outcomes for social wellbeing can be summarised as follows. Our city:

Is a great place to play and be active
Is easy, safe, and affordable to get around
Supports people to be healthy and happy
Is a place where people feel safe
Is inclusive and accessible to all
Has neighbourhoods with a strong sense of community

Cultural Wellbeing

“The capacity of communities to retain, interpret and express their shared beliefs, values, customs, behaviours and identities”



Cultural wellbeing is about identity, heritage, and institutions that together make up our communities. Heritage derives from the history of the place as well as the whakapapa of the people. The range of iwi, hapuu, whaanau, families, and communities that previously and currently reside in the area together possess a rich heritage.

Hamiltonians have an attachment to a diverse range of treasures, including the world-famous Hamilton Gardens, the Waikato River and its own heritage, the Chiefs and the Mooloos, the arts, and the café and pub scene.

In particular, diverse communities need to feel part of the city, be welcomed in the city, feel they can be themselves in the city, and are able to retain and express their customs and beliefs. The heritage of communities and cities is recognised, and there is trust in Council and the government.

The desired outcomes for cultural wellbeing can be summarised as follows. Our city:

Supports the values, aspirations, and growth of our taangata whenua
Embraces our social and cultural diversity
Values, protects, and celebrates our rich history and heritage
Has vibrant and attractive public spaces
Has a thriving arts and events scene
Is a place we are proud of

Economic Wellbeing

“The capacity of the city to generate broad-based employment, income and wealth necessary for present and future financial security”



In terms of economic wellbeing, jobs – both the number and the quality – features highly. Jobs contribute to incomes of families, households, whaanau, and businesses. Alongside jobs is the availability and affordability of quality housing. Housing not only enables a sense of belonging but underpins

financial stability as well as opportunities to engage in business.

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A growing economy attracts new ventures while also enhancing the foundations for existing businesses and activities. For growth to be sustainable, it needs to be accompanied by suitable physical and community infrastructure that manages and revitalises resources accordingly.

Hamiltonians know that a growing population is a mark of the city's vibrancy and dynamism. They want the economy to grow and to provide good quality employment opportunities. They also recognise the importance of developing new areas of affordable and good quality housing.

In particular, the Hamilton economy needs to be sustainable, businesses find it easy to work and there is a young, educated workforce. People are attracted to Hamilton, to live and work and enjoy its attractions. Water supply is of a reliable quality, there are a range of sustainable alternative transport options, and the data infrastructure is also reliable. Everyday items are affordable, while people, families and whaanau have access to affordable housing.

The desired outcomes for economic wellbeing can be summarised as follows. Our city:

Is affordable to live in
Provides appropriate housing options that meet the needs of all our people
Has quality employment and education opportunities for all
Has a thriving, sustainable business sector
Is a hub for innovation
Enables individuals and businesses to prosper

6.3 Environmental Wellbeing

The current situation

Lake Rotokauri and surrounds

The current situation is that Lake Rotokauri is degraded and will be further degraded by discharges of stormwater as a consequence of urbanisation.

As noted in the Rotokauri Integrated Catchment Management Plan, the catchment is a predominantly greenfield catchment.

“Catchment topography is generally very flat, punctuated with peripheral ridgeline and gully areas that further characterise the catchment. The Waiwhakareke Natural Heritage Park is located in the upper headwaters of the southern area of the catchment, so named after Lake Waiwhakareke which drains from the catchment via a highly modified stream known as the ‘Rotokauri Drain’. The Rotokauri Drain forms the single main outlet to this part of the catchment, passing beneath Exelby Road (Council’s jurisdictional boundary) prior to entering Lake Rotokauri.

The catchment overall is highly valued for its existing natural areas and several agencies are proactively engaged in restoring the two lakes and surrounding sub-catchment areas. Both lakes are managed to support wide ranging values including ecological, historical, cultural, public access and recreation. They also possess significant biodiversity values and are protected through various policy and planning provisions. The main known issues for the catchment and subsequent constraints for development range from:

- Existing poor water quality status of the two main lakes which are subject to various cross agency improvement initiatives
- High groundwater levels combined with low permeability soils which limit the potential for widespread use of soakage
- Extensive flood management issues which require significant flood storage mitigation within the development area to safeguard downstream flood protection levels of service
- Moderate to high erosion susceptibility in the upper headwater areas of the catchment, along with high erosion susceptibility and existing hotspots in the downstream reach of the Rotokauri Drain.”

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Figure 21: At Risk – the Giant Kookopu

The Integrated Catchment Management Plan describes a range of best practicable options to address the main issues for the catchment. These options include: establishing a Green Corridor Network, use of soakage/filtration systems to reduce runoff volume, maintaining groundwater levels in proximity to Waiwhakareke Natural Heritage Park, drainage solution, stormwater treatment drain solution, ecological protection and enhancement through eco-sensitive infrastructure design, and the restoration and protection of habitat.



Figure 22: Significant natural areas and reserves in Rotokauri area

Further, the 2018 Ecological Assessment notes:

“The lake is characterised by poor water quality and supports populations of pest fish species. However, the lake does have important marginal wetland habitats, provides habitat for the At Risk giant kookopu and meets four significance criteria. We consider that Lake Rotokauri is of ‘High’ ecological value.

Lake Waiwhakareke is a shallow peat lake situated within the Waiwhakareke Natural Heritage Park and has one outflow, the Rotokauri Drain. Water quality in the lake is poor and classified as eutrophic to hypertrophic (nutrient enriched).

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Rotokauri Drain is representative of a highly modified watercourse but does provide an important corridor between lake and wetland habitats at either end. The drain also supports At Risk fish species (giant kookopu, iinanga, longfin eel), including potential spawning habitat for giant kookopu. Rotokauri Drain meets three significance criteria under the Waikato Regional Policy Statement and we consider the drain to be of ‘High’ ecological value despite its modified state.”

The Rotokauri area requires significant infrastructure investments in drainage and flood protection.



Figure 23a: Current Water Storage in Rotokauri



Figure 23b: Current Water Storage in Rotokauri

Transport options

Currently, those living in Rotokauri have few transport options beyond the personal motor vehicle. Furthermore, the route into the city to access employment and other services is indirect, with congestion at key intersections unavoidable. This situation perpetuates the behaviour of ongoing motor vehicle use. Further, given the lack of services nearby, the need for transport connections is unavoidable.

Allied to the lack of alternative transport options, the current situation sees little ability to avoid or minimise transport-related emissions. Similarly, there is little opportunity to adjust behaviour to enable emission-minimising opportunities.

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Figure 24a: Rural road bordering development and cycleway



Figure 24b: Rural road bordering development and cycleway

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The Rotokauri development

The Deferred Community option for Rotokauri risks a perpetuation and indeed deterioration of environmental wellbeing. Not only will the challenges of the current situation around water discharges and lake water quality risk being ignored, embedding current behaviour will see the impacts worsen. The Deferred Community option does little to tackle the challenges, or propose mitigation options. In addition, the absence of alternative transport options will continue the status quo of dominant private motor vehicle use.

The Piecemeal Community option incorporates the development of a high-quality stormwater floodway to overcome some of the drainage and water quality challenges. However, the risks of sub-optimal development are present should this investment be delayed. The Piecemeal Community option initiates investments over years 4 to 10. This potentially leaves a residual risk that early development contributes negatively to environmental wellbeing as infrastructure is not in place to service early residents.

While the Piecemeal Community option sees considerable transport infrastructure investment spread over years 1-10, the bulk remains to be invested on year 8 and beyond. This delayed investment spending risks embedding transport choice behaviour in the interim. Once embedded, the opportunity to shift behaviour to alternatives becomes increasingly difficult.

The Build Community option completes transport and water bulk housing infrastructure over years 1-10. This impact maximises the opportunity to embed in behaviours consistent with the environmental wellbeing outcomes stated in Hamilton's Wellbeing Framework.

The potential impact of developing Rotokauri on habitats, and the species that live in them, was examined as part of a 2016 Ecological Assessment⁵ that was undertaken during the preparation of the Integrated Catchment Management Plan. The plan concluded that:

⁵ Rotokauri Integrated Catchment Management Plan – Ecological Assessment and Inputs, by Kessels Ecology for Hamilton City Council, August 2016.
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“Though many are highly modified, waterways within the Rotokauri Integrated Catchment Management Plan area provide important habitat for indigenous fauna, including the nationally ‘At Risk’ giant kookopu (pictured). The design of the stormwater conveyance system and associated green corridor has the potential to improve ecological values within the Integrated Catchment Management Plan area, but also has potential adverse effects on ecology that can be avoided through careful design and construction management.”

Additionally, there is the threatened status of the mudfish. Their habitat was not considered by the 2016 assessment but are noted in a recent Tonkin & Taylor assessment⁶. These fish live in pools in swampy ground but, although they are present in Rotokauri, none were caught in traps set in the catchment waterways. Nonetheless, their survival could be put at risk if the stormwater system that is planned has the effect of lowering ground water levels in the wider area around the system.



Figure 25: Black Mudfish (Source: Department of Conservation website)

⁶ Rotokauri floodway mudfish assessment, Tonkin & Taylor, March 2020.

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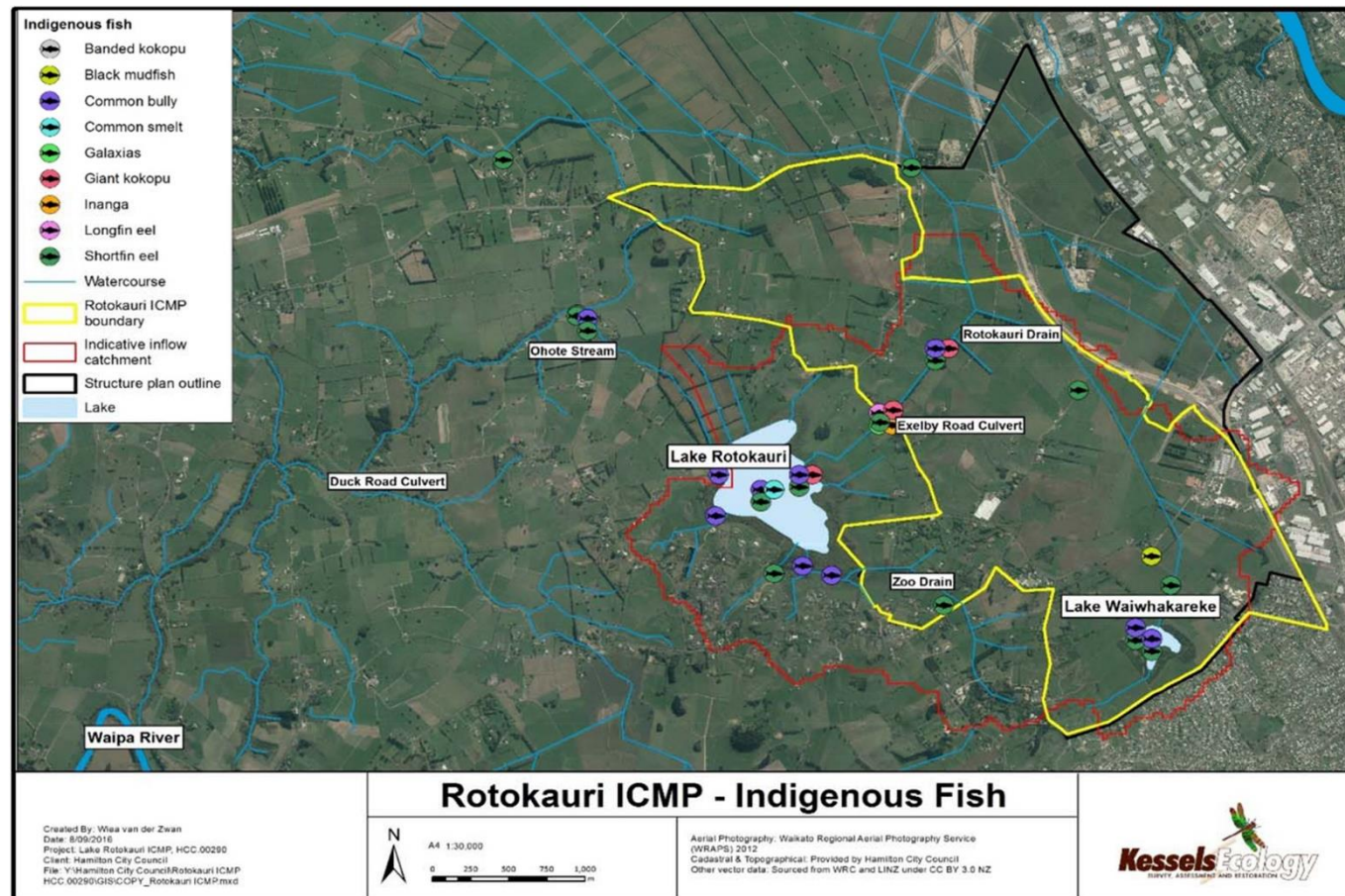


Figure 26: Rotokauri Floodway Mudfish Risk Assessment

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The Rotokauri development will require careful design, management, and construction of infrastructure to ensure improved environmental wellbeing.

As summarised in the 2018 Ecological Assessment, recommended measures to avoid, remedy, minimise and mitigate adverse ecological effects are discussed throughout our assessment of ecological effects. It is recommended that these measures are developed further prior to construction by way of an Ecological Management Plan for the project. The purpose of the Ecological Management Plan will be to ensure that appropriate measures are in place to avoid, remedy or mitigate potential adverse effects associated with the construction and commissioning of the stormwater floodway project.

Solution / future picture

A stormwater floodway from lake to lake is envisaged as the outcome of the Rotokauri development. Native planting along with walkways/cycleways along the stormwater floodway reinforces environmental wellbeing. Groundwater and lake levels are protected, and water quality is improved.

Constructing a stormwater floodway to drain stormwater is intended to ensure that developing the growth cell makes water quality in the lake no worse and, if possible, achieves a small enhancement through treatment of nitrogen and phosphorus.

Similarly, transport infrastructure is improved to introduce options beyond the private motor vehicle. This spending also has the potential to improve environmental wellbeing.

During the design and construction phases care will be required to ensure the opportunities to achieve these environmental wellbeing outcomes are protected.



Figure 27: Artist's concept of proposed Rotokauri stormwater floodway

The outcomes

The desired outcomes in terms of environment wellbeing summarised in Council's Shape Your Future City document guide the following discussion.

Our city restores and protects the health and wellbeing of the Waikato River, and embraces sustainable use of natural resources

These two outcome statements are of most relevance in terms of environmental wellbeing given the development options under scrutiny. In particular, the relevant measure is the need for the quality of the water in the city's waterways to be protected and enhanced. Further, the management of groundwater around Rotokauri and water in Lake Rotokauri and Lake Waiwhakareke impacts on the health and wellbeing of the Waipa and Waikato Rivers.

As a consequence of improving drainage via the stormwater floodway and the urban development, habitat for native fish including mudfish will be altered. The planting along the stormwater floodway and the way in which it is managed might enhance the habitat for most aquatic species, but

urbanisation (including the stormwater floodway) may also have a negative consequence on mudfish habitats because water tables will be lowered.

The expectation from a Deferred Community option is for ongoing sub-optimal development. There is potential for current harm to be exacerbated by the sub-optimal development leading to worsening degradation of water quality and waterways.

The Piecemeal Community option risks further degradation to the environment as development is piecemeal and infrastructure solutions are sub-optimal. This poses an increased risk to habitats and water quality.

In contrast, there are clear benefits of the Build Community approach, as avoiding ongoing harm, and implementing mitigation earlier results in improved outcomes.

While the long-term outcome may be similar to that of the Piecemeal Community option, outcomes over the intervening short term will differ considerably.

Rotokauri residents will expect to enjoy their environment. This means that the public realm in the development (i.e. publicly accessible areas including streets, squares, forecourts, parks, and open spaces) will need to be attractive and welcoming. Ideally, the stormwater floodway would be more than a stormwater conduit. The land immediately bordering the stormwater floodway is planned to serve as a public recreational space and a zone where people will be able to enjoy the benefits of new wetland areas and riparian planting. The design of the stormwater floodway and its margins could, therefore, contribute to both environmental and social wellbeing.

Our city protects and enhances our natural taonga, green spaces and biodiversity

This desired outcome is closely related to the two discussed above. Improving the management of groundwater and water quality will impact on the taonga that is the Waikato River as well as supporting the biodiversity in Lake Rotokauri and surrounds. Clearly, the plight of the giant kookopu and the mudfish noted earlier will be affected by the scale and nature of the development of the area.

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The Rotokauri development must be progressed in a manner that is consistent with this outcome. However, this outcome is more than consistent with the development's goal of building a community as opposed to building houses.

In this light, the timing of the development again becomes critical. The Deferred Community option risks further harm to taonga, green spaces, and biodiversity. The current situation is far from satisfactory for this desired outcome. It is critical to note that so-called short-term harm is unlikely to be fully reversed over the longer term as infrastructure investment begins after year 10.

The Piecemeal Community option may not be as harmful over the short term as the Deferred Community option. However, the Build Community option is potentially best from the perspective of addressing current harm and improving longer-term outcomes.

Our city is actively responding to the challenges of climate change

Another outcome of relevance is the response to climate change and the desired reduction in city's carbon footprint. Transport emissions can be mitigated by the availability of transport options beyond private motor vehicle use. In this context, the Deferred Community option is clearly negative for this outcome.

The Piecemeal Community option could result in similar transport choices and so emission outcomes over the long term would be similar to that for the Build Community option. However, outcomes over the short term will be inferior in the Piecemeal Community option. As, noted above, behaviours in terms of use of private motor vehicle embedded over the short term may be difficult to shift over the longer term.

Environment wellbeing conclusion

In terms of overall infrastructure investments, all three options are similar, and so could be expected to yield similar environmental wellbeing outcomes over the long term. However, the timing differences in investment spending and infrastructure implementation do influence the environmental outcomes over both the short and the long term.

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Summary impacts of options on environmental wellbeing

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
Our City	Short term	Long term	Short term	Long term	Short term	Long term
Is actively responding to the challenges of climate change						
Restores and protects the health and wellbeing of the Waikato River and Embraces sustainable use of natural resources						
Protects and enhances our natural taonga, green spaces and biodiversity						
Minimises the amount of waste that goes to landfill						
ENVIRONMENTAL WELLBEING						

Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

Short term

As with the Build Community option, some negative outcomes under the Piecemeal Community option (e.g. to groundwater levels and quality, wildlife impacts) could be exacerbated if residential development continues without sufficient supporting infrastructure investments. Similarly, other environmental concerns under the Piecemeal Community option (e.g. prolonged dependency on car journeys because of lack of community facilities) could also be increased. In addition, if the Piecemeal Community option is associated with development of sub-optimal strategic infrastructure (e.g. an inadequate stormwater floodway, requiring later remediation), negative environmental impacts could be magnified.

The Deferred Community option provides negative outcomes for environmental wellbeing. There are no mitigation activities and existing development risks further environmental harm over years 1 to 10.

Long term

As noted, all options provide the opportunity to create a stormwater floodway with extensive riparian plantings and wetland areas for native flora and fauna. Options around alternative transport connections are also similar.

However, negative impacts on environmental wellbeing over the short term in the Deferred Community and Piecemeal Community options have a lasting impact. In contrast, the 'head start' on environmental wellbeing yielded by the Build Community option provides a platform for gains over the long term.



Figure 28: Artist's concept of proposed Rotokauri stormwater wetland

6.4 Social Wellbeing

The outcomes associated with social wellbeing are related to safety, active and healthy communities, a sense of belonging, and pride in city.

The current situation

The current situation sees residential properties being established with limited connection to the city, and little availability or access to community infrastructure and associated facilities.



Figure 29: Rotokauri Current satellite view

The Rotokauri development

To succeed in improving social wellbeing, this development must encompass the establishment of homes and community. Consequently, a critical element in the proposed stormwater floodway is the integration of design features to enhance the community amenity value of the area.

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Figure 30: Artist's concept of proposed Rotokauri stormwater wetland

Parks and open spaces are considered a core service of Council and are, therefore, generally funded by Council itself. The funding would include the purchase of land and its subsequent development into useable spaces for sport and recreation. External funding is not sought or generally available for parks and open spaces, but there is the potential for some park infrastructure, such as park benches, to be funded externally. These are often purchased as memorials for residents by their families, and there are many examples across the city. However, these are more traditionally in established areas rather than new growth areas, so it is unlikely to be a source of funding for Rotokauri.

Playgrounds have been the subject of significant effort by Council into attracting external funding. The Hamilton Destination and Neighbourhood Playground Network has been well received by the community, and individual playgrounds have received various awards in recent years. Destination playgrounds have been the key vessel for partnerships and attracting external funding. The destination playground in Dominion Park, which neighbours Rotokauri, is a good example. Several partners and funders worked with Council to develop it. If a destination playground is to be located in Rotokauri, there may be opportunities for partners to meet part of the cost, although significant relationship building would need to occur. If Council delivers simpler neighbourhood playgrounds in the area (a more

likely scenario), opportunities for outside funding would be reduced as Council's strategy is to focus external funding on destination playgrounds.

Libraries are considered a core function of Council and are, therefore, not open to external funding.

Indoor recreation has recently benefitted from Council's success in partnering with others to deliver a new facility. The Peak is an indoor recreation facility in Rototuna, which serves the needs of the Rototuna High Schools and the community. Its key feature is that it provides larger and better facilities than either the schools or Council could have afforded alone.

The Peak is the result of a collaboration between the Ministry of Education, Hamilton City Council, Rototuna High Schools Establishment Board, Sport Waikato and five Regional Sports Codes. It is operated by the Rototuna Indoor Recreation Centre Trust. The capital cost of the project was just over \$9m, of which roughly half came from the Ministry of Education, and half came from Council. Council also provides an annual operating grant of just under \$100,000. The Trust also undertakes additional fundraising activities to cover operating expenses and equipment upgrades.

The Peak provides school students access during the weekdays and community access across 16 hours – 7 days a week. The value of the facility is demonstrated by the fact that, during its first year of operation, it achieved 74% occupancy of its playing courts. It also served the needs of 1450 high school pupils and had 132,505 visits by members of the community.

Hamilton's destination aquatic facility, Waterworld, is approximately 7km from Rotokauri, so it is unlikely that a large aquatic facility will be needed in the area. However, there is an opportunity for a smaller local facility such as

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a learn-to-swim pool. This could potentially be delivered as a partnership project like The Peak model or in addition to such a facility.

Council has also recently worked with a commercial pool provider in Rototuna, so a similar model could be applied in Rotokauri. This would involve council buying land and then leasing this to a commercial pool provider who would run a facility independent of Council. The amount of funding available for community infrastructure, and the timing over which the infrastructure is put in place is depicted in Figure 32.

This spending will impact outcomes across all wellbeing, with an emphasis on social wellbeing. Minimal spending on community infrastructure would limit social wellbeing, as it would imply little in the form of establishment or development of a community. The timing of this spending is also important in their potential impact on social wellbeing outcomes.

Again, like the environment wellbeing discussion, the later these investments are implemented the more difficult it is to change behaviours or perceptions of community. Consequently, building houses earlier, but leaving the establishment of homes and communities to later in the timeline risks reducing the potential improvements in social wellbeing.



Figures 31a and 31b: The Peak in Rototuna

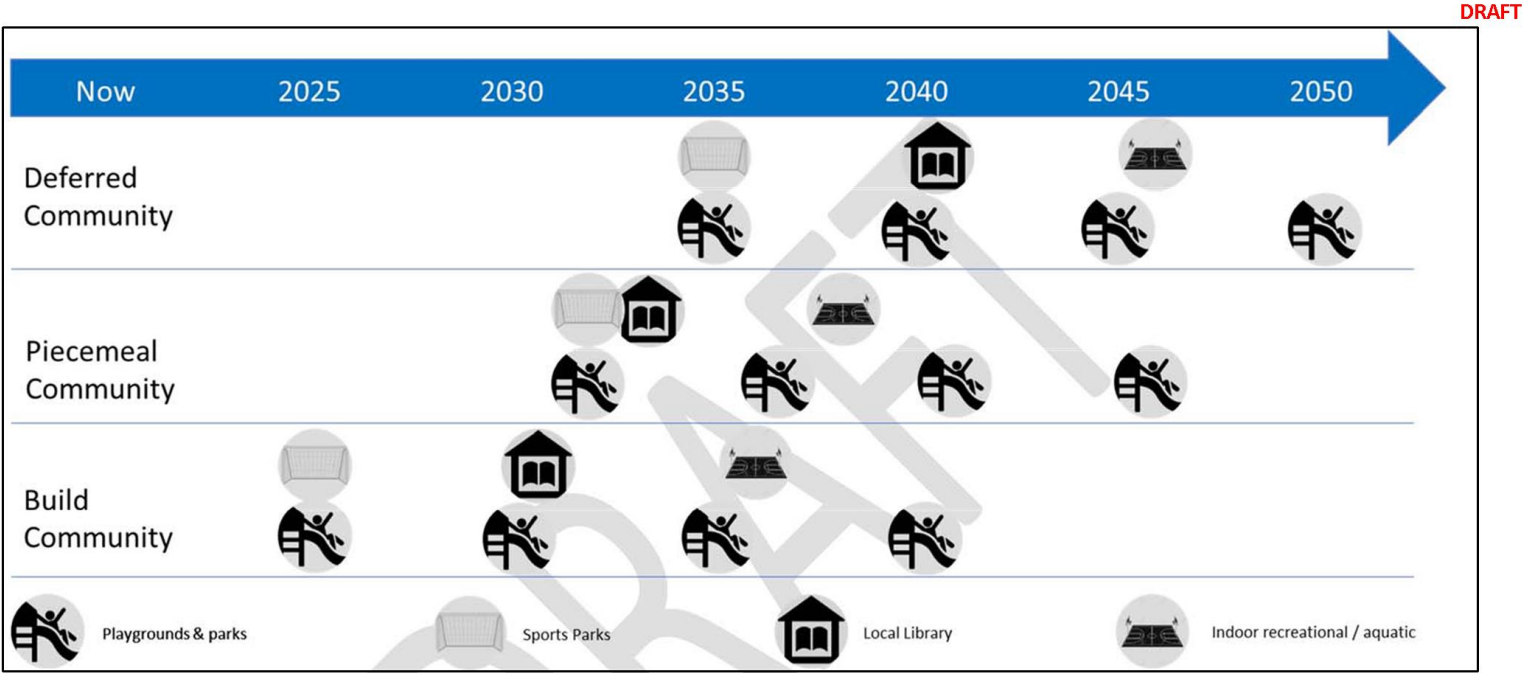


Figure 32: Timeline of community infrastructure investment

The outcomes

The desired outcomes in terms of social wellbeing summarised in the HCC Shape Your Future City document guide the following discussion. Outcomes are grouped to broadly relate to healthy and happy people, safety and affordability, and a sense of community, inclusion and access. The great place outcome is treated, in the context of the Rotokauri development options, as a combination of all of these desired outcomes.

Our city supports people to be healthy and happy

Active and healthy individuals and communities will have access and ability to play in spaces and places. Investments in parks and outdoor recreation areas are central to this outcome. Further, the proximity of these spaces and places nearby is also relevant. The integration of cycle and alternative transport options can impact on enabling and encouraging active and healthy lifestyle and behaviours.

Our city is a place where people feel safe, and it is easy, safe and affordable to get around

Feelings of safety can be related to the presence of community and to a sense of belonging. With little infrastructure available to establish or promote community the Deferred Community option does little to improve levels of safety. The Build Community option includes earlier investments and so can enable improved outcomes in terms of community safety.

Our city has neighbourhoods with a strong sense of community, and is inclusive and accessible to all

A sense of belonging to a community is best established from the beginning. Where it is clear that a community is present—as opposed to a group of houses—with access to shared facilities (libraries, parks, schools, recreation centres), a sense of belonging can be fostered. Wellbeing improvements over time can arise with ongoing quality and well-maintained facilities.

Where a sense of belonging is absent, people and families will look elsewhere for such community interaction. Thereafter, it is difficult to change such embedded behaviours or perceptions.

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Social wellbeing conclusion

Compared with the Build Community option, the social wellbeing benefits related to the Deferred Community and the Piecemeal Community options are significantly delayed.

Summary impacts of options on social wellbeing

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
Our city	Short term	Long term	Short term	Long term	Short term	Long term
Is a place where people feel safe and Is easy, safe, and affordable to get around	Red	Red	Red	Yellow	Green	Green
Supports people to be healthy and happy	Red	Red	Red	Red	Green	Green
Has neighbourhoods with a strong sense of community and Is inclusive and accessible to all	Red	Red	Red	Red	Green	Green
Is a great place to play and be active	Red	Red	Red	Yellow	Green	Green
SOCIAL WELLBEING	Red	Red	Red	Red	Green	Green

Where:

- **green** indicates improving impact
- **yellow** indicates neutral impact
- **red** indicates deteriorating impact

Short term

Importantly, for the Deferred Community and the Piecemeal Community options, social wellbeing outcomes could also be much smaller. This is because if the cost of purchasing the necessary land increases over time, the funding available for development of facilities from a set budget will be less. Fewer and/or lower quality facilities could result, making Rotokauri less appealing as a place to live with negative impacts on community safety and sense of belonging.

Long term

The Build Community option would be markedly better for social wellbeing than either of the other two options.

6.5 Cultural Wellbeing

As for other wellbeings, there is overlap between cultural and the other dimensions of wellbeing. There is considerable overlap with social and environmental wellbeing.

However, the desired outcomes in Hamilton's Wellbeing Framework are distinct. In the context of the Rotokauri development, the outcome "our heritage is valued" is relevant. The other two outcomes are also noted here: "our communities can express their identity" and "our communities have trust in institutions".

The current situation

A Cultural Impact Assessment⁷ of the Rotokauri area, undertaken for the Council, noted that, in ancient times, Maaori lived mainly on the lake margins, but they used different parts of the wider area for burial grounds, gathering flax, collecting timber, and hunting birds and catching fish. The sites where these activities took place were regarded as waahi tapu (sacred sites), and they remain so.

⁷ Taangata Whenua Cultural Impact Assessment - Rotokauri Greenway Project, Te Ha o te Whenua o Kirikiriroa, September 2019.

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The Cultural Impact Assessment notes:

"The serious destruction of these forests began around the 1820's when Ngaapuhi forces armed with muskets, invaded the region and set fire to many of the settlements and surrounding forests along the Waipa River.

Later huge land clearances were directed by European Christian missionaries such as Rev. Ashwell (known to Tainui as Potaenui) who himself set fire to many of the ancient forest reserves in the area. He also encouraged Maaori who had been converted to Christianity to clear the forests and transform the land into European type farms. This had an enormously deleterious effect upon the natural resource based commercial trade which Tainui undertook prior to 1860.

In ancient times, the hills and ranges overlooking the Rotokauri area were densely forested with a mixture of Matai, Miro, Totara, Rimu and Tawa trees. By contrast, the forests of the peat swamps and low-lying plains were dominated by Kahikatea, Titoki, Rewarewa and Pukatea trees, with Maire trees on the margins of the swamps.

Within these dense forest stands there was ground cover of ferns such as Rauruhe, Maheuheu, Punga and Mamaku. Several species of vines (Mangemange) climbed up, and hung from, the forest trees. These vines were particularly significant for the Maaori people of the area as they provided an important raw resource required in their everyday lives. For example, Kareao (supplejack) was used for lashings in the manufacture of eeling pots (hinaki), construction of the defence stockades of fortified Paa, house structures, agricultural implements, musical instruments and canoes.

In the Maaori language Rotokauri means "lake of Kauri trees". Lake Rotokauri was given this name because of the many Kauri logs which are buried in the bed of the lake and around its margins. These are the remains of ancient Kauri trees which grew throughout this area, some

of which, through natural causes, fell over into the lake. The Rotokauri area was extensively dug over for Kauri Gum by Maaori during the 1840's-1920's.



Figure 32: Kauri Forest

The lakes Rotokauri, Rotokaeo and Waiwhakareke held special spiritual and sustenance significance to Maaori of this region. Freshwater mussels grew in abundance particularly in Waiwhakareke and were gathered by Maaori for food. The mussel shells were manufactured into cutting implements for gathering flax and stripping the soft flesh from the leaves to extract the long fibrous strands which were used for manufacturing clothes, cloaks, mats, fishing line and many other everyday items. In addition, these lakes held an abundance of eels, freshwater crayfish, and native trout, all of which provided essential foods for the Maaori people of the area."

Maaori see themselves as kaitiaki (guardians) responsible for the land and its waterways. They have concerns, shared with others, about the degradation of the waterways, and the flora and fauna. However, the assessment indicated that it should be possible to mitigate and improve the vitality and the mauri (life force) of the ecosystem. Development does not necessarily do harm, but it must be sensitive, and protocols should be observed when mitigation measures are taken. The protocols cover such things as the need for karakia

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when earthworks are undertaken, and the requirement for the presence of kaitiaki when archaeological work is undertaken.

Cultural wellbeing, noting especially the desired outcome of "our heritage is valued", also requires developments in a manner that recognise the importance of an area to taangata whenua. [Whakatupuranga 2050](#) vision of Tainui is "to use the wisdom of Kiingi Tawhiao in determining our future". This is further guided by the principles of the Kiingitanga being:

Whakaiti	Humility
Whakapono	Trust and Faith
Aroha	Love and Respect
Rangimaarie	Peace and Calm
Manaakitanga	Caring
Kotahitanga	Unity
Mahi Tahi	Collaboration

Clearly, these principles are not explicitly aligned to the desired outcomes in Hamilton's Wellbeing Framework. Nevertheless, they are not inconsistent.

The Rotokauri development

The Cultural Impact Assessment also noted that the development of a stormwater floodway, rather than simply as a stormwater drain, would support environmental values important to Maaori. Furthermore, stormwater floodways are important to Hamiltonians, whether they are alongside waterways, tracks, or roads. A well-designed, quality stormwater floodway in Rotokauri would undoubtedly quickly become a treasure for the wider community.

However, critical to cultural wellbeing (and, in particular, the "our heritage is valued" outcome) will be the manner in which the development is implemented. The Cultural Impact Assessment referenced the archaeological assessment provided by Sian Keith Archaeology Ltd in November 2018, where

risks of encountering archaeological remains during any construction activity were noted. In particular,

“Research undertaken as part of this assessment identified where two paa sites are documented. One of these sites is a lakeside/swamp paa (S14/5) which was partially investigated by the Waikato Museum Archaeological Society in 1973-4. The second is recorded to be on the higher ground just above the swamp paa and is named Te Uhi Paa (S14/486) which was occupied by Ngaati Maahanga until 1863. Refer to 5.4.1 and 5.4.2.

Based on the available published information, and the results of the fieldwork undertaken by SKA, the assessment concluded that there is a high risk of encountering archaeological remains during any earthworks to the west of Exelby Road connecting to Lake Rotokauri; and a low risk that archaeological sites, features or deposits will be encountered during the remaining proposed works.

For THaWK, these facts alone warrant direct attention and kanohi ki te kanohi (face to face) dialogue between taangata whenua of those respective sites.”

A genuinely collaborative and inclusive process during the detailed design, construction, and post-construction phases of the development will contribute considerably to the “our heritage is valued” outcome. Furthermore, the stormwater floodway presents opportunities to give expression to the values of mana whenua, and to enable a ‘living’ record of the history of use and significance of places along the stormwater floodway corridor through various means.

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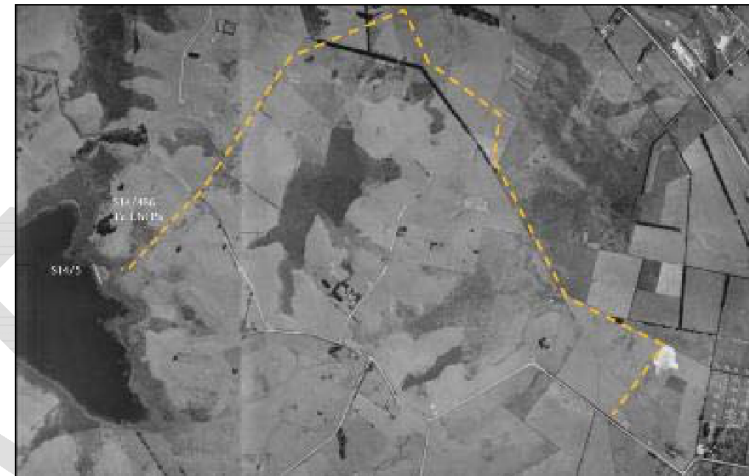


Figure 33: 1943 aerial image with the indicative project extent shown with yellow dashed line (source: Retrolens.nz)

The outcomes

The desired outcomes in terms of cultural wellbeing summarised in the HCC Shape Your Future City document guide the following discussion. Valuing, protecting, and celebrating “our rich history and heritage” is the relevant desired outcome in terms of cultural wellbeing.

Our city values, protects and celebrates our rich history and heritage

This outcome is heavily dependent on the manner of the design, mitigation, construction, and post-construction activities. A collaborative, inclusive approach has the potential to result in improvements in cultural wellbeing.

Acknowledging the existing degraded environmental situation (including poor water quality and groundwater levels), a development that contributes to

alleviating these impacts would also improve the perspective that our heritage is valued.

In contrast, a development that delays or defers addressing existing groundwater levels and water quality concerns is likely to contribute a deterioration of cultural wellbeing. This is particularly relevant if residential development continues in the area without accompanying mitigation and infrastructure investments. Further, any such deterioration would be difficult to fully reverse in later stages of development.

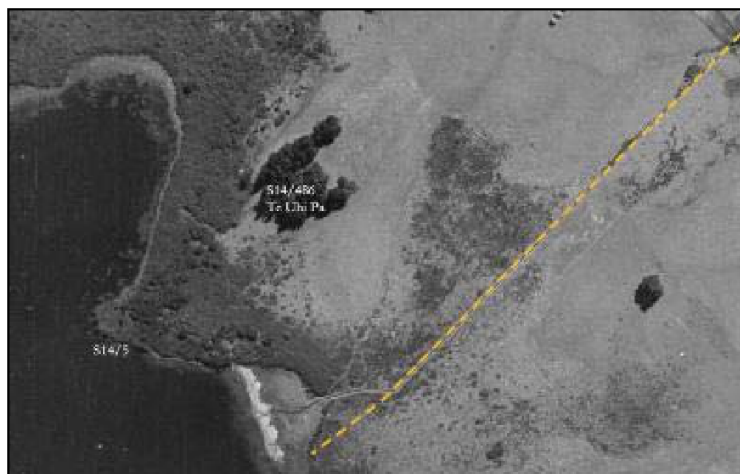


Figure 34: 1943 aerial close-up of paa and stormwater floodway

Our communities have trust in institutions and can express their identity

In terms of trust in institutions, this is an outcome that can relatively quickly be eroded, and is consequentially more difficult to re-establish. In contrast, improvements are unlikely to be registered over a short term. In other words, consistent behaviour and experiences over a much longer term are generally required to cement in improvements

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In terms of expression of identity, the impact of the Rotokauri development is more neutral.

This outcome may improve in the case of the stormwater floodway and other infrastructure investments enabling a living record of the history and significance of places in the area.

Our city supports the values, aspirations, and growth of our taangata whenua, and embraces our social and cultural diversity

Social and cultural diversity and supporting the values and aspirations of taangata whenua can be reflected by trust in institutions. In turn, institutions that are seen to be disconnected and do not reflect the diversity and values of communities will be unable to elicit trust from such communities.

Trust in institutions can be relatively quickly eroded and, if so, is consequentially more difficult to re-establish. In contrast, improvements are unlikely to be registered over a short term. In other words, consistent behaviour and experiences over a much longer term are generally required to cement in improvements for these wellbeing outcomes.

In light of these comments, the timing of investments in the development are again important. In essence, the Deferred Community or Piecemeal Community do not support behaviour consistent in terms of these desired outcomes. Supporting diversity and taangata whenua would require trust that short-term harms were not being demoted in significance in favour of other gains and/or longer-term objectives.

In terms of vibrant public spaces and a thriving arts and events scene, the impact of the Rotokauri development is more neutral.

Cultural wellbeing conclusion

As noted earlier, in the context of Rotokauri, promoting or safeguarding cultural wellbeing largely means developing the land in a way that acknowledges taangata whenua and the special importance of the area. A risk here is that if the Piecemeal Community option were to be selected, a sub-optimal stormwater floodway could result. This would conflict with the kaitiaki role, and the scope for mitigation measures could be impeded.

Short term

Cultural wellbeing is difficult to improve over the short term but can be quickly eroded.

The Deferred Community and Piecemeal Community options do little for cultural wellbeing over the short term. As infrastructure investments are delayed in these options, existing environmental harm is left unaddressed while the perception that heritage is valued is unsupported.

The Build Community option is more neutral over the short term, as investments are implemented.

Long term

Despite the investments eventually occurring, the Deferred Community option struggles to reverse the short-term deterioration in cultural wellbeing. The earlier investments in the Piecemeal Community option makes can shift the negative short-term deteriorations towards a neutral long-term impact on cultural wellbeing.

The Build Community option is clearly preferable to either of the other options. However, this impact assumes that the development is progressed in a genuinely collaborative manner across all stages of activity. Should this assumption not hold then the positive improvement in cultural wellbeing would be more than optimistic.

Summary impacts of options on cultural wellbeing

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Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
Our city	Short term	Long term	Short term	Long term	Short term	Long term
Values, protects, and celebrates our rich history and heritage						
Supports the values, aspirations, and growth of our taangata whenua and Embraces our social and cultural diversity						
Has vibrant and attractive public spaces and Has a thriving arts and events scene and Is a place we are proud of						
CULTURAL WELLBEING						

Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

6.6 Economic Wellbeing

In the context of Rotokauri economic wellbeing is enabling existing businesses and other employing-organisations to operate sustainably and grow. It also means attracting new businesses and services to the City. Sustaining and growing businesses will necessitate a growing labour supply, which will be met largely from a larger population. It will also necessitate the development of new commercial and industrial premises.

The current situation

As outlined in the strategic case there remains considerable demand for housing in the Hamilton area and surrounds. Hamilton City has seen a sustained period of growth with new residential dwellings approximating 1200 per year which was forecast to continue. This arises from both national and local population growth, alongside considerable central government investment in transport connections and related infrastructure.

While the imbalance in housing demand and supply is nationwide, it is accentuated in high-growth areas such as Hamilton.

The risk to demand for housing posed by the COVID-19 pandemic is acknowledged. However, it is projected that demand will recover to pre-COVID levels by approximately 2024, which is when the Build Community option starts to yield higher volumes of houses.

Rotokauri is situated adjacent to the Te Rapa employment zone where substantially all of the greenfield industrial / commercial land has now sold.

Nevertheless, the attractiveness of Hamilton and the broader Waikato area is unlikely to recede, as developments in Auckland and the upper North Island take hold.

The development of Hamilton as a growth city, attracting investment and people is reliant on the future availability of well-planned, accessible,

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residential housing within communities that are well-connected in both physical and social senses.

The Rotokauri development

All three options are assumed to achieve the same eventual outcome of 2857 household unit equivalents (HUEs) over the coming 30 years. In addition, they are similar in terms of infrastructure put in place and industrial and commercial premises constructed.

The development will also yield 108,100m² of industrial land and 37,200m² of commercial land.

In terms of economic wellbeing, this means enabling existing businesses and other employing-organisations to operate sustainably and grow. It also means attracting new businesses and services to the city. Sustaining and growing businesses will necessitate a growing labour supply, which will be met largely from a larger population.

However, these eventual outcomes will be achieved over different timeframes.

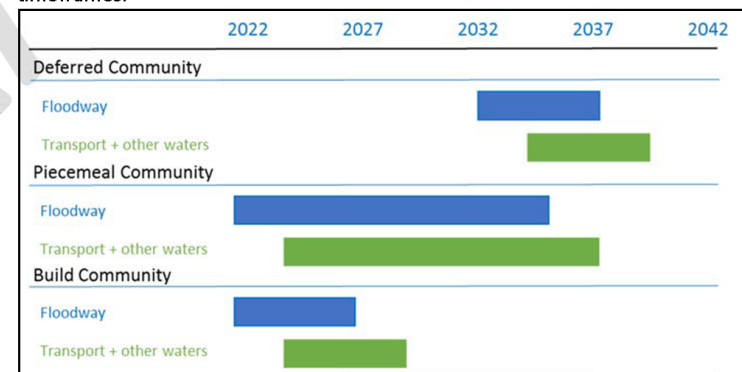


Figure 35: Timing of Strategic Network Infrastructure

The significance of investment timing is that cost benefit analysis, which constitutes a part of the economic wellbeing evaluation, is based on discounting. This means that costs and benefits that occur earlier have more value than those that occur later. This would tend to favour the Build Community option, which is based on completing the development of the network and community infrastructure earlier than would be the case with the Piecemeal Community option. However, the lower the discount rate the lower the weight to earlier benefits and costs in the cost benefit analysis process.

Given the Council borrowing rate of approximately 4% per annum, this would imply a real discount rate of 2% per annum. The Treasury real social discount rate of 6% per annum, as used in standard Treasury business case assessments would provide an even greater weight towards the earlier completion of infrastructure as in the Build Community option.

The benefits captured in this calculation include the construction sector spending on dwellings, commercial and industrial buildings, and infrastructure – on the assumption that 75% of such construction is additional. Construction sector multipliers are applied to capture the impacts on suppliers of this spending. In addition, household expenditure (again assuming that 75% is additional) with appropriate multipliers are included, as are estimates of travel time savings under each option. The costs side of the analysis included the costs of all strategic network and community infrastructure.

The assessed benefit cost ratio for the options reinforce the preference for earlier spending in order to enjoy the resultant benefits earlier. Using the standard Treasury 6% per annum discount rate leads to a benefit cost ratio of 19.8 for the Build Community option compared to 15.6 for the Piecemeal Community option.

⁸ 10.8 hectares of industrial land yielding 1,350 jobs; and 3.7 hectares of commercial land yielding 1,870 jobs; and assuming (as per BCA) 75% is additional and 25% is diverted from elsewhere in Hamilton.
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Benefit cost ratio of options under different discount rate assumptions

Real Discount Rate		
	2.0%	6.0%
Deferred Community	19.2	17.3
Piecemeal Community	20.2	15.6
Build Community	24.2	19.8

Details of the benefit cost ratio calculations are included at Appendix 21.

A lower 2% per annum discount rate results in higher assessed benefit cost ratios, as the delayed timing of benefits and costs are not as important in the calculations. Nevertheless, the Build Community option continues to rank higher than the Piecemeal Community option.

In comparison to the Deferred Community option, infrastructure construction projects an additional 54 annual jobs on average over years 1 to 10 in the Piecemeal Community option. The Build Community option projects an average additional 165 jobs each year over this period.

The Piecemeal Community option is projected to result in an additional 0.5% in GDP and household incomes over years 1 to 10. The Build Community option results in 1.6% more GDP and household incomes over the first 10 years.

Beyond the infrastructure construction impact, the 14.5 hectares of commercial and industrial land released by the Rotokauri development enables further employment opportunities. Using broad sector averages suggests a total of 3300 jobs in Rotokauri, of which 2400 would be generated additional to Hamilton⁸. The timing of these job gains though is clearly related to the release of the land, which in turn is dependent on the infrastructure investment. As illustrated in Figure 36, the Build Community option sees

employment gains reaching a peak in year 10 and then being enjoyed thereafter. The Piecemeal Community option sees a more gradual increase in job numbers over the period to years 30. The Deferred Community option does not see employment gains begin after year 10.

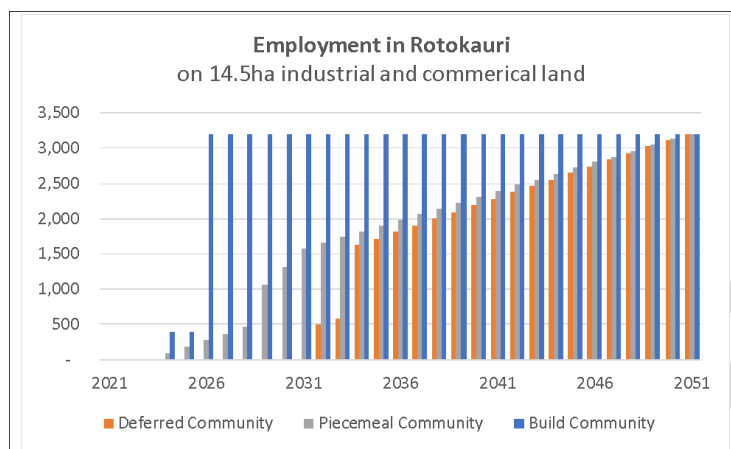


Figure 36: Rotokauri industrial and commercial employment

The outcomes

Factors other than the Benefit Cost Ratio (BCR) of the options are relevant.

The desired outcomes in terms of economic wellbeing summarised in the HCC Shape Your Future City document guide the following discussion. Other economic factors that require noting relate to the ability to prosper, thriving and innovative business sector, housing and education opportunities, and affordability.

Our city enables individuals and businesses to prosper

The picture for the Deferred Community option is a lack of houses over years 1 to 10 which will do little to enable prosperity. Similarly, the delay in the

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availability of commercial and industrial developments will do little for this outcome.

For the Piecemeal Community option, business investment and people will be attracted and encouraged over the longer term. This encouragement will be assisted by the start provided by investments in housing, commercial and industrial developments over years 1 to 10.

The Build Community option provides a greater and earlier impact on the attraction of people and investment. This sees positive outcomes that are exhibited earlier given the timing of the development investments.

Our city has a thriving, sustainable business sector, and is a hub for innovation

The Deferred Community option will continue to see growth and infrastructure pressures evident. Similarly, the delay in the availability of commercial and industrial developments will do little to attract sustainable or innovative businesses.

The Piecemeal Community option may begin to attract businesses and developments over years 1 to 10. However, the very piecemeal nature of the development is unlikely to be a sufficient signal to attract new or innovative activities.

The Build Community option provides a greater impact earlier on the attraction of both business and people. This sees positive outcomes that are exhibited earlier given the timing of the development investments.

Our city provides appropriate housing options that meet the needs of all our people, and has quality employment and education opportunities for all

Alongside the lack of houses and commercial and industrial development in the Deferred Community option, there is also delayed spending on supporting infrastructure. Years 1 to 10 do not improve this outcome either in terms of providing housing or contributing to employment and education opportunities.

As noted above, employment opportunities directly from the industrial and commercial land released in Rotokauri are significant. Under the Build

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Community option employment totalling 3300 would be enabled by year 10, of which 2400 would be additional to the city. A similar number of employment opportunities is achieved in each of the Piecemeal Community and Deferred Community options, although these do not accrue until well after year 10.

The Piecemeal Community and Build Community options both see similar positive outcomes for housing and employment opportunities over the long term. However, the short-term outcome in the Piecemeal Community option is neutral reflecting the timing of a proportion of the investments in years 11 and beyond.

In all options the development of education opportunities is unlikely to occur over the short-term years 1 to 10. However, the Build Community option is likely to see the development of plans for local education earlier than the other options.

However, supporting quality infrastructure early in the development will enable employment and education opportunities in other parts of the city that are available and accessible.

Our city is affordable to live in

The picture for the Deferred Community option is a lack of houses over years 1 to 10, which will exacerbate housing affordability challenges.

For the Piecemeal Community option, additions to the housing stock will see affordability improve over the longer term.

The Build Community option sees similar positive outcomes, but these are exhibited a lot earlier given the timing of the development investments.

Broader affordability considerations relating to access to community facilities and provision of transport alternatives yield similar conclusions.

Economic wellbeing conclusion

Short term

The Deferred Community option is negative for economic wellbeing, primarily due to the negative short-term impacts on attracting people, investments, and on affordability. These short-term impacts are unable to be fully reversed over the long term.

The Piecemeal Community option has a neutral short-term outcome for economic wellbeing, as investments and development yields are spread over the whole 30-year horizon.

The Build Community would be associated with costs a few years earlier than the Piecemeal Community option, but it would yield benefits considerably earlier.

Long term

Under all options the greatest costs would arise from the building of the arterial road links and the stormwater system. The greatest benefits would come from the additional household expenditure injected into the local economy by Rotokauri residents, the construction of house for the residents, and the construction of the roads and stormwater system. The earlier these benefits arise, the greater they accrue over the long term.

Consequently, the Build Community option records the most improvement in economic wellbeing.

The Build Community option would look even better in economic terms, if it involved some funding in the form of IFF. This would leave more headroom below the Council's debt ceiling, so leading to the possibility that the Council might be able to fund other wellbeing-enhancing projects in the City, possibly unrelated to Rotokauri.

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Summary impacts of options on economic wellbeing

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
Our city	Short term	Long term	Short term	Long term	Short term	Long term
Has a thriving, sustainable business sector and is a hub for innovation						
Our city enables individuals and business to prosper						
Provides appropriate housing options that meet the needs of all our people and has quality employment and education opportunities for all						
Is affordable to live in						
ECONOMIC WELLBEING						

Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

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6.7 The Four Wellbeings

As expected, across all four wellbeings, the Build Community provides better outcomes over the long term than the Piecemeal Community option. The Deferred Community option is projected to result in neutral, or in some cases, a significant worsening of wellbeing outcomes.

Impact on outcomes compared to situation now						
	Deferred Community		Piecemeal Community		Build Community	
	Short term	Long term	Short term	Long term	Short term	Long term
ENVIRONMENTAL WELLBEING						
SOCIAL WELLBEING						
CULTURAL WELLBEING						
ECONOMIC WELLBEING						

Where:

- green indicates improving impact
- yellow indicates neutral impact
- red indicates deteriorating impact

These wellbeing outcomes are heavily influenced by the timing and speed of investments and developments. Despite the same infrastructure and number of dwellings being eventually delivered, negative impacts over the short term cannot be fully reversed.

For example, while the Deferred Community option ends up with a similar number of houses and level of infrastructure, the delayed implementation makes considerable difference. The Deferred Community option risks embedding existing behaviours, as well as negatively impacting social and

environmental outcomes over the short term. These considerations suggest the Deferred Community option is clearly an inferior choice from the perspective of the four wellbeings and the Hamiltonians' Wellbeing Framework.

The importance of behaviour being facilitated or encouraged over the short term is that it then becomes difficult to change. This applies to a range of behaviours, including transport choices, as well as building and instilling a sense of belonging and community.

The element of timing is also important in the choice between the Build Community and Piecemeal Community options from a wellbeing perspective. In particular, the absence of social infrastructure along with alternative transport corridors over the short term, will also impact on the formation and sense of community along with changing transport behaviour. This short-term impact in the Piecemeal Community may be less harmful than the Deferred Community option, but there remain risks of inferior long-term outcomes in terms of social wellbeing.

Similarly, economic wellbeing is most improved in the Build Community option. The attractiveness of Hamilton for people and investment is underpinned by the earlier profile of housing and infrastructure yields. This outcome is reinforced by earlier and larger impacts on employment, household income and GDP. Further, this conclusion is supported by cost benefit analysis that estimates a superior benefit cost ratio for the Build Community option compared to the Piecemeal Community option.

Cultural wellbeing is difficult to improve over the short term but can be quickly eroded. Consequently, the Deferred Community and Piecemeal Community options are damaging for cultural wellbeing over the short term, which is difficult to fully reverse over the long term. The Build Community option is clearly preferable to either of the other options in terms of cultural wellbeing. However, this assumes that the development is progressed in a genuinely collaborative manner across all stages of activity. Should this assumption not hold then the posited improvement in cultural wellbeing would be more than optimistic.

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The influence of timing is similarly important for the environmental wellbeing outcomes. In particular, the timing of investments aiming to maintain groundwater levels and improve water quality are central. The Deferred Community option sees no investment in these areas over years 1 to 10. During that time, the risk of further deterioration of environmental wellbeing is high. Thereafter, starting from a worsening situation, the Deferred Community option will continue to be playing catch up over years 11 to 30.

The Piecemeal Community option sees some investments over years 1 to 10, but housing along with commercial and industrial development over this period risk outpacing this environment infrastructure effort. These comments apply to the provision of alternative transport options in terms of the desired reduction in carbon emissions.

If so, there is a projected worsening of environmental wellbeing over the short term, which is slowly reversed over years 11 to 30.

In contrast, the Build Community option brings forward the environmental benefits and could successfully embed positive behaviours for further benefits over the long term.

7. COMMERCIAL CASE

7.1 Commercial Summary

The Commercial Case acknowledges that the success of accelerating the delivery of Bulk Housing Infrastructure in Rotokauri, including the utilisation of an IFF model, will require the negotiation of private developer agreements and close working relationships between developers, Council and Crown Infrastructure Partners.

The key to advancement is the willingness of developers to commit to an accelerated programme of infrastructure delivery which delivers appropriate all-of-cell infrastructure solutions, namely the entire stormwater floodway and major arterial roads.

The uniqueness of the stormwater floodway, as the largest piece of infrastructure required, means that the key developers are best placed to lead the delivery of the Bulk Housing Infrastructure with Council seeking to finance the upsize over and above what is required by the developers themselves to service other beneficiaries and all-of-city benefits. This allocation of upfront costs to developers reduces the funding burden on Council which is important given the balance sheet constraints and lack of debt headroom.

The benefit to the developers is that they can progress their development plans earlier than under a Council-funded scenario and utilise the extensive material in digging the stormwater floodway to best prepare or fill their own land as part of the earthworks for their own development which is a significant cost saving to both Council and developer.

Initial beneficiary analysis in Rotokauri suggests that IFF funding of approximately \$80 million – \$100 million may be available, which would assume a levy of approximately \$1500 per annum. In Rotokauri, key developers appear supportive of Crown Infrastructure Partners and the levy model. Council will need to work closely with Crown Infrastructure Partners to fully understand and influence the IFF charging model as it is likely Rotokauri could be the first IFF funded project.

Crown Infrastructure Partners have made it clear that they are focussed on the infrastructure needed to immediately deliver homes and that the first pilot

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IFF projects will specifically target transport and three waters. It is possible that the scope of IFF funding could broaden to include community infrastructure in the future, as legislation permits. Broader stakeholder engagement is planned to assess the market acceptance of the levy model and the potential impact on uptake.

The proposed commercial strategy seeks support from elected members to support inclusion of the accelerated Rotokauri programme in the 2021-31 10-Year Plan, which will involve public consultation in early 2021. The commitment of elected members will allow staff to progress negotiations with Crown Infrastructure Partners and developers subject to their approval at key stages as set out below, based on consideration as part of the 10-Year Plan:

- **Stage 1:** Elected members give **agreement in principle** of the business case and the proposed way forward for development. This is subject to Long-Term Plan deliberations and commercial negotiations with developers and Crown Infrastructure Partners. It will, however, allow staff to progress and give Crown Infrastructure Partners some indication that Council is committed.
- **Stage 2:** Elected members **give full Council approval** of the proposed way forward for development. Again, subject to Long-Term Plan consultation and Crown Infrastructure Partners commercial negotiations.
- **Stage 3:** **Full Council final approval** of the detailed business case/private developer agreement/IFF as part of the Long-Term Plan decision-making process.

In terms of the options presented, focus has been maintained on the Build Community option which advances the delivery of Bulk Housing Infrastructure compared to the Piecemeal Community option and the Deferred Community option. With Crown Infrastructure Partners and developers at the table now, there is an opportunity to progress the Build Community option without Council footing all of the bill – there is no guarantee these same funding options will be available at a later time.

The Build Community option ensures that the yield of development-ready land exceeds the projected uptake or sale of sections, whilst the Piecemeal

Community and Deferred Community options constrain or limit development. The infrastructure could be delivered faster than assumed in the Build Community scenario should new government funding solutions, such as the recent Shovel Ready initiative, be available and prove beneficial to Council, key developers and the community.

7.2 Commercial Overview

Overview

The accelerated delivery of Bulk Housing Infrastructure in Rotokauri is required to better align with developer timeframes and to avoid piecemeal development and sub-optimal infrastructure solutions.

The cost to deliver the Bulk Housing Infrastructure in the accelerated timeframes to unlock the entire growth cell, initially Stage 1 with 3000 Household Unit Equivalents and then a further 3000 Household Unit Equivalents in Stage 2 in time, is challenging for Council using its own balance sheet, hence the requirement to consider private developer agreements and the IFF tool.

The Commercial Case looks at the two major commercial counterparties being: property developers and Crown Infrastructure Partners, and provides detail in relation to Council objectives and the respective processes, benefits, risks and assumptions relied upon in this detailed business case.

It also explores other commercial considerations relevant in assessing the decision to accelerate the delivery of Bulk Housing Infrastructure.

Funding Challenge

As explained in the Financial Case, the funding challenge faced by Council means that various funding options are being explored to unlock the Rotokauri Stage 1 growth cell, namely:

1. **Private Developer Agreements** – addressing the delivery, infrastructure standards and cost sharing arrangements for both network and developer (local) infrastructure.

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2. **Development Contributions** – in accordance with Council policy and the development contribution growth modelling.
3. **IFF** – A government funding initiative which provides a funding tranche from the private sector, off-balance-sheet to Council, with levies (principal and interest) paid by landowners.

All three of these tools require engagement and interaction with developers and in some cases negotiation and agreement. The assumptions, objectives, and risks of each tool are explored below.

The timeline provided in the Figure 37 below shows that the negotiations of private developer agreements has commenced. Therefore, consideration as to the acceleration of Bulk Housing Infrastructure for Rotokauri is required now, noting that the Infrastructure Funding and Financing Act (2020) is now enacted and funding certainty is yet to be obtained from Council (2021). Final Council approval will be sought through the 2021-31 Long-Term Plan decision-making process.

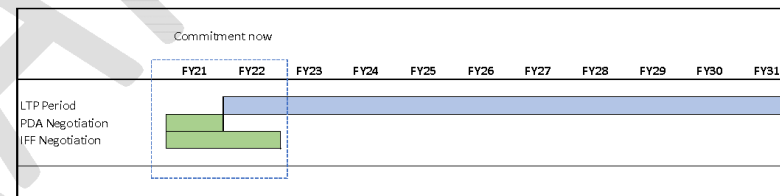


Figure 37: Illustration of Commercial Negotiation Timing

A commitment to negotiate private developer agreements and IFF funding agreements is required now, albeit agreements will be conditional on ratification through the Long-Term Plan consultation process. Should a commitment to accelerate Rotokauri infrastructure be achieved through the Long-Term Plan the full accelerated programme (Build Community) would then require IFF funding.

Subject to approval of elected members, advanced funding in 2020/21 would enable detailed design work and land procurement strategies that are funded

in the 2021-22 financial year to advance by 6 - 9 months, reducing land and construction time risks.

Advancing these workstreams within the year would reduce potential delay to construction timelines which may then fail to be aligned with developer and Crown Infrastructure Partners expectations.

7.3 Private Developer Agreements

Private Developer Agreement Overview

A private developer agreement is critical to advancing the delivery of Bulk Housing Infrastructure for Rotokauri ahead of the current timing set out in Council's 2018-28 10-Year Plan funded programme.

Council has appointed a relationship manager to work alongside the infrastructure team, to deal with any significant private developer agreements within the Rotokauri catchment, highlighting the importance of negotiating a position that can enable both Council and developers to advance the delivery of infrastructure together.

Any private developer agreement will be subject to Council resolution prior to executing in legal form. In addition, any private developer agreement will protect the opportunity to novate into or, be replaced by, an IFF solution. The key strategic infrastructure components relevant to private developer agreement discussions are shown below.

Project
Stormwater – stormwater floodway and conveyance channel from south of Te Wetini Drive to Lake Rotokauri
Wastewater pump stations (3 – 1 of which is already complete)
Te Wetini Drive extension (major arterial)
Te Kowhai Road upgrade (major arterial) and extension (minor arterial)
Rotokauri North – South Road (minor arterial)

Actual costs will likely vary based on intended delivery time and inflation.

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The location and connectivity of key projects is illustrated below, and in more detail in Section 8: Management Case.



Figure 38: Infrastructure map

Based on current land holdings the two key developers that could accelerate the delivery of bulk housing infrastructure in Rotokauri (Stage 1) are:

1. Hounsell Holdings Limited (Hounsell)
2. Rotokauri Development Limited (RDL)

See Appendix 9 for a full map of Rotokauri strategic landowners.

The key Council objectives in relation to the private developer agreements are:

- Extract the maximum value from the private developer agreement in terms of cost allocation to developers and risk.
- The counterparty (developer) is the lead developer in terms of delivering the Bulk Housing Infrastructure. Council are a financial investor and ensure compliance with approved design specifications.
- Including utilising the cut and fill exercise together, within the catchment, to minimise cost for both Council and developers.

- Recognise the component of development contributions and the gross development contribution amount payable by the developer in relation to the remaining catchment infrastructure and citywide charges outside of the private developer agreement, albeit it may deal with the timing of payment.
- Alignment of the Bulk Housing Infrastructure delivery timeframe to maximise cost efficiency and enable yield across the whole cell faster.
- The private development agreement will preserve the ability to utilise the IFF funding tool once available.

Crown Infrastructure Partners and the Private Development Agreement Process

Crown Infrastructure Partners have acknowledged that private developer agreements are inevitable. In the case of Rotokauri, they are required to cover both the Bulk Housing Infrastructure and also the increased sizing of local developer infrastructure where appropriate.

A key objective of Council is to preserve IFF as an option, meaning any private developer agreement may reference the potential for use of the IFF tool and provide Council with the ability to utilise the IFF tool to fund their portion of costs under the private developer agreement.

This approach will ensure that Council:

- Maximise value from the private developer agreement
- Preserve the ability to transfer their contribution off-balance-sheet.

There will still be significant funding required for on-balance-sheet components.

Crown Infrastructure Partners has provided the Rotokauri development community with information (refer to the presentation set out at Appendix 18) and held discussions to assess support. It is currently the view of Crown Infrastructure Partners that the key Rotokauri developers are supportive of using the IFF tool, but further discussions will be held with key developers. In addition, information has been provided to developers at Developer Forum presentations on IFF.

Crown Infrastructure Partners will be an observer in private developer agreement discussions and negotiations held thus far and are seeking legal advice in relation to novating any private developer agreement into an IFF arrangement.

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Hounsell Holdings Limited – Status of Private Developer Agreement

Hounsell are planning a six stage development which is set out in illustrative form below.



Figure 39: Artist's impression of proposed Hounsell stage development at Rotokauri

This 3D picture is expanded from Hounsell's master plan map, which is indicative only and subject to agreement of core infrastructure locations with Council.

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Hounsell submitted an earthworks consent request under s176 (1) (b) of the Resource Management Act in January 2020 in connection with the development of their first 100 lots. Council responded by granting the request, dated 10 February 2020, with a number of conditions.

Meanwhile private developer agreement discussions have commenced with Hounsell, for which the background and key assumptions are set out below.

- The Rotokauri growth cell is zoned for development
- Development of necessary infrastructure is scheduled to commence in the backend of the 2018-28 Long-Term Plan
- Hounsell wants to commence development of its land holding now and has commenced discussions with Council as to how it can advance development.
- Hounsell will need to mitigate the effects of its development now.
- Development will require the stormwater floodway and other strategic infrastructure to be built. Council wants to upsize the strategic infrastructure, including the stormwater floodway, to meet the requirements of other landowners and the district, which it is willing to pay for.

Rotokauri Development Limited (RDL)

RDL has commenced development with consent for approximately 185 lots granted and consent for a further 394 lots pending as illustrated in the map following.

Informal discussions have commenced between RDL and Council in relation to the components of the Bulk Housing Infrastructure required to unlock the remaining yield for RDL and ensure better wellbeing outcomes for current and future residents.

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Figure 40: Artist's impression of proposed Rotokauri Development Ltd development at Rotokauri

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7.4 Development Contributions

The development contribution charges are based on the projections of all-of-cell infrastructure, with current costings adjusted for inflation following cost allocation between development and the general ratepayer. Charges also include projected interest costs, which reflect the debt incurred by Council in delivering infrastructure which is repaid by development contributions through the release of sections by developers.

The development contribution charge will be impacted by both the private developer agreements and the IFF.

- **Advancement of Timing** – this will reduce inflationary increases, and potentially efficiency in delivery. Bringing Bulk Housing Infrastructure forward may also provide increased confidence to the market and ensure uptake is also brought forward.
- **New infrastructure** – introduced into the Long-Term Plan capital programme will increase development contribution charges e.g. additional investment in parks and reserves.
- **Private Developer Agreements** – contributions by large developers to the upfront cost of Bulk Housing Infrastructure and cost efficiencies achieved by private developer agreements will reduce development contributions for the catchment.
- **IFF** – the levy cost will be borne by the catchment residents: this is effectively a transfer from development contributions normally paid by developers to the homeowner.

Summary of Indicative Development Contribution Modelling

Assumption	Piecemeal Community		Build Community	
Total Cost to Council*	Inflated costs		Inflated costs	
10-Year	\$224m*		\$349m*	
Total	\$463m		\$437m	
Yield – residential HUEs				
10-year (LTP 22-31)	571		2,857	
Total	2,857		2,857	
Uptake – residential				
10-year (LTP 22-31)	571		2,109	
Total	2,857		2,857	
Estimated Development Contribution Charge			(Without private developer agreement & IFF)	
Large Residential	\$84,867		\$69,541	
Standard Residential	\$65,787		\$53,908	
Yield – Indst. / Comm.	Industrial	Commercial	Industrial	Commercial
10-year (LTP 22-31)	51,989	17,891	108,100	37,200
Total	108,100	37,200	108,100	37,200
Uptake – Indst. / Comm.				
10-year (LTP 22-31)	51,989	17,891	108,100	35,292
Total	108,100	37,200	108,100	37,200

* 10-Year period is 11 years, including the 2020/21 year preceding the 2021-31 Long-Term Plan

NB: Total cost to Council is before the benefit of private developer agreement cost efficiencies (\$78 million inflated) and a proposed IFF funding arrangement of \$100 million. The Deferred Community scenario has not been modelled as the yield and uptake is effectively Nil.

7.5 Infrastructure Funding and Financing (IFF)

IFF Overview

The IFF tool allows property owners and councils the opportunity to bring forward the delivery of Bulk Housing Infrastructure that would otherwise be deferred due to funding constraints. Using the IFF tool, private capital can be accessed to fund parts of core infrastructure, without these costs touching Council's balance sheet. The financier receives repayment of principal and interest via an annual levy charged to landowners.

There remain costs to Council for funding not covered by the IFF framework. These can be significant.

For Council, the IFF tool can allow the complete advancement of core infrastructure for the Rotokauri growth cell without putting undue pressure on its balance sheet. Council's source of debt finance is the Local Government Funding Authority, which grants borrowing up to a recently increased debt to revenue ratio of 300%, although this will decrease to 280% by 2026. In practice a prudent limit is set at 20% below the Local Government Funding Authority limit. The front loading of strategic infrastructure for the entire Rotokauri growth cell would have Council likely breach the prudent threshold without the assistance of the Housing Infrastructure Fund tool.

The Infrastructure Funding and Financing Act (2020) has now been enacted which enables the IFF tool to be utilised.

IFF Legislation Journey

The IFF Bill was first referred to the Transport and Infrastructure Committee on 17 December 2019. The closing date for submissions was 5 March 2020, but Council was given an extension to 13 March 2020. The Committee received and considered 38 submissions from interested groups and individuals. They also heard oral evidence from 15 submitters at hearings in Wellington and by video link.

⁹ <https://www.hamilton.govt.nz/our-council/consultation-and-public-notice/councilsubmissions/Documents/HCC%20Submission%20-%20Infrastructure%20Funding%20and%20Financing%20Bill.pdf>
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On 13 March 2020, Council made a written submission⁹ to parliament's Transport and Infrastructure Committee. Council supported this IFF Bill and its intention to provide an innovative funding and financing model, which supports the provision of infrastructure for housing and urban development, by addressing funding constraints and supporting community needs.

To support this Council also gave an oral submission by video link to the Committee on 16 April 2020. Although Council supported the IFF Bill, several changes were presented by Council.

The Transport and Infrastructure Committee reported on 25 June 2020 with several amendments, most of a technical nature. The key ones include:

- the costs of acquiring and preparing land on which eligible infrastructure will be constructed may be recovered through levies set by the Special Purpose Vehicle
- some apparent strengthening of a local authority's ability to require things in a vesting agreement – including the ability to specify this as a condition of asset endorsement
- the levy endorsement is to be of the levy itself, as opposed to the local authority's ability to collect rates in that period
- stronger powers for the monitor.

The full report can be found at the link below.¹⁰

In relation to the Council submission, some of the key elements that have since been clarified or amended are:

- Council wanted clarity on whether eligible infrastructure includes the purchase of land on which the infrastructure is situated. As a result, land acquisition and preparation have now been included in Section 9 (6) (aa)
- Council wanted eligible infrastructure to be established on a whole of life basis. Although no changes were made to this section, there may be an

¹⁰ https://www.parliament.nz/resource/en-NZ/SCR_99231/2b924104104ee7736ac026fed2be83b7ecaba951

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opportunity to influence this as part of Section 88 (1A) which allows a vesting agreement to include conditions as outlined in Section 20(1)(a). This clause allows an authority to say whether whole of life costs are appropriate/acceptable as part of the endorsement process

- Council wanted to ensure, as part of the asset endorsement, that the proposed eligible infrastructure specifications are compatible with any wider infrastructure network of which it is to be a part of. Section 20(1)(a) now states that it must be compatible with the network or will be made compatible with the network if specified conditions are included in the vesting agreement in Section 88
- Council wanted clarity on the recommendation to the Governor General. Section 27(2) as a result states that the recommendation report must include all endorsements and consents. In addition, a new sub-section Section 27(4A) stated that the Minister can only recommend a levy order if powers are necessary to complete construction.

Several other minor in-nature submission points were also adopted. Council is generally satisfied with the IFF Bill wording.

Figure 41 below outlines the journey of the bill to royal assent in August 2020.

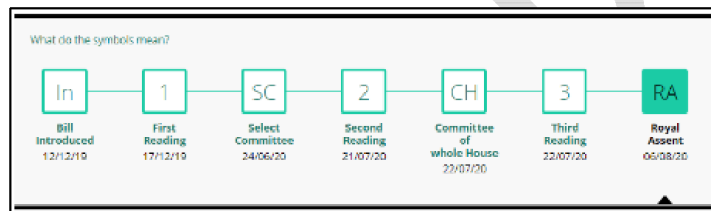


Figure 41: Journey of the Infrastructure Funding and Financing Bill

The legislation can be viewed online via the following link:

<http://www.legislation.govt.nz/bill/government/2019/0204/latest/LMS235094.html>

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IFF Roles and Government Process

The following diagram and table provide a summary of the government roles within the IFF funding approval process. A more complete overview of the IFF roles and responsibilities can be found in Appendix 7.

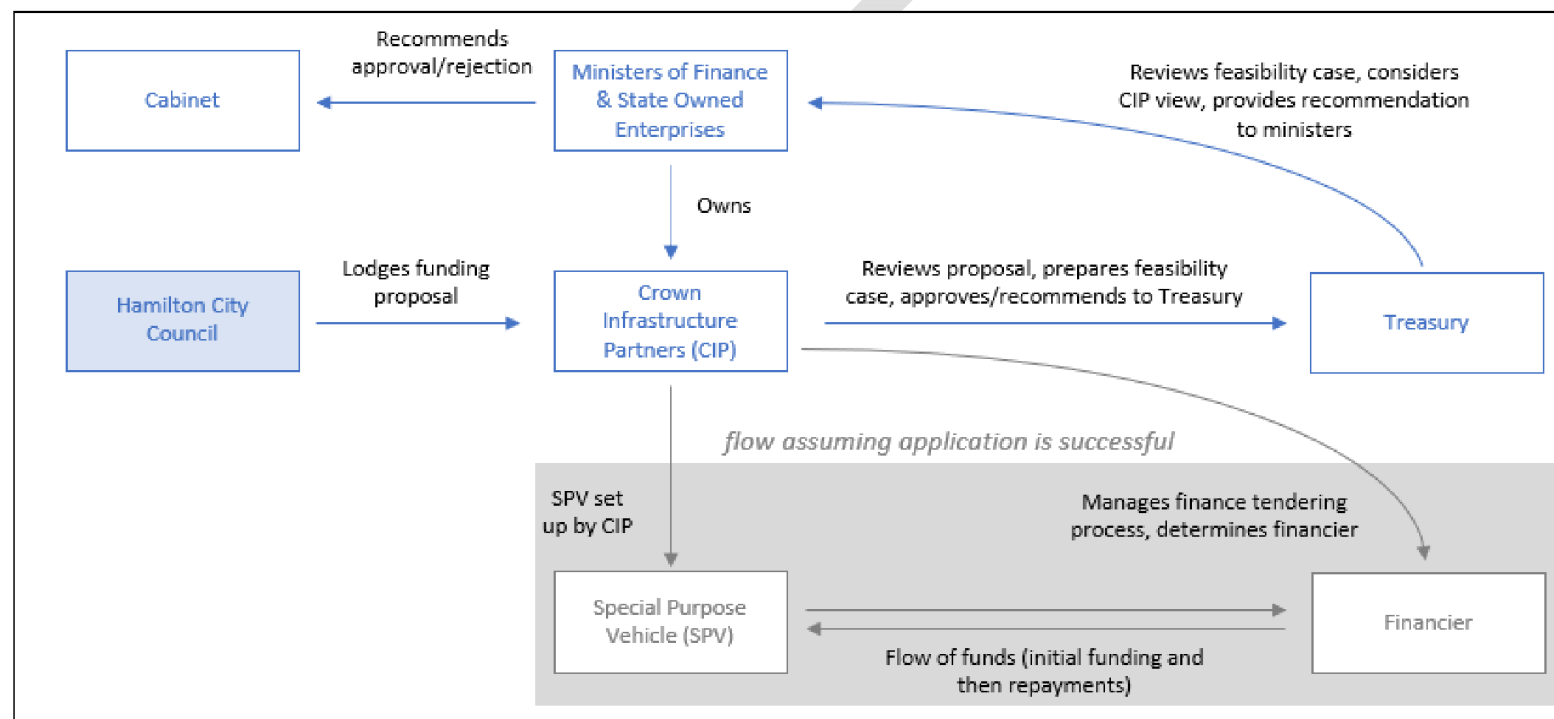


Figure 42: Crown Infrastructure Partners Funding Process Overview

Appendix 7 lists the indicative roles and responsibilities throughout the IFF process. Summarised below are the key roles through the approval phase.

Entity	Role
Proposer: Hamilton City Council	The current business case workstream is to provide Elected Members enough information to propose IFF funding in Rotokauri.
Facilitator: Crown Infrastructure Partners	Crown Infrastructure Partners are responsible for preparing their own feasibility case in support of a funding proposal then seeking approval from Treasury (which in turn seeks approval from the ministers and cabinet). Responsible for conducting a competitive financing tender, setting up the Special Purpose Vehicle and providing oversight of its operation.
Recommender: Ministers of Finance and State-Owned Enterprises	Owners of Crown Infrastructure Partners in their capacity as Ministers (50% issued share capital each). Responsible for recommending approval (or rejection) of funding application to Cabinet as the ultimate decision maker.
Approver: Cabinet	To approve within bounds of the funding proposal.
Monitor: Treasury	Monitors the Bulk Housing Infrastructure initiative within Crown Infrastructure Partners, and appropriately advises and guides the shareholder ministers.
Financier: To be confirmed	The financier provides upfront funding to the Special Purpose Vehicle and receives a net return through repayments from homeowners (also provided via the Special Purpose Vehicle).
Special Purpose Vehicle	A limited liability entity set up for the purpose of raising funds from the financier, procuring construction works, and receipting repayments via levies from landowners mandated by a levy order approved by Council.

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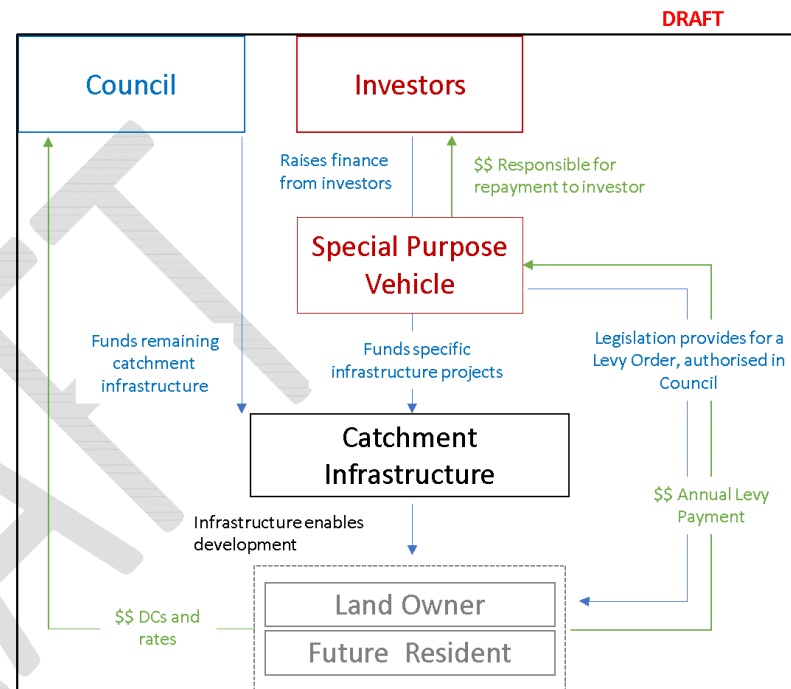


Figure 43: Illustration of IFF model

Government Support Package

A key component of the IFF levy model is the provision of a Government Support Package to cover certain contingent residual risks, risks that would normally sit with Council.

The Government Support Package is critical in ensuring there is no legal recourse to Council, which is understood to be a requirement of the rating agencies. Under the IFF model no liability, actual or contingent, can sit with

Council, and the Special Purpose Vehicle must have the legal ability to levy directly.

It is important to note that this is not a risk-free model for Council. To minimise the risk of calling on the Government Support Package, appropriate risk mitigation and allocation will need to be factored into the project. This would include (to the extent possible and considering value for money):

- Risks mitigated prior to financial close. This includes completion of activities such as land purchase, granting of designations, progression of design of the proposed infrastructure and procurement of construction contracts.
- Risk allocated to other parties, including through the construction contract and the use of insurances.
- An appropriate level of contingency to manage residual risk.

As illustrated below, contingency is fully drawn before the Government Support Package is utilised.

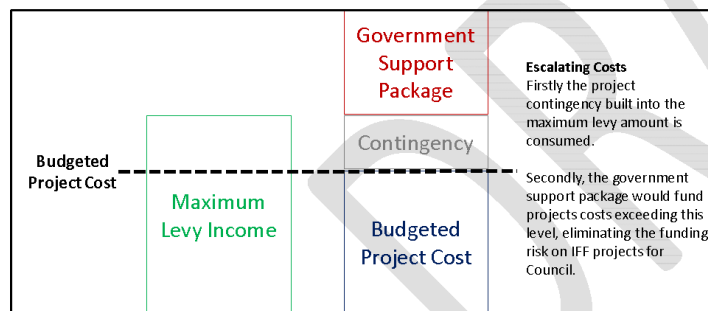


Figure 44: Illustration of Government Support Package

The Government Support Package is critical in achieving an off-balance-sheet position from the perspective of the rating agencies.

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The purpose and principles of the Government Support Package and the purpose of the Construction Special Purpose Vehicle will need to be flexible to adjust for developer led infrastructure delivery under a private developer agreement. Crown Infrastructure Partners are aware of this through their initial involvement in private developer agreement discussions.

Construction vs. Finance Special Purpose Vehicle

Crown Infrastructure Partners guidance proposes a Construction Special Purpose Vehicle to undertake works and then a Finance Special Purpose Vehicle to collect the levy, raise capital, finance, and repay the finance raised.

It is intended that the Crown sign off on the Special Purpose Vehicle's construction contracts, financing arrangements and insurances prior to issuing the Government Support Package. Any material changes will require Crown approval, in order to maintain Crown support.

Does Council have a Governance Role?

It is proposed that there may be separate Special Purpose Vehicles for the construction phase and the repayment phase of the financing agreement.

Construction Phase

- The Special Purpose Vehicles could have governance representation from various stakeholders. With reference to the Management Case, it is the preference of Council for governance oversight during construction, but this would need negotiation with Crown Infrastructure Partners and other partners.
- A key role is to ensure that infrastructure is delivered on time and to Council-approved specification.

Repayment Phase

- Following construction, the annual levies will be collected for a period up to 50 years, likely 30 - 35 years, from each landowner based on when their obligations commence under the payment ramp.
- It has been proposed that this could be a separate Funding Special Purpose Vehicles. It is our understanding that a centralised funding Special Purpose Vehicles will be more cost-efficient with greater scale afforded to it by holding multiple IFF financing agreements.

The separate Special Purpose Vehicles approach is proposed but not confirmed. More information will be available as legislation is passed and projects progress.

Crown Infrastructure Partners Role and Involvement

Whilst it is intended that the IFF legislation will be kept broad to enable the IFF tool to be used across a wide range of projects, Crown Infrastructure Partners have made it clear that they are focussed on the infrastructure needed to immediately enable the private sector to deliver homes and that the first pilot IFF projects will specifically target transport and three waters.

To date, Crown Infrastructure Partners have been primarily focussed on:

- understanding the expected legislation and the opportunities/constraints it places on the potential IFF charging model
- engaging in the policy development alongside other key stakeholders including Council
- working with public stakeholders to understand their preference regarding the charging model
- working with Council and other high growth councils to assess the feasibility of potentially viable IFF projects
- working with Mafic, an advisor to the infrastructure sector, to create a detailed Developer Engagement pack for Rotokauri to allow for developer input and to support a collaborative approach between key stakeholders
- creating the proposed commercial structure and undertaking feedback.

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Although the IFF legislation does not expressly require the cooperation of developers to enable the tool to be utilised, Crown Infrastructure Partners have begun engaging with developers in Rotokauri, to ensure a collaborative approach and successful uptake of the IFF model. The initial Developer Engagement pack has been well received by Hounsell and RDL thus far.

Indicative IFF Assumptions

Indicative modelling by Crown Infrastructure Partners suggests that a levy of \$1500 to \$2000 per annum per household or equivalent could provide for IFF funding in the vicinity of \$80 million – \$100 million.

Landowners would commence paying over a five-year general ramp period applied consistently to all landowners and means that each developer will pay a levy for all undeveloped land. The levy would increase from zero to the full amount over the five-year ramp period.

It should be noted that these figures are not finalised and Crown Infrastructure Partners intend to continue more detailed analysis, which Council will be more actively involved with. The following table summarises the key findings of the Crown Infrastructure Partners and Mafic work to date on charging models for Rotokauri.

Will the levy be subject to GST

The Infrastructure Funding and Financing Act (2020) is silent on GST. However, this issue was addressed by the *Treasury Report – IFF Infrastructure Levy Model 8 April 2019*.

The report cites initial advice that GST would not apply to the levy. Statutory levies are generally not subject to GST as they are not considered for a supply (i.e. they are not sufficiently linked to a supply of goods and services).

The report also notes that Treasury will be seeking a binding ruling from the Inland Revenue Department to confirm the position.

There is a precedent in that the Milldale levies are not subject to GST, a position confirmed by the Inland Revenue Department. However, Crown Infrastructure Partners have indicated that the levy may be plus GST, the same as rates. This view was based on ministerial feedback but is not confirmed at this stage. This will be confirmed as part of commercial negotiations.

Excluding GST	GST	Including GST
\$1,500	\$225	\$1,725
\$1,600	\$240	\$1,840
\$1,700	\$255	\$1,955
\$1,800	\$270	\$2,070
\$1,900	\$285	\$2,185
\$2,000	\$300	\$2,300

Summary of charging models

	Charging Model A: Land Area & Zoning	Charging Model B: Land Value
Project Community (IFF levy payers)	Lake Rotokauri stormwater catchment landowners	
Bulk Housing Infrastructure cost allocation	Beneficiaries apportioned only fair share of cost of growth. Council required to finance Level of Service benefit and Growth benefit outside Project Community.	
Levy quantum	\$1500 – \$2000 per expected new residential unit	
Ramp function	General (applied consistently to all landowners)	
Ramp period	5 years	
Allocation factor	Land Area	Land Value
Beneficiary differentiation #1	Zoning (with industrial / retail paying greater share per hectare based on benefit assessment)	N/A

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Beneficiary differentiation #2	The above is expected to be applied to partially enabled landowners adjoining the Bulk Housing Infrastructure. Other landowners in the Project Community will be subject to lower Levy for a period.
Development Contribution	Bulk Housing Infrastructure excluded from development contribution calculation for Project Community.

Source: Crown Infrastructure Partners

Basis of Allocation

The table above sets out the two bases for allocation that Crown Infrastructure Partners considered.

- **Model A: Land area and zoning** – this option proposes that all land area within a zoning category will be valued equally and apportioned cost (levy) based on the size of land holding. The inclusion of zoning will allow some differentiation of value between zoning classes. This method will not recognize that certain land parcels adjoining infrastructure connects will be able to develop earlier, and therefore the land is worth more.

With reference to Figure 46 below, all four land parcels will incur the same annual levy charge despite stage 1 developing over years 1-5 and stage 4 years 15-20. This will have significant implications on current values for existing landowners, particularly those who have acquired based on future development potential.

- **Model B: Land Value** – this option proposes that all land within the Project Community is valued. Valuation would take into consideration all factors impacting value, including, but not limited to sequencing of development (time value of money), aspect or location within the cell, topography, and developable yield.

For example: an area of land that likely sequences beyond year 15+ would be valued at significantly less than an equally sized area of land that is sequenced in the early stages of development. As set out in Figure 45 below.

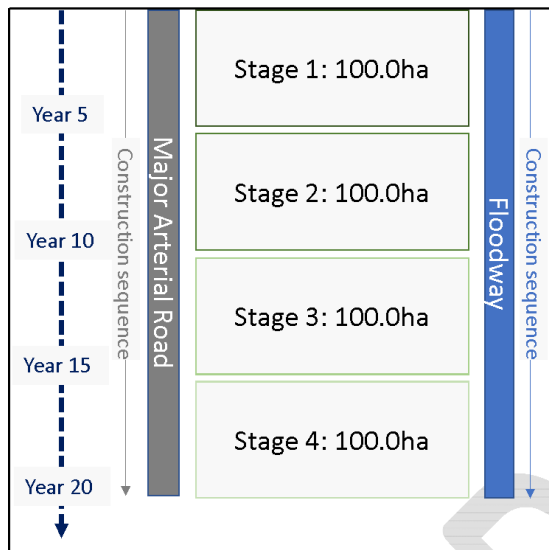


Figure 45: Illustration of Sequence Considerations

Based on variable (conservative) mid-point discounting the net present value of realising \$1000 over a five-year development period for the four stages above is illustrated in Figure 46.

NPV of \$1000 based on stage timing				
	Stage 1	Stage 2	Stage 3	Stage 4
5.00%	892	729	617	534
7.50%	849	643	518	433
10.00%	810	575	446	365
Indicative NPV (before levy consideration)				
	Stage 1	Stage 2	Stage 3	Stage 4
5.00%	100%	82%	69%	60%
7.50%	100%	76%	61%	51%
10.00%	100%	71%	55%	45%

Figure 46: Illustration of Development Sequencing on Net Present Value

Therefore, before a levy charge is considered the stage 4 land parcel is valued at between 45% and 60% of the current value of future cash inflows ascribed to the stage 1 land parcel.

Summary Comments

Whilst still subject to confirmation, a land value-based charging model is currently Council's preferred option, which would see annual levies being proportional to the value of the land.

Both approaches have challenges. Obtaining and agreeing land values in a timely way may prove problematic but using land zoning introduces the problem of charging the same levy to land of the same zone where the land parcels do not have similar developability.

It is the role of the Special Purpose Vehicle to develop the levy policy setting out how levies will be calculated, assessed and disputes resolved, giving Council significant separation from issues arising from the levy policy. But those who are required to pay the levy are also Hamilton ratepayers and under Council's jurisdiction.

How does IFF compare to the Traditional Funding Approach?

The key differences in flow of funds in the IFF model as compared to the traditional funding approach (development contribution model) are as follows:

Assumption	Traditional model	IFF tool
Funding	The upfront cost of infrastructure is debt funded by Council.	Funded by third party financiers and therefore not recognised on the Council's balance sheet.
Private Development Agreements	Both tools will require private developer agreements to agree with cost allocation of infrastructure and the developers' local infrastructure and vesting process.	
Repayments from beneficiaries	Normal development contributions charged on title, paid by developers, to reflect catchment infrastructure and citywide allocations.	Reduced development contributions to reflect the IFF funding of a portion of infrastructure. Annual IFF levy charge paid by landowners over the financing period (30 years).
Annual rates	Annual rates set by Council.	Annual rates set by Council.

Outcomes

- The IFF transfers a portion of the development contribution from the developer (paid on title), to the landowner who will pay over the period of the financing agreement (30 years).
- Efficient market theory suggests that the section cost to the ratepayer is likely lower, reflecting the levy obligations that come with the section.

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- The IFF also transfers the funding or uptake risk (development and sale of sections) from Council to landowners for the amount funded by the Special Purpose Vehicle.

Council – Benefit / Drawback Summary

The approach taken to begin assessment of the commercial business case was to examine the benefits and drawbacks of a new alternative IFF tool from three distinct perspectives being: Prospective Homebuyers, Developers and Landowners, and Government Entities. The findings are summarised in the table below.

Indicative Benefits and Drawbacks of IFF

Prospective Homebuyers	
Benefits	Drawbacks
<ul style="list-style-type: none"> • Increased housing supply • Accelerated infrastructure across a wide area • Investment in wellbeings enabled by available government financial capacity • Potential to bring forward community amenities based on the pace of development 	<ul style="list-style-type: none"> • Payment of an annual levy • Potential limitations on borrowing capacity for home purchases

Developers and Landowners	
Benefits	Drawbacks
<ul style="list-style-type: none"> Reduction of development contributions Accelerated development timeline Financial flexibility Ability to access cost-effective long-term financing (Special Purpose Vehicle) 	<ul style="list-style-type: none"> Assumption of levy payments regardless of development status or timing Potential negative impact on home sales as compared to developments without a levy Control of infrastructure timing is not uniform for all developers
Government Entities (Council, Crown Infrastructure Partners, etc)	
Benefits	Drawbacks
<ul style="list-style-type: none"> Freeing up financial capacity for additional on-balance-sheet investments Infrastructure costs shared across beneficiaries and over time Efficiencies and costs savings from large-scale infrastructure developments Enabling more housing to the NZ housing market, more quickly 	<ul style="list-style-type: none"> Potential for levy to be unacceptable to homebuyers IFF does not address pre-construction costs Ongoing operational costs of infrastructure borne by local government Political risk as a result of changing or opposing leadership in central or local government Increased growth in Rotokauri comes in part at the expense of expected growth in other Council-funded growth cells e.g. Peacocke.

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Levy Affordability

Affordability of the levy for the homeowners is a key consideration of the new IFF tool. Homeowners, with Council assistance, should be informed of the levy and will have sufficient information to assess the value implications or discount required.

The question of affordability was addressed by Insight Economics in their Draft report dated 29 April 2020 who summarised the key issues as:

- whether the magnitude of the costs imposed on the property buyer by the addition of IFF Levies are likely to have any significant effect on housing affordability
- in particular, the extent to which these costs might be offset or otherwise rendered irrelevant by potential reductions in house prices and/or mortgage rates – both of which are likely outcomes of a prolonged economic downturn following the Covid-19 epidemic.

Insight Economics Affordability Analysis

Insight Economics provided an independent assessment of the affordability of an IFF levy in the vicinity of \$1500, \$2000 and \$2500 per household.

The scenario data is summarised below and presented in Appendix 14.

Assumption	\$1500 levy	\$2000 levy	\$2500 levy
House Price	\$699,000		
Mortgage	\$560,000 (80% LVR)		
Change in housing costs due to IFF	5.0%	7.0%	8.0%
Reduction in House Price to offset IFF	5.0%	7.0%	8.0%
Reduction in Interest rate to offset IFF	0.4%	0.5%	0.7%

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In summary the Insight Economics concluded that the impact of housing affordability of the proposed levies is:

- likely to be insignificant, being equivalent to a small shift in interest rates (less than 0.75%)
- able to be offset by a decline in house prices of less than 10%, reflecting the likely lower selling price of the section or house and land package because of the levy.

Therefore, they do not see affordability as a deterrent to implanting an IFF levy arrangement.

Net Present Value of the Levy

At an average interest rate of 4.5% over the 30-year term, the net present value of a \$1500 to \$2000 annual levy would be in the range of \$22,000 to \$30,000.

In theory this means a section with a \$1500 per year levy payable, for 30 years, should be valued at \$22,200 less than a comparable section with no levy. The levy net present value under a range of other interest rates is provided in the table below:

	Levy Quantum		
	\$1,500	\$1,750	\$2,000
3.5%	25,200	29,400	33,600
4.0%	23,600	27,600	31,500
4.5%	22,200	25,900	29,600
5.0%	20,800	24,300	27,800

There is an expectation that levy-affected sections in Rotokauri will be sold by developers at a lower price compared to similar sections without a levy, given:

- their development contribution obligations are less on levy-affected sections

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- demand would naturally otherwise be lower for levy-affected sections if the price was the same as sections without a levy
- efficient market theory dictates that an appropriate price reduction is equivalent to the net present value of the future levy payments, at which point neither the developer nor homebuyer is materially better or worse off as compared to the IFF tool not being in place. This is illustrated by the example in the following table (note the values are indicative only).

In summary, it is considered likely that:

- developers will be required to lower levy-affected section prices (as compared to unaffected sections) to create adequate demand for those sections
- a logical level of price reduction would be equivalent to the net present value of levy payments (likely in the range of \$20,000 to \$30,000)
- the developer's development contribution obligations for levy-affected sections is lower than for unaffected sections, and this reduction will likely be materially the same as the net present value of levy payments on the section. Therefore, neither the developer nor landowner should be worse off in the case of the section price being discounted by the net present value of levy payments

Albeit the developer or landowner will be paying levies regardless of whether the land is developed or sold, therefore the uptake or sell through risk underpinning the investment in Bulk Housing Infrastructure is transferred to the landowners for the IFF portion of total catchment infrastructure costs.

- effective communication of the above points to both developers and prospective homeowners should ensure no parties are worse off with the IFF tool in place for their sections.

Affordability and Net Present Value – what does it mean?

The table below provides an example of a typical Rotokauri resident's home-related outgoings for their first year of ownership. Assuming market forces price the homes with levies at a discount to those without (with the quantum

of the discount roughly equivalent to the present value of the life of the levy obligations), there is an expectation that the typical Rotokauri resident will be no better or worse off using either approach. The following table provides a comparison of Rotokauri resident outcomes with and without IFF assuming a 30-year term at 4.2%.

	Without IFF Traditional Approach	With IFF Levy Approach
Property Purchase Details:		
House Price	\$800,000	\$770,000
Equity	\$200,000	\$200,000
Mortgage	\$600,000	\$570,000
Annual Home-Related Outgoings:		
Rates	\$3500	\$3500
Mortgage Repayments*	\$35,200	\$33,450
Levy Payments	\$0	\$1750
Total Home Payments	\$38,700	\$38,700

Encumbrance Model

An encumbrance model looks to achieve the same or similar outcome without legislation. Milldale, in Auckland's north, is an example of an encumbrance model.

An encumbrance model could also be explored with a single or multiple developers. In this instance an encumbrance or caveat is registered against each section title, requiring the annual payment of levies consistent with the IFF approach set out above.

However, the encumbrance is not subject to a legislative framework but rather a private financing and funding agreement. The encumbrance is lodged against the title of the property which gives that party an interest or right in

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the property, requiring the owner to make payment in accordance with the levy liability. It is our understanding that the levy could still be collected by Council on behalf of the Crown Infrastructure Partners Financing Vehicle as is proposed under the legislative framework.

Now that the Infrastructure Funding and Financing Act (2020) has been enacted this approach is not the preference of Crown Infrastructure Partners but remains an option should there be delays.

In Rotokauri context, an encumbrance model would require all beneficiary landowners (over 20) to be contractually bound by a legal agreement creating the encumbrance to avoid certain landowners benefiting from the infrastructure without contributing. Milldale involved a single developer/landowner.

More information relating to the Milldale development can be found at <http://www.milldale.co.nz/cip>



Figure 47: Milldale Master Map

7.6 Housing Demand Projections

Council's growth projections for Household Unit Equivalents for the 2018-28 Long-Term Plan was based on NIDEA Low population growth modelling (see dotted line within Figure 48).

Post COVID-19, University of Waikato was requested to update their population projections for Hamilton City.

The report noted:

- the COVID-19 crisis and associated border closures have resulted in a significant decrease in net international migration. The duration of the decrease is unknown as there is little empirical basis on which to ground alternative migration assumptions
- discussions with migration experts suggested an emerging consensus that there will be a rapid return to normal international migration when border closures are lifted and visa processing resumes.

Therefore, the modelling suggests disrupted migration flows for a period of 12 months as evident in the graphical representation below.

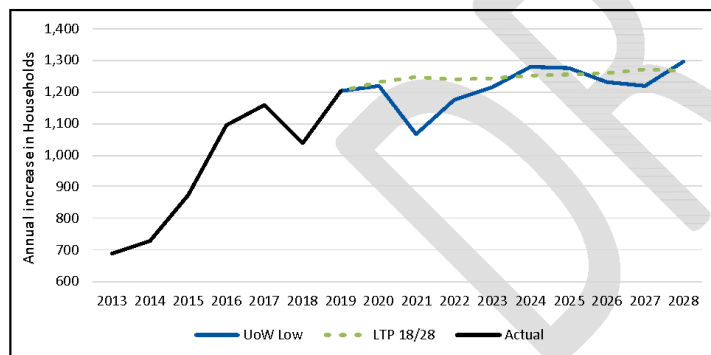


Figure 48: University of Waikato Post COVID Projections vs. 2018/28 10-Year Plan

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Based on the Build Community capital programme the delivery of Bulk Housing Infrastructure does not unlock significant yield until 2023 and beyond. Therefore, the projected decline in the number of new households across 2021 and 2022 will be largely while infrastructure construction takes place.

It is projected that the rate of growth will approximate pre COVID-19 projections from 2023 and beyond.

7.7 Risk of Cannibalisation of Growth in Other Catchments

A fundamental assumption behind Council's growth projections is that demand across the city, for any year, is fixed at a level informed by its demographic projections. The distribution of that growth within the city is projected by growth modelling. While there may be some merit in the argument that increasing the supply of development-ready land increases the overall rate of growth, there is inconclusive economic support for this. There are many factors which influence growth, including development in neighbouring districts, industrial/commercial development, the nature and availability of supply, and employment opportunities. For these reasons and for conservatism, additional demand as a consequence of new serviced land supply is not assumed in this business case.

Therefore, the overall growth projections for Council have been maintained or held to the same level assumed without the advancement of Bulk Housing Infrastructure in Rotokauri. Should growth not increase, this means uptake or houses in Rotokauri come at the expense of other areas in Hamilton.

Detailed below is an estimate of cannibalisation based on simple desktop assumptions. This has not been validated by economic analysis.

- Option 1: Deferred Community** – results in the redistribution of approximately 200 sections across the remainder of the city over the 7 years to 2028.
- Option 2: Piecemeal Community** – results in no change as it adopts 2018-28 10-Year Plan projections.
- Option 3: Build Community** – results in an impact on uptake in Peacocke, Rotorua and the infill areas of the city from year 7 and beyond. The scale

of this redistribution/cannibalisation is not known, but it is expected to be marginal — perhaps in the order of 5-10% over the long term. Regardless, the impact is inevitable as the land is zoned and partially funded in the 2018-28 10-Year Plan.

7.8 Other Commercial Considerations

Uptake vs. Rate of Development

The acceleration of Bulk Housing Infrastructure will enable developers to go faster, essentially enabling yield of residential and commercial sections.

The uptake or sell-through of these sections is dependent on market demand and the developer capacity to deliver, both in terms of physical works and cashflow.

Based on Council's adopted growth rate, the availability of residential and commercial land, the modelling of uptake is detailed below.

Yield and Uptake – Build Community option

	Projected Yield	Projected Uptake	Excess
Residential – Household Unit Equivalents			
10 Year	2857	2109	749 (26.2%)
Total	2857	2857	-
Industrial – Gross Floor Area (m2)			
10 Year	108,100	108,100	-
Total	108,100	108,100	-
Commercial – Gross Floor Area (m2)			
10 Year	37,200	35,292	1908 (5.1%)
Total	37,200	37,200	-

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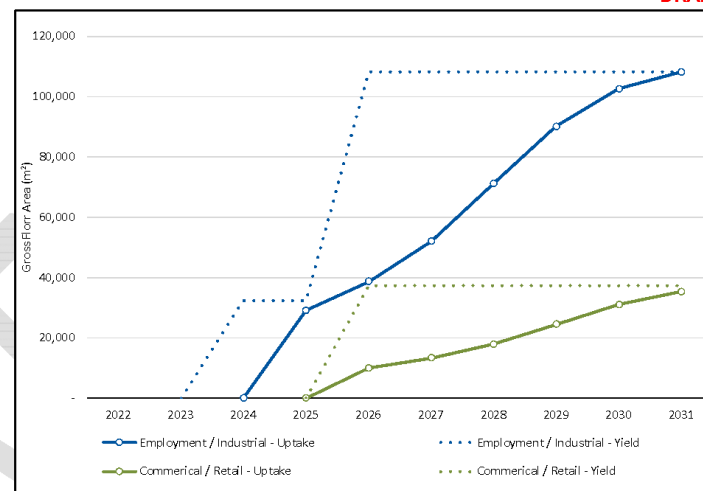


Figure 49: Build Community Projected Yield vs. Rate of Uptake

The Build Community option ensures that yield is in excess of uptake at all times.

The current modelling assumes a five-year delivery period for key infrastructure. This could be delivered over two years if there was commercial rationale and funding available.

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Industrial / Commercial Demand

GMD Consultants completed a stocktake of industrial land supply as at 30 June 2019.

GMD Stocktake 30 June 2019		
Vacant Industrial / Commercial land	659.3ha	
Developer Ready	197.5ha	30%
Soon to be ready (3 years)	99.5ha	15%
Medium term (3 to 10 years)	81.7ha	12%
Long term (11 to 30 years)	280.6ha	43%
Total	659.3ha	100%

Hamilton City had an uptake of 34.5ha over the three years to the report date, averaging 11.5ha per annum.

The uptake was primarily in Te Rapa and Rotokauri with supply in this broad catchment area nearing exhaustion without the proposed Rotokauri development.

Shortages or supply issues over the next 30 years are not anticipated, however, a key assumption is that 50% of the 30-year supply is Ruakura which is earmarked to be leasehold. Therefore, there is risk that many buyers would seek freehold land in other areas of the city.

Other Government Agencies - Ministry of Education

Under the Rotokauri Structure Plan, the Stage 1 development will generate the need for a new primary school. In addition, discussions between Hounsell, Council and the Ministry of Education have commenced and suggest a new high school will also be planned.

Key considerations for the site are the opportunities for walking, cycling and public transport to reduce car travel. The site is envisioned to relate to the growth of the southern neighbourhood centre (retail and commercial precinct).

The Ministry has not yet designated precise site boundaries for either school.

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Key Commercial Risks

The register of risks is set out at Appendix 16. The key commercial risks identified through the workshop process, leveraging the recent risk work undertaken with the Peacocke development, are tabulated below.

Risk	Description & Mitigation
Cost Escalation	<p>Cost escalation is a risk with any development.</p> <p>From Council's perspective, the robust planning process for core infrastructure can mitigate some of the risk of cost escalation. Contractors can also bear some of this risk.</p> <p>For infrastructure projects funded by IFF, a Government Support Package can cover certain tail risks that cannot be managed by the Special Purpose Vehicle or Council, ensuring the IFF financing quantum can be locked in at the start of the project and not move should cost escalation occur.</p>
Growth outlook impacts confidence	<p>Council will continue to monitor and assess the growth outlook post COVID-19 and other macroeconomic factors that may impact demand. This will be done in conjunction with developers and commercial partners. There is a risk for:</p> <ul style="list-style-type: none"> • Council – revised growth projections no longer warrant the accelerated investment in infrastructure • Developers – the tolerance for upfront costs and therefore risks decrease, reducing the scope of the private developer agreement and therefore the likelihood of acceleration • The Ministry and its investors – the projected uptake of residential and industrial land impacts the viability of the IFF model and the confidence and willingness of financial investors.

Lower than Expected Yields	<p>Lower than expected yields would lower the development contributions received by Council impacting its debt and debt/revenue ratio (actual debt only as development contributions are not included within revenue for this calculation).</p> <p>Important to monitor and revise yield as detailed planning for infrastructure, including parks and fields progresses.</p> <p>This is a natural risk of any development, with majority of risk in this case being borne by the developer. Developers may wish to increase density in this scenario.</p> <p>The land parcel in Rotokauri is largely flat with a low risk of land lost to issues with topography.</p>
Lower than Expected Uptake	<p>Whilst this would be a less than ideal scenario, the risk of this is shared by the developer.</p> <p>Levies are required to be paid on land titles whether they have yet been sold, therefore leaving the IFF financing function unaffected.</p> <p>Allocation of a portion of upfront cost to developers also transfers the timing risk relative to recovering spend through development contributions.</p> <p>Land prices may decrease in this instance to meet demand, and it is likely that the progression of further stages of development in the growth cell would slow should uptake be low in the first few sections.</p>
Developers Unsupportive of IFF	<p>Without developer support IFF cannot proceed. However, key developers in Rotokauri are supportive at this point in time.</p> <p>There are natural incentives for developers to accept IFF as that funding mechanism speeds up the provision of core infrastructure to the growth cell and allows for other infrastructure to be provided to create a more desirable community, quicker.</p> <p>Milldale has been a good example of a successful outcome for both the developer and its council, albeit in this case there was only a sole landowner to negotiate with rather than multiple parties.</p>

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Negative perception of IFF and its levies	<p>The levy could be perceived as a new tax and not well received by the community.</p> <p>Communication and transparency will be the key to mitigation – achieved through Long-Term Plan consultation, feedback, and interactions with developers.</p>
Developer relationships breakdown	<p>A Stakeholder Management Plan is in place.</p> <p>Key developers are already engaged in periodic meetings with Council staff.</p> <p>Ongoing review of plans and outcomes should be undertaken.</p>

8. FINANCIAL CASE

8.1 Financial Case Summary

Accelerating the delivery of the Rotokauri capital programme presents a significant funding challenge for Council. The Build Community option delivers the majority of Bulk Housing Infrastructure in the next 10 years which better aligns timing with the intentions of the development community.

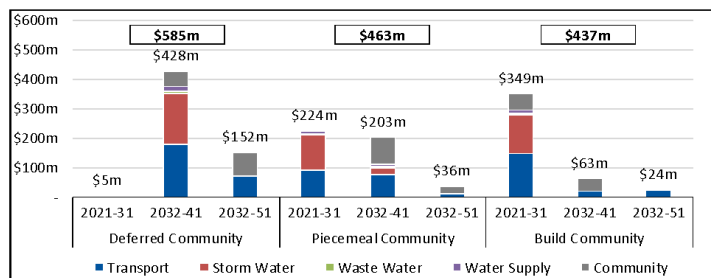


Figure 50: Comparison of gross capital expenditure timing

The Build Community acceleration option results in projected Council debt peaking at 276% in 2025, \$36 million above the prudent debt/revenue limit.

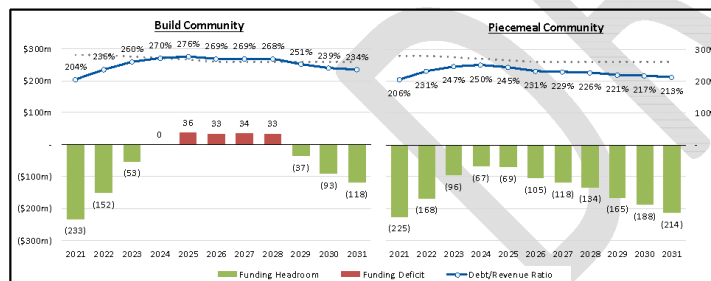


Figure 51: Debt/revenue ratio and funding deficit assuming capital costs are fully debt funded by Council

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The funding challenge highlights the importance of reducing the upfront burden of funding the Bulk Housing Infrastructure through:

- entering into a private developer agreement with lead developers, requiring developers to share the upfront cost of infrastructure based on beneficiary allocation, assumed to be \$65 million for the purpose of the business case
- accessing \$100 million of off-balance sheet funding through the IFF tool.

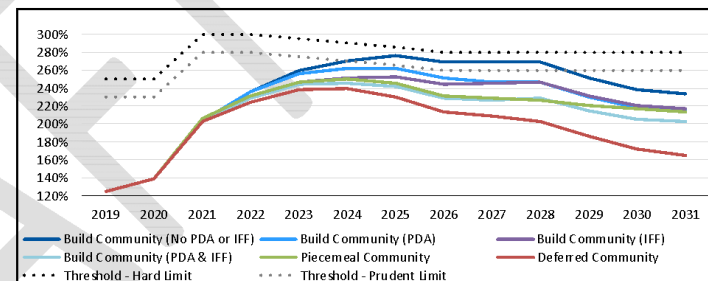


Figure 52: Comparison of debt/revenue ratio by option

The Build Community option peaks above the prudent debt/revenue limit without IFF. However, the above figure suggests the capital programme could potentially be viable with additional measures (such as private developer agreements and IFF) based on current information. The Piecemeal Community option is financially viable, however, will almost certainly result in sub-optimal infrastructure and wellbeing outcomes. The Deferred Community option is also viable as it defers all Rotokauri capital spend and requires Council to oppose consents which are understood to be pending.

Should the private developer agreement and IFF funding tool be successful, debt is projected to peak at 246% of revenue in 2024, which is within the recently revised debt to revenue funding limit providing Council headroom for other funding priorities.

IFF funding accounts for approximately 40% of total Bulk Housing Infrastructure and is anticipated to be accessible at the commencement of construction, which provides balance sheet relief when Council's debt to revenue level is under the most pressure. Therefore, the IFF tool is a critical component in overcoming the funding challenge to advance Rotokauri infrastructure in line with developer expectation.

8.2 Overview

The Financial Case assesses the financial viability of accelerating Bulk Housing Infrastructure for the Rotokauri growth cell. The assessment is based on the 2018-28 Long-Term Plan (forecast dated June 2020) with a number of adjustments to key assumptions.

The assumptions and projections are set out below, noting that actual assumptions will vary from that forecast.

Assumptions

The starting position for the assessment of financial viability and the analysis of the impact of accelerating the delivery of Rotokauri infrastructure on Council's balance sheet is the forecast 2018-28 Long-Term Plan. From that point adjustments have been made to reflect the change in the capital programme and impact on Council finances. Examples include differences in costs and timings associated with:

- capital expenditure
- development contributions
- consequential operating expenditure
- interest.

Prudent debt / revenue ratio measure

Council have historically adopted a prudent debt / revenue limit of 20% less than the hard limit set by the Local Government Funding Agency. The 20% buffer has been maintained when referencing a prudent debt / revenue ratio limit in the forecast modelling. Recent changes to the hard limit are detailed later in the Financial Case.

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Starting debt and revenue position

The June 2020 forecast Long-Term Plan debt and revenue position prior to any amendment for options is presented in the following figure.

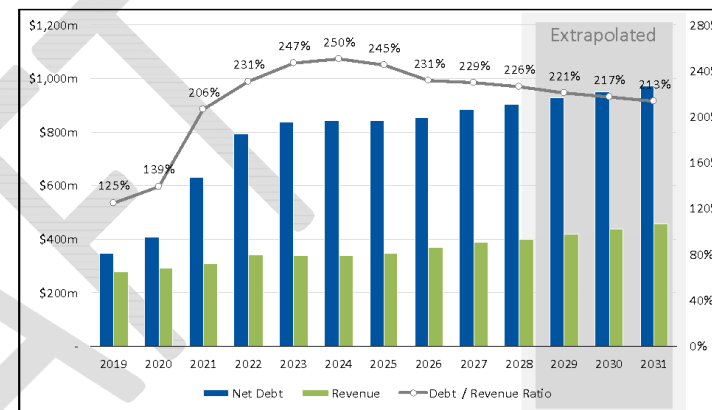


Figure 53: Net debt and revenue per Forecast Long-Term Plan

For the years of 2029-2031 net debt and revenue have been extrapolated in line with trends seen over the preceding three-year period. The funding challenge peaks prior to 2029 for both options, reducing the risk associated with the limitations of the assumption.

Assumptions by option

The following table provides a summary of the differing assumptions for each option, and how each assumption impacts the projection of net debt.

Assumptions	Description
Infrastructure Cost Profiles	For both options Rotokauri capital cost embedded within the forecast Long-Term Plan has been deducted from net debt, and then added the capital cost for each option profile back to net debt. The Build Community capital cost profile has been formally estimated and entered into Psoda, with the only alteration being the flattening of peak stormwater capital cost through the middle years of the Long-Term Plan period. The Piecemeal Community option is an amended version of the profile in the existing Long-Term Plan.
Development Contributions Revenue	<p>All Build Community capital and funding scenarios have been run through Council's growth and development contribution models to provide expected development contribution revenue for those scenarios.</p> <p>The Piecemeal Community option assumes the same Rotokauri dwelling uptake profile as the Long-Term Plan and therefore development contribution revenue is assumed equivalent to that in the Long-Term Plan.</p> <p>The Deferred Community option assumes no Rotokauri dwellings for a 10-year period – other greenfield areas such as Peacocke and Rototuna are intrinsically assumed to grow quicker to compensate. Development contribution revenue per the Long-Term Plan has been decreased to reflect the difference in development contribution rates between Rotokauri and these other greenfield sites (given Rotokauri has materially higher rates).</p>

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Residential and Commercial Uptakes and Yields	Uptake and yields have been individually assessed for each option. The uptake for each option is aligned to that used in the development contribution revenue modelling as stated above.
Consequential Operating Costs	Consequential opex for each option has been assessed with consideration for the timing of infrastructure and replaces the consequential opex relating to Rotokauri projects from the forecast Long-Term Plan. Build Community includes \$350k per annum, inflated, for project management assistance.
Net Interest	Adjustments have been made for each option for the increased interest expense (or saving) from increased (or decreased) debt borrowing.

Limitations

No adjustments have been made to revenue in the forecast Long-Term Plan, other than changes to development contribution revenue which is excluded by the Local Government Funding Agency measure of the debt to revenue covenant, and therefore debt capacity is assumed to be the same and unchanged for both options. The assumption is that rates revenue is consistent across all options through to 2031, despite having different distributions of residential dwelling and commercial uptake across the city.

There is no consideration of a change to overall city growth rate with the acceleration of Rotokauri network infrastructure, i.e. the increased supply does not increase demand/city growth rate.

The information in this Financial Case is based on best information available at time of writing, naturally as this information is updated over time there is a key risk of a material effect on the trends and analysis laid out in this Financial Case.

8.3 Capital Programmes

The figures below compare the capital programme for the three options. There is an inherent assumption that all options deliver the same standard of infrastructure in Rotokauri over the 30-year horizon (uninflated). These capital programmes represent full costings without any consideration of private developer agreement savings.

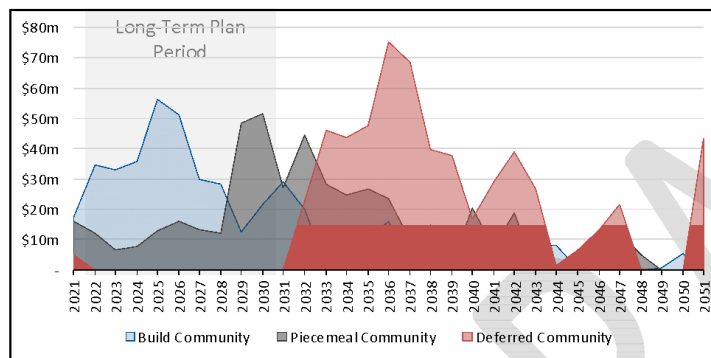


Figure 54: Capital programmes for each of the options – Inflated values, by year view (2021 – 2050)

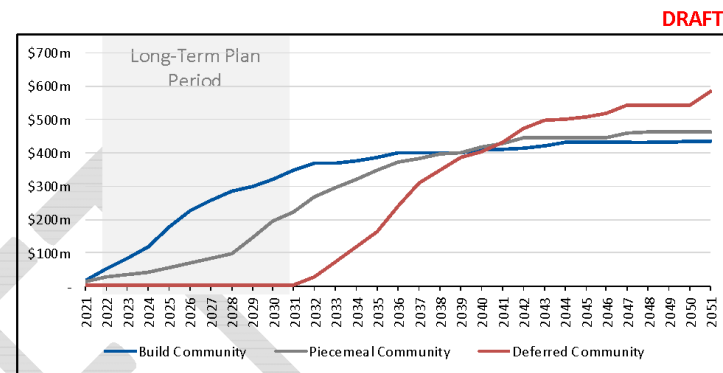


Figure 55: Capital programmes for each of the options – Inflated values, cumulative view (2021-50)

The figures illustrate a clear difference in capital spend timings between the three options, with only \$224 million expected to be spent on Rotokauri infrastructure by the end of the Long-Term Plan period (2031) for the Piecemeal Community option as compared to \$349 million for the Build Community option. Comparing the peaks of the options indicates that the Build Community option would accelerate capital spend by at least 10 years compared to the Piecemeal Community option.

The Deferred Community option is forecast to cost \$148 million more than the Build Community option due to inflation.

Capital Spend Breakdown

The figure below provides a breakdown of capital project categories by option for the 2021-31 time period, and full 30-year time horizon.

	Deferred Community		Piecemeal Community		Build Community	
	2021-31	30yr Total	2021-31	30yr Total	2021-31	30yr Total
Transport	2	252	93	181	148	190
Storm Water	2	176	120	145	129	130
Waste Water	1	9	4	8	6	6
Water Supply	0	16	7	12	12	12
Community	-	132	-	116	54	99
Total	5	585	224	463	349	437

Figure 56: Breakdown of capital programmes by category and option (inflated values)

Essentially the Build Community option delivers the Bulk Housing Infrastructure within the 2021-31 period whilst the other two options deliver the majority of infrastructure outside of that period.

A full breakdown of capital spend by category and by option is provided in Appendix 10.

Consequential Opex

There will be a need for opex to resource the infrastructure project management and programme management teams.

The remaining consequential opex varies by option as the capital spend profiles differ:

- **Build Community** – consequential opex linked to infrastructure delivery (Psoda) with the addition of \$350k per annum (increasing with inflation), for project management support
- **Piecemeal Community** – consequential opex per the 2018-28 Long-Term Plan, no allowance for project management

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- **Deferred Community** – retains the current consequential opex costs in the 2020-21 Annual Plan, increasing with inflation, and no allowance for project management.

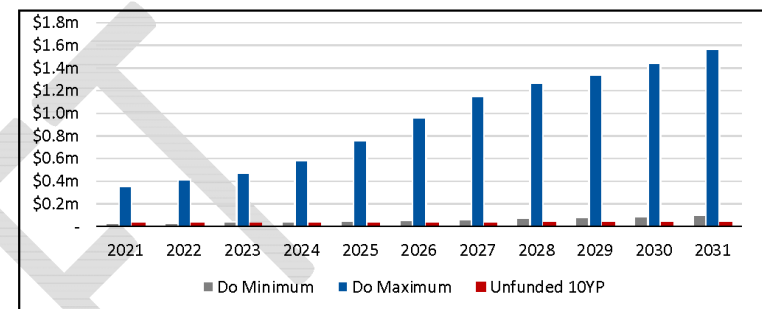


Figure 57: Comparing consequential opex by option

Depreciation & balancing the books

Balancing the books forms part of the Council's financial strategy.

In summary, the measure is a way of assessing operating performance. Essentially, the measure removes capital revenue streams and one-off grants, leaving core revenue items like rates and activity fee revenue to cover operating costs, including staff costs, overheads, interest and depreciation.

The upfront cost of infrastructure required in opening a new growth cell and the resulting depreciation make achieving a breakeven or surplus position under the balance-the-books approach more challenging as revenue growth from rates and other Council services follows the delivery of infrastructure.

Estimated depreciation for the Build Community option is approximately \$4 million higher at 2028 than that assumed in the forecast Long-Term Plan, largely driven by accelerated development of transport and community assets, and consequently an accelerated provision of vested assets.

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Figure 58 below shows the estimated balancing-the-books measure for the Forecast Long-Term Plan as compared to Piecemeal Community and Build Community options.

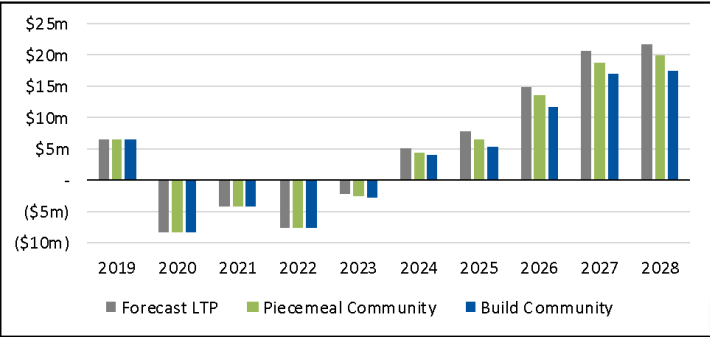


Figure 58: Illustrating the effect of estimated depreciation differences by option on the Balancing the Books measure

8.4 Yields and Uptake

Residential yields and uptake

Detailed below is the residential dwelling uptake profile adopted for the 2018-28 Long-Term Plan, which was based on NIDEA Low projections. This profile is adopted for the options analysis, with the uptake for Rotokauri (281 total) matched with yield and driven by piecemeal developer activity and not Bulk Housing Infrastructure.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Peacocke	115	125	157	205	263	350	428	461	448	392	2,944
Rotokauri	24	27	30	31	29	20	9	16	32	63	281
Rototuna	256	221	196	195	261	260	279	289	271	252	2,480
Ruakura	132	187	204	184	106	44	62	73	75	69	1,136
Te Rapa North	1	1	1	1	1	2	1	1	1	1	11
Temple View	6	6	5	9	10	12	12	11	13	11	95
Infill	583	666	656	614	574	563	465	410	432	482	5,444
Total	1,117	1,233	1,249	1,239	1,244	1,251	1,256	1,261	1,272	1,270	12,391

Figure 59: Residential dwelling uptake by catchment (2018-28 Long-Term Plan)

Total uptake for years 2029 to 2031, which fall outside of the current Long-Term Plan, is assumed to be consistent with that of 2027 (1270 dwellings).

A key assumption for both options is that there is no increase in uptake or demand as a result of the increased supply of developer-ready land to the market with the acceleration of Rotokauri. Therefore, the uptake allocation across all catchment areas is reduced on a linear basis while allocating the indicative uptake to Rotokauri for each option. This assumption will be updated at a time when the growth model can be run.

The following figure compares the residential yield and uptake for Rotokauri for each option.

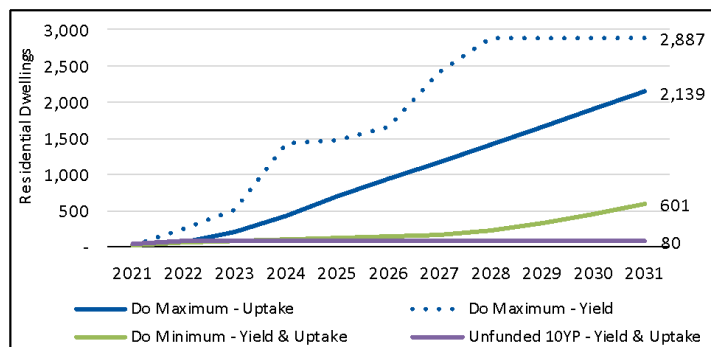


Figure 60: Rotokauri Stage 1 residential yields and uptake by option (Household Unit Equivalents)

The Build Community option brings forward yield or the supply of developable land significantly earlier than the Deferred Community and Piecemeal Community options. Under the Build Community option there is sufficient yield (2887) to satisfy the uptake projections (2139) across the period to 2031 (11 years) with little risk of demand exceeding supply.

Given the set assumption that there is no additional demand across Hamilton for housing due to accelerated development, the increase in the allocation of growth or uptake to Rotokauri will likely result in cannibalisation of growth in other areas as discussed at section 6.7.

Commercial yields and uptake

The following figure provides a comparison by option of the yield and uptake of gross floor area (in m²) for employment / industrial and commercial / retail space for Rotokauri Stage 1. For the Piecemeal Community option, the yield and uptake of space is the same.

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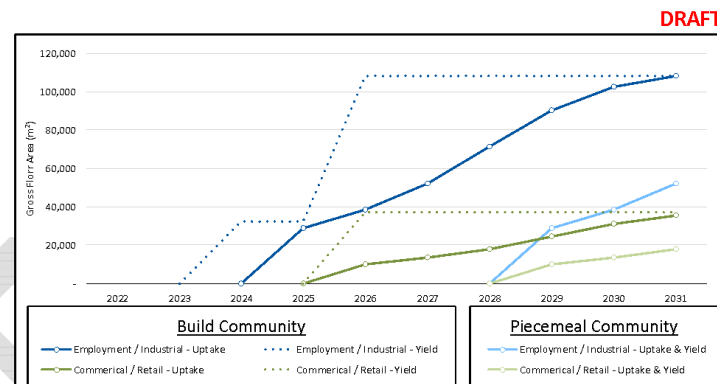


Figure 61: Rotokauri Stage 1 commercial and industrial yields and uptake by option

Note: No commercial / industrial yield is assumed under the Deferred Community option.

The Build Community option is projected to deliver approximately twice the yield and uptake of Employment / Industrial land (108,000m² compared to 52,000m²) and Commercial / Retail land (35,000m² compared to 18,000m²) all of which is projected to be developed (uptake) to 2031 which leverages the popularity and significant growth of the commercial / industrial zones in the Rotokauri fringe in recent years.

The higher employment and commercial activity under the Build Community option is expected to support the uptake of residential dwellings given people do make housing decisions based on the location of their employment.

8.5 The Funding Challenge

Borrowing Limitations

Council, like most local authorities in New Zealand, funds debt via the Local Government Funding Agency. The Agency has historically imposed a debt to revenue ratio covenant of 250% on Council, though a ratio of 230% has been

adopted by Council as a prudent limit to allow headroom for emergency funding requirements.

However, effective 1 July 2020, Council's hard limit increased to 300% for a period of two years, dropping by 5% by year to a new baseline of 280%. In this respect the debt/revenue limit for the relevant forecast period is as follows:

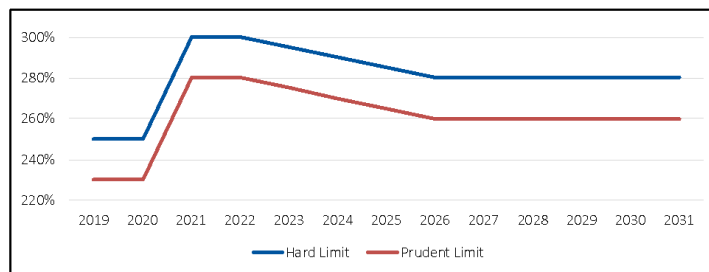


Figure 62: Forecast debt / revenue limits

For the purposes of this business case a buffer of 20% is maintained by Council for a prudent limit.

Debt Capacity

The table below details revenue and implied debt capacity at those limits as set out in the forecast 2018-2028 Long-Term Plan. It should be noted that certain revenue items (such as development contributions) are excluded from revenue for the purposes of the debt capacity calculations. Revenue for the years outside of the current Long-Term Plan period (2029-31) have been estimated to follow the trend from the preceding three years.

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\$ in millions	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates	181.2	191.7	200.0	212.9	226.1	240.0	254.6	270.1	286.3	303.4			
Activity Fees	50.9	33.6	44.1	46.6	48.1	49.7	50.9	52.1	53.4	54.6			
Subsidies & Grants	6.9	11.0	7.0	7.3	7.7	8.0	8.4	9.4	9.2	10.2			
DCs	24.6	32.2	22.5	33.0	34.6	35.6	36.9	38.3	39.2	39.1			
Interest Income	3.7	1.4	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7			
Other Revenue	35.4	51.5	48.1	48.9	48.7	39.8	38.6	39.4	40.4	40.2			
Capital Revenue	35.5	42.4	58.6	73.4	54.8	36.1	27.4	33.7	34.1	27.8			
Total Revenue	337.5	363.9	382.0	423.7	421.7	410.8	418.5	444.6	464.2	477.0			
Less: DCs	(24.6)	(32.2)	(22.5)	(33.0)	(34.6)	(35.6)	(36.9)	(38.3)	(39.2)	(39.1)			
Less: Vested Assets	(33.7)	(49.1)	(32.5)	(33.3)	(34.1)	(34.9)	(35.7)	(36.6)	(37.6)	(38.6)			
Less: Fair Value HIF Loan	(0.2)	(0.8)	(4.2)	(14.3)	(13.3)	(3.6)	(1.5)	(1.3)	(1.3)	(0.2)			
Revenue for Debt Capacity	279.0	281.8	322.8	343.1	339.7	336.7	344.4	368.3	386.1	399.1	419.3	437.8	456.6
Debt Capacity (Hard Limit)	697.6	704.4	968.4	1,029.4	1,002.2	976.4	981.5	1,031.4	1,080.9	1,117.6	1,174.1	1,225.9	1,278.5
Debt Capacity (Prudent Limit)	641.8	648.1	903.8	960.8	934.2	909.0	912.6	957.7	1,003.7	1,037.8	1,090.2	1,138.4	1,187.2
Funding Headroom at Prudent Limit	298	242	273	169	96	67	69	105	119	134	165	188	214

Figure 63: Revenue and debt capacity

For this business case no adjustments have been made to revenue forecast in the Long-Term Plan, other than development contribution revenue which does not impact debt capacity.

Debt Projections

The table below details the additional capital spend required for the Build Community option and the impact on the net debt position and debt capacity as compared to the June forecast Long-Term Plan.

\$ in millions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Difference in Rotokauri Capital Cost											
Build Community program	17.1	51.9	84.9	120.6	177.0	228.1	257.9	286.1	298.7	320.2	349.3
Less: Existing LTP Program	(15.9)	(28.1)	(34.7)	(42.3)	(55.0)	(71.2)	(84.7)	(96.8)	(145.3)	(196.8)	(223.9)
Difference	1.2	23.8	50.1	78.2	122.0	156.9	173.2	189.3	153.4	123.4	125.4
Net Debt per LTP	630.7	792.3	838.6	842.1	843.2	852.5	885.2	903.7	924.9	950.4	973.2
Add: Difference in Rotokauri Capital Cost	1.2	23.8	50.1	78.2	122.0	156.9	173.2	189.3	153.4	123.4	125.4
Add: Difference in Consequential Opex	0.3	0.7	1.2	1.7	2.5	3.4	4.5	5.7	7.0	8.4	9.9
Add: Difference in DC Revenue	(9.3)	(8.6)	(10.2)	(15.9)	(23.7)	(28.3)	(32.1)	(35.2)	(38.2)	(41.2)	(44.2)
Add: Additional Interest Expense	(0.4)	0.7	1.9	3.0	4.8	6.3	7.0	7.7	6.0	4.4	4.4
Net Debt per Build Community	622.5	808.9	881.6	909.1	948.8	990.9	1,037.7	1,071.3	1,053.1	1,045.5	1,068.7
Debt / Revenue Ratio - Prudent Limit	280%	280%	275%	270%	265%	260%	260%	260%	260%	260%	260%
Debt Capacity (Prudent Limit)	903.8	960.8	934.2	909.0	912.6	957.7	1,003.7	1,037.8	1,090.2	1,138.4	1,187.2
Funding Deficit/Headroom	(281)	(152)	(53)	0	36	33	34	33	(37)	(93)	(118)
Debt/Revenue Ratio	133%	236%	260%	270%	276%	269%	269%	269%	261%	239%	234%

Figure 64: Build Community: Initial funding deficit and debt/revenue ratio

At its peak in 2025, the analysis suggests a funding deficit of approximately \$36 million and a debt/revenue ratio of 276%, which represents the size of the challenge requiring bridging by the alternative funding options.

The following figures provide a visual representation of the debt/revenue ratios and funding deficit/(headroom) above/(below) the prudent limit for the two options.

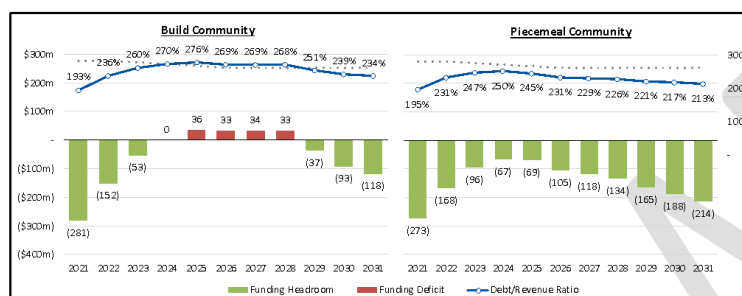


Figure 65: Illustration of funding challenge for capital programmes of the Build Community and Piecemeal Community options

The Piecemeal Community option does not have a funding deficit, with all infrastructure able to be delivered and funded by Council without breaching the new prudent debt to revenue ratio limit.

The Deferred Community has no funding deficit as over \$200 million of capital expenditure is removed across the 10-year period.

8.6 Funding Arrangements

Council has traditionally relied on development contributions to fund growth infrastructure, with cost savings and efficiencies gained from private developer agreements where possible.

Council intends to enter into private developer agreements with Hounsell and RDL in the accelerated development of Rotokauri. From initial discussions an estimate for the overall cost savings for Council is \$65 million (uninflated) for

the Build Community capital programme. It should be noted that a large portion of this cost saving is effectively a timing transfer, in that the developer funds a portion of the infrastructure upfront as the developer is the ultimate beneficiary of the spend, reducing the development contribution amounts paid in later years. The table below summarises the funding mechanisms against the three options.

Funding mechanisms

	Descriptions	Deferred Community	Piecemeal Community	Build Community
Development Contributions	Infrastructure funded by Council, repaid over time by developers as section titles are issued.	Applicable revisions to modelling required.	Applicable.	Applicable, reduced charge than otherwise when combined with private developer agreements and/or IFF.
Private Developer Agreements	Certain infrastructure delivered and partially paid by developers, saving Council the upfront cost.	Not required in the 10-year period.	Reduced scope private developer agreements, addressing upsize of developer infrastructure only and not Bulk Housing Infrastructure.	Applicable, discussions with lead developers, assumed delivery is developer led with appropriate cost allocation to developer.

IFF tool	Specific infrastructure is funded by the private sector, facilitated by Crown Infrastructure Partners, landowners pay a levy to the funder, collected by Council. No cost to Council.	Not applicable for this option.	Not applicable for this option.	Possible, assumed off-balance-sheet funding of \$100m (uninflated) across early period of Long-Term Plan (2022-26).
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Assumed IFF Benefit

Should the IFF tool be available and used, it is assumed to deliver \$100 million (uninflated) of funding, which is equivalent to roughly 25% of total network infrastructure required for the growth cell. Whilst it is only a partial funding solution it delivers off-balance-sheet funding at a critical funding point, where debt headroom is at its low point.

For the Build Community option most of the stormwater and transport capital requirements are in the early to middle years of the Long-Term Plan period (2022-27), creating a spike in Council's debt to revenue ratio. Having IFF funding during this period (taking cost off balance sheet) provides significant relief during this spike and potentially avoids the breach of the prudent debt / revenue ratio limit.

The following figures indicate how cost over the Long-Term Plan period is funded under each option.

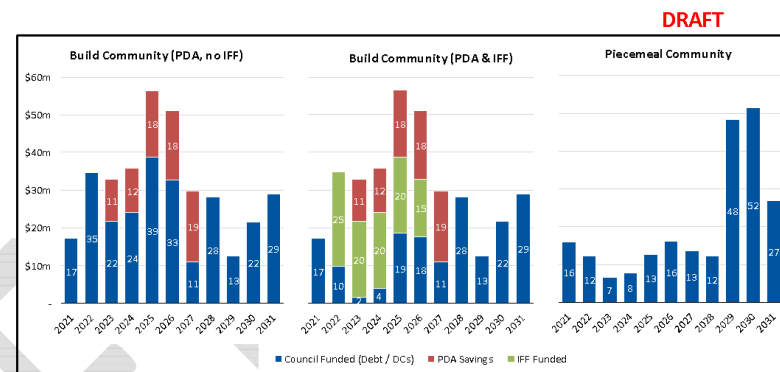
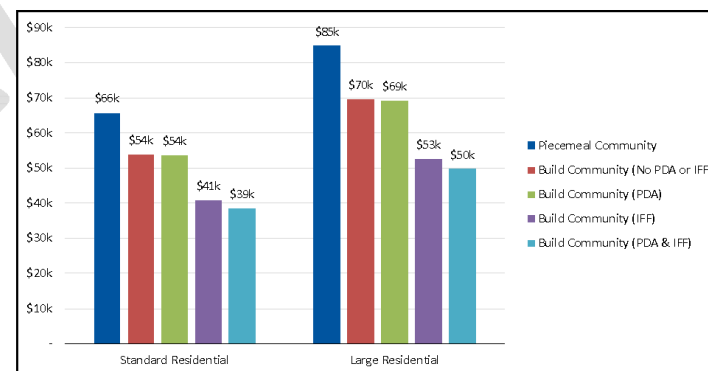


Figure 66: Comparison of funding arrangements for each option

Development Contributions

The following figure compares estimated development contribution rates for the Build Community and Piecemeal Community options for Rotokauri Stage 1.



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Figure 67: Comparison of Development Contributions

The development contribution charge for the Piecemeal Community option is higher than Build Community (without private developer agreement and IFF) option due to:

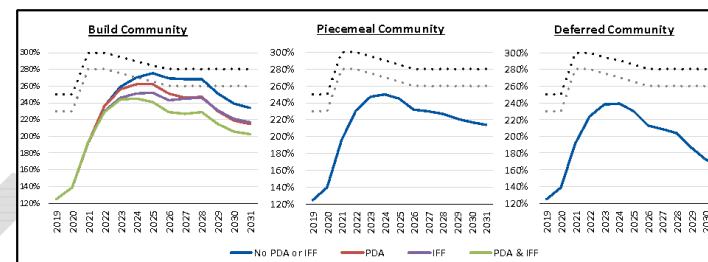
- its cost over 30 years being slightly higher than that of the Build Community option
- development occurring (and therefore development contributions being paid) over a longer time horizon, increasing the amount of interest included within the development contribution charge.

IFF funding of \$100 million for the Build Community option is expected to lower development contribution charges by approximately \$13k per Household Unit Equivalent for small residential dwellings, and \$17k for large residential dwellings.

The Deferred Community option will likely result in higher development contribution charges than the Piecemeal Community option due to significant inflationary increases.

8.7 Option Viability

The following figures compare the debt to revenue ratios for the three options, with four funding scenarios applied — No private developer agreement or IFF, private developer agreement only, IFF only and both private developer agreement and IFF. There is no expectation of a situation whereby the Build Community option proceeds without a private developer agreement in place, so that funding scenario in the left graph below is for illustrative purposes only.

**Figure 68 Comparing debt to revenue ratios for the options**

The table below compares the viability of the options in consideration of their peak debt to revenue ratios and funding deficits created (if applicable).

Capital Programme Option	Private Developer Agreement	IFF	Peak Debt to Revenue Ratio	Peak Funding Deficit / Headroom	Financially Viable?
Build Community	\$65m (uninflated)	\$100m (inflated)	246%	\$81m headroom	Yes
Build Community	No	\$100m (inflated)	252%	\$45m headroom	Yes
Build Community	\$65m (uninflated)	No	262%	\$9m headroom	Yes, though will require management of debt at peak
Piecemeal Community	No	No	250%	\$67m headroom	Yes
Deferred Community	No	No	239%	\$105m headroom	Yes

With respect to the above:

- The Build Community option is viable with the \$78 million (inflated) private developer agreement saving at 262% but with limited headroom for Council to spend money elsewhere (with headroom just \$9 million at the peak debt to revenue ratio). With the added benefit of IFF the peak debt to revenue ratio is 246%, providing Council with \$81 million headroom.
- The Piecemeal Community and Deferred Community options are both financially viable.

Visualising the Funding Deficit

The figure below provides an illustration of the funding deficit/headroom for Build Community option with and without IFF (with private developer agreement savings assumed in both cases). The figures are relative to the prudent debt to revenue.

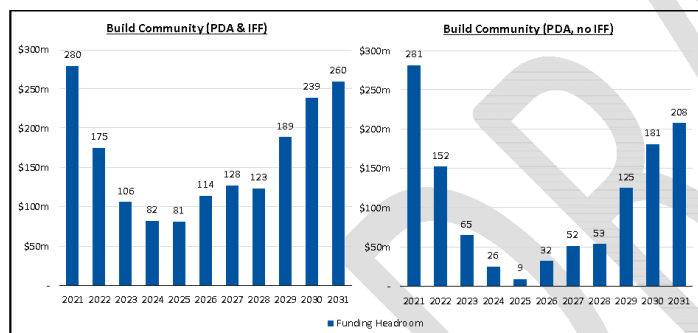


Figure 69: Illustration of the funding deficit/headroom for Build Community option with and without IFF

Additional funding measures

Council could explore additional funding measures to increase debt headroom under the Build Community option to allow room for additional future capital spend without breaching the prudent limit. Examples of these measures include the following:

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- Additional cost savings relating to the stormwater floodway development as Hounsell has received independent cost assessments suggesting the cost of the stormwater floodway is in the order of \$90 million rather than the ~\$110 million (uninflated) costed by Council. It is likely that this can only be explored through detailed design work undertaken collectively through a private developer agreement.
- Further allocations of upfront costs to other developers under private developer agreements (i.e. RDL).
- Additional IFF funding. For both accelerate options IFF funding of \$100 million (uninflated) is assumed. However, it is possible that this could increase, either through increased levies, increased density of dwellings (more beneficiaries) or a reduced financial return to investors. Further transparency will be sought from Crown Infrastructure Partners in relation to the embedded financial return.
- Deferral of capital cost. This would involve additional deferral of cost for the Build Community option, i.e. stretching out stormwater floodway development over seven years rather than five years. This may necessitate changes to the projected yield profiles for residential and commercial development, however, there is significant projected difference between yield and uptake over the middle to late Long-Term Plan period to allow for this. A smoothing of core stormwater cost over 2023-2029 (rather than 2023-27) would assist in flattening the debt to revenue ratio during its current peak period in 2023.

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Scenario Analysis

The effect on debt to revenue ratio levels for the Build Community option (with and without IFF) is considered for the following factors.

Factor	Description	Effect on Build Community peak Debt Revenue ratio
One-off 2% rates increase in 2022	An additional 2% rates increase would increase revenue and debt capacity, creating additional room for future discretionary spend without breaching the prudent debt to revenue ratio limit.	With IFF: 232% (246% without effect) Without IFF: 245% (262% without effect)
Uptake demand (city growth rate) 10% lower than forecast	This would assume demand to be 10% lower than the NIDEA low growth rate currently assumed for the city. Whilst this would have an effect on many aspects of Council's financial statements, the main effects will be in respect of lower-than-forecast rates revenue and a delayed development contribution repayment schedule (which is modelled to a high level in the projected debt to revenue ratio).	With IFF: 250% (246% without effect) Without IFF: 269% (262% without effect)
IFF funding increased to \$120m	This would likely come at the expense of higher levies to landowners, however, would take an additional \$20m of capital cost off Council's balance sheet, reducing debt. It is assumed this additional funding would be spread between the years of 2022/23 for the purposes of modelling the implied effect on the debt to revenue ratio.	With IFF: 239% (246% without effect)

The figures below illustrate the impact of the above scenarios on the debt to revenue ratio for the Build Community option both with and without IFF.

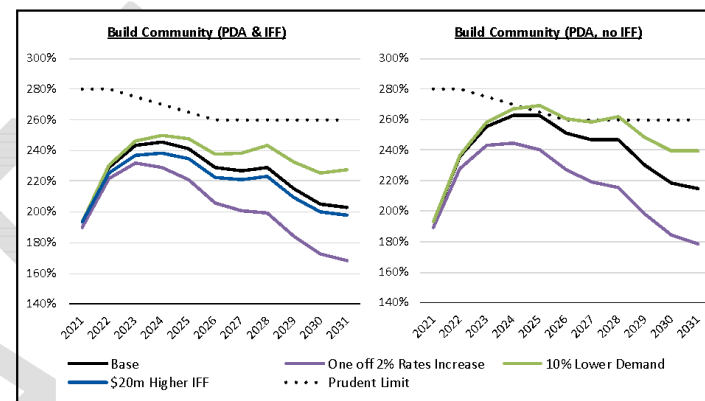


Figure 70: Debt to Revenue Ratio Under Sensitised Assumptions

Modelling shows that whilst a reduction in demand might be manageable from a debt to revenue perspective, it should be noted that the figures above are simplistic and assume a change to rates and development contribution revenue only – in reality, should the demand profile significantly soften there would be a number of flow-on effects not considered in the above modelling, including the possible deferral or delay of key projects, whether in Rotokauri or elsewhere in the city.

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Conclusion

The Build Community option appears viable with the assumed private developer agreement cost allocation of \$65 million to developers and with the \$100 million IFF funding tool. Should one of these funding solutions not eventuate the Build Community option may still be achievable, however there would be little debt headroom for Council to allocate to other capital programmes (not identified) in the 2021-31 Long-Term Plan or headroom to allow for adverse changes in financial assumptions such as less than projected rates increases or lower growth rates.

Based on the lack of headroom which limits Council's ability for other new projects it would appear that increasing the IFF to \$120 million would provide greater certainty in terms of financial viability.

9. MANAGEMENT CASE

9.1 Management Case Overview

The approach to Rotokauri requires support from Council, investment partners such as Crown Infrastructure Partners, Waka Kotahi NZ Transport Agency, developers, and the wider community. This includes the communities potentially directly affected by Council's commitment to the investment and levy necessary to fund it, and the Long-Term Plan funding requirements for the overspill and balance amounts.

If approved, the proposal as articulated in this detailed business case will be incorporated in Long-Term Plan planning and statutory consultation. The levy approach in particular will require community education as part of consultation.

Delivery in time to attract IFF investment is very challenging. It requires land to be available in time for construction, parallel workstreams and reliance on estimates and contingencies to support private developer agreements and IFF agreements prior to final tenders. There will be tension between land access, delivery timeframes and levels of certainty. Council's commitment should be subject to Crown Infrastructure Partners, developer, and landowner support.

Crown Infrastructure Partners will establish Special Purpose Vehicles for finance and construction. The Construction Special Purpose Vehicle will contract a Construction Principal for infrastructure delivery. Council's governance, management and reporting roles will be subject to private developer agreements, Multi-Party Funding Agreements, and statutory commitments. The IFF framework is likely to operate separately with Council as a project partner rather than in a project governance role. The management arrangement needs to respond to the IFF contract framework and manage cost, time, and scope risks early to ensure the infrastructure and outcomes match Council's requirements regardless of governance.

Implementation is anticipated to be through the Construction Principal in conjunction with development to leverage efficiencies from coordinating earthworks and project scale. This will require rigorous systems to manage cost, scope and value for money and will depend on the Special Purpose

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Vehicle framework. Procurement involving Council funding needs to satisfy NZ government procurement principles. Council should require appropriate quality, risk, procurement, contract and cost management policies and procedures.

Security of land for construction is on the critical path. Council has progressed road and stormwater floodway designations which should be confirmed by June 2021. Early stormwater floodway design (requiring early funding) is critical to delivery on time. Subject to funding approval, design should progress in parallel with initial land investigations. Access by agreement is necessary for any prospect of timely delivery. If compulsory Public Works Act processes are required, then the delays of 12-24 months are not likely to be acceptable for IFF funding.

Early landowner and developer commitment should therefore be a condition precedent for Council commitment to the IFF.

If access to land for investigation and construction is confirmed, then developer and IFF agreements would progress in parallel with land and detailed design. Final commitments would be part of the 2021 –2031 Long-Term Plan processes.

Subject to detailed design, adequate cost certainty and secure access to land, physical works for the stormwater floodway could be committed and commence in late 2022. Construction will take around three years. Road construction has to wait approximately two years for the stormwater floodway to be substantially progressed. This is because the arterial road drainage, and subdivision drainage, needs the depth of the proposed stormwater floodway to work in the long term, and if the road embankment does not allow the catchment to drain, it will inappropriately act as a dam.

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9.2 COVID-19 Risk Assessment

COVID-19 is likely to influence construction industry pricing and risk tolerance. This is in response to:

- direct effects on supply chain certainty and construction productivity
- potential effects from operational constraints such as from Alert Level 3 and site access constraints such as Level 4.

The effects of the government infrastructure stimulus response to address the economic impacts of Covid-19 remain uncertain. If there is significant infrastructure investment, then prices are likely to rise. Utilising a procurement strategy that supports smaller, local contractors protects the project from reliance on a single supplier and supports a competitive market.

The management framework for the project needs to be capable of responding to these potential cost and time risks as well as the other Covid-19 impacts such as on the housing market, developer confidence and Council revenue described in the Commercial Case.

9.3 General - delivering wellbeing for Rotokauri Stage 1

Overview

This Management Case is designed to enhance wellbeing for the existing and planned communities in Hamilton by delivering the preferred infrastructure and funding option for Rotokauri Stage 1 in a way that matches Council's financial requirements and tolerance for risk. The ultimate customers for the project are the Rotokauri Stage 1 community who inherit the 30-plus years positive and negative implications of the proposed levy and infrastructure decisions.

Three workstreams are proposed:

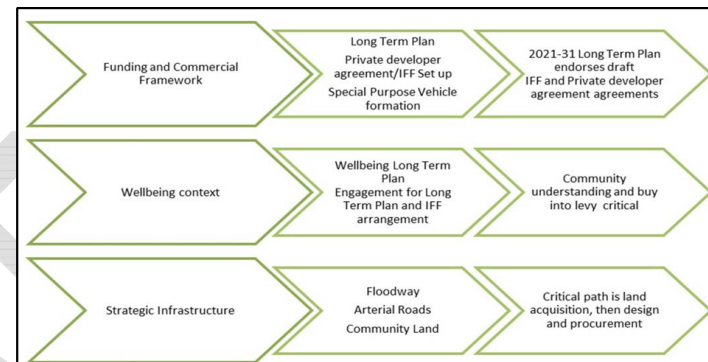


Figure 71: Proposed management workstreams

This section of the detailed business case sets out a management framework for delivery of the project to achieve the planned wellbeing outcomes and benefits. The framework recognises the complexity and novelty of the IFF arrangements and the Council's emerging wellbeing framework as new methodologies for Council with new sets of risks and opportunities.

The proposed management approach is to consider the IFF and wellbeing framework as specific workstreams and manage the funding model, wellbeing objectives and infrastructure delivery as parallel and interdependent workstreams.

The management approach is to utilise and build on Council's proven programme and project management and controls framework, including financial, risk, delegations, and procurement policies. The framework requires clear hold points and go/no go decisions to ensure that costs, risks, and opportunities are understood before significant commitments, and will be implemented through project planning and management.

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Project planning and management will:

- actively identify and treat risks taking into account the changing context for the economy, housing and infrastructure markets
- operate three levels of assurance – appropriate management, governance and independent review, recognising that different project stakeholders and changing phases present different risks, demands and needs for influence
- utilise Council's Long-Term Plan processes for community engagement.

Investment objectives - Benefits and Outcomes

Council's investment objectives for Rotokauri are related to the following benefits:

- More jobs
- More money in the economy
- More homes enabled faster
- Increased housing affordability
- Improved community amenity
- Access to nature
- Increased biodiversity
- Increased health and wellbeing
- Increased recognition of Maaori heritage
- Reduced emissions
- Improved water quality
- Improved transport safety and efficiency
- Improved strategic relationships and connections
- Improved funding capability.

Success in delivering these benefits comes from effective delivery of strategic infrastructure to support development. This requires:

- collaboration between developers, Crown Infrastructure Partners and Council to achieve very tight deadlines in an innovative funding arrangement using new legislation
- commitment to community infrastructure as well as strategic network infrastructure
- a clear understanding of the risks, benefits and decisions critical to timely progress.

Critical success factors

The following critical success factors were developed and refined through the business case journey.

Critical Success Factors	
1	Contributing to all wellbeings by delivering an integrated and coordinated infrastructure solution, to avoid adverse effects of piecemeal development such as reputational damage, increased cost, and poor environmental and social outcomes.
2	Supporting social wellbeing through delivering the right community infrastructure and connections at the right time.
3	Building economic wellbeing through the timely delivery of network, local and community infrastructure in partnership with the development community and other funders, in line with Council's financial strategy.
4	Delivering infrastructure to improve environmental wellbeing for freshwater quality, stormwater management, and biodiversity.
5	Promoting cultural wellbeing by informing taangata whenua and the wider community as to how development is planned, managed, funded, and delivered.

Overview of Proposal

The preferred option is to accelerate the delivery of approximately \$349.3 million of network and community infrastructure in Rotokauri. The main decisions will relate to the 2021-31 Long-Term Plan.

As well as the Long-Term Plan commitment required to accelerate Rotokauri, some funding is required earlier to allow Council to position construction to meet timing expectations of the IFF investor. The early funding would enable detailed design for the stormwater floodway and road design (if time allows), as well as investigations for land to allow the critical stormwater floodway construction to commence a year early. There are likely to be options to reduce the risk and amount of land costs being incurred.

The following table shows the Long-Term Plan 10-year totals along with the 10-year spend on Bulk Housing Infrastructure projects required to enable development. The costs are based on 2018-28 Long-Term Plan budgets and do not take potential savings from work being coordinated with developers or alternative funding from an IFF arrangement into account. The strategic infrastructure required to enable development in Rotokauri Stage 1 west of the Waikato Expressway Te Rapa Section comprises around \$162.7 million including:

- Arterial transport connections:
 - Connection to Te Wetini Drive
 - Upgrade and Extension of Te Kowhai Road
 - Minor Arterial between Te Wetini Drive and Te Kowhai Road Extension
- Stormwater
 - Floodway (stormwater conveyance channel and storage) between Lake Waiwhakareke and Lake Rotokauri
 - Associated wetlands for treatment and storage (subject to funding model and land)
- Potable water supply (delivered with roads)

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- Wastewater pump stations and rising mains (delivered as part of development).

It should be noted that these are evolving concept designs and subject to change.

Cost split between activities – 10-year total and Bulk Housing Infrastructure projects to unlock Rotokauri

Rotokauri Capital Expenditure (\$inflated)	2021-31 Long-Term Plan Rotokauri Infrastructure	Bulk Housing Infrastructure Projects to unlock Rotokauri
Transport	\$148.3m	\$45.8m
Stormwater	\$129.4m	\$87.6m
Wastewater	\$6.2m	\$0.3m
Water Supply	\$11.6m	\$3.4m
Community	\$53.8m	\$25.6m
Inflated Totals	\$349.3m	\$162.7m
Property (approx.) included in above	\$135.9m	\$68.8m

It would be desirable to have some initiation, design and investigation funding available in 2020/21 to support faster delivery prior to the Long-Term Plan decision to fund design during 2020/21 to support acceleration. This management case presumes land will not need funding other than professional services for acquisition until after Long-Term Plan decisions in 2021.

The contracts for these services will need to allow for the complete services if IFF is approved, and for termination if not.

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Funding and Commercial Framework

The Commercial Case considers the proposed funding framework in detail (Section 6). The preferred option uses all of Council's available financing and funding tools combining:

1. Private developer agreements
2. Development contributions
3. IFF – A government funding initiative which provides a funding tranche from the private sector, off-balance-sheet to Council, with levies (principal and interest) paid by landowners.

Success requires collaboration with developers. Challenging negotiation is likely before finalising any agreements. Complexities include:

- preparing agreements that are contingent on three parties, a change in legislation, Long-Term Plan approval and Special Purpose Vehicles that are not yet formed
- requiring land from a range of directly affected landowners, including for a road that is not yet designated, and avoiding the delays from Public Works Act processes
- dealing with construction cost uncertainties because preliminary and concept designs only are available at this stage, and the construction market remains uncertain post-Covid-19
- dealing with general economic uncertainties as a result of the impacts of the pandemic on residential demand, immigration, and Council revenue.

IFF funding cannot be confirmed until funding certainty from Council is obtained (following 2021-31 Long-Term Plan consultation). The Long-Term Plan is very likely to result in an update to Council's Development Contribution charges, with potentially significant changes in Rotokauri if the IFF and levy is adopted as a funding mechanism. Those need to be coordinated as part of the Long-Term Plan development and engagement processes.

Developers have indicated that they propose to commence development prior to the Long-Term Plan decision in June 2021. Development is already under

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way in parts of the area and private developer agreements are in place for some and being negotiated for others.

Should a commitment to accelerate Rotokauri infrastructure be achieved through the Long-Term Plan the full accelerated programme (Build Community) would then require IFF funding.

Wellbeing Context

The Wellbeing Case provides a context for the proposal in a wellbeing sense. As Council refines the wellbeing framework in developing and consulting on the 2021-31 Long-Term Plan there is a risk of wellbeing, growth and funding assumptions and priorities that are different to those used to support this detailed business case.

This is unlikely to influence the design standards for the stormwater floodway and associated treatment devices but could influence the levels of service and land and infrastructure requirements for community and transport infrastructure, and how biodiversity is treated and provided for. If these changes are consistent with the objectives and expectations of developers and the IFF funders, then the consequences would be part of design and estimate refinement, and benefit tracking, which is an expected part of the project process. However, if there are significant changes without agreement, these could disrupt or delay commercial negotiations, designation, or property acquisition processes.

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Strategic Infrastructure

The context for the infrastructure and development is shown in Figure 72 below. The location and interdependencies of key infrastructure projects is described in Figure 2. A key point is that the stormwater floodway is built from north-west to south and water and transport connections start at the south-west. Other infrastructure funding commitments that are directly associated with development, such as upgrades and upsizing, will depend on developers' location, staging and timing.

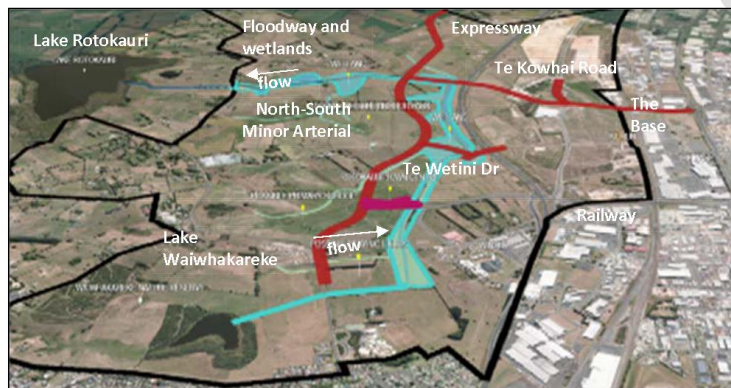


Figure 72: Overview looking north showing stormwater floodway (blue) and arterial roads (red)

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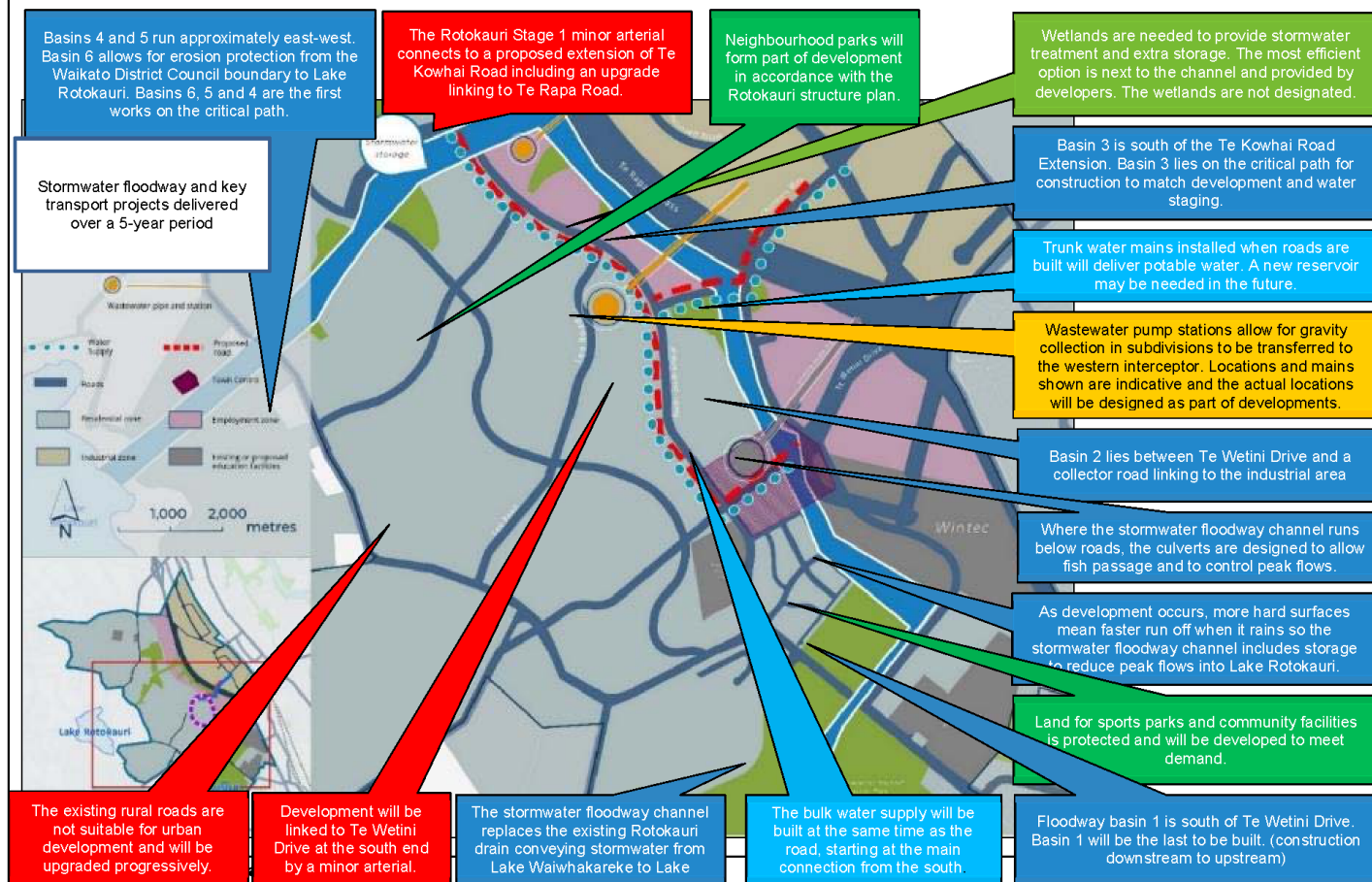
Attachment 1



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Figure 74: Overview of key infrastructure elements



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9.4 Programme, Construction Sequence and Considerations

The stormwater floodway (also referred to as the Rotokauri greenway) is the most significant barrier to development. For efficiency, it should be sequenced from the low point at the drain linking to Lake Rotokauri and be built towards Lake Waiwhakareke and will take three or more years to complete. Figure 75 below shows a possible sequence.

The stormwater floodway area is designated so securing the land should be easier. The minor arterial investigation to support designation is under way and due for completion during 2021. Timely access to land is a significant factor.

The wetlands shown with the stormwater floodway were designed to manage costs and land required. They are generally in low points and channels. They can be moved and adjusted and were expected as part of development infrastructure to satisfy Integrated Catchment Management Plan requirements for water retention and treatment prior to discharging into the stormwater floodway. If they are moved and disaggregated into lots of smaller ponds, the shape means that much larger areas are needed, compromising subdivision efficiency and effective utilisation of land.

Council is considering options for designating the wetlands. This must be in conjunction with development planning to ensure the designs are complementary.

Programme

Current developer aspirations are for main development (after an initial stage that deals with its own stormwater to commence later this year) to commence in early 2022. That is very challenging. Crown Infrastructure Partners' expectations for IFF investment also require early delivery.

Private developer agreement discussions for initial development are under way. The presumed timetable for the commercial frameworks relies on good faith negotiation and agreements in principle anticipating a positive outcome for IFF and Rotokauri in the June 2021 Long-Term Plan decision. That should

allow draft agreements to be prepared, with final agreement subject to IFF and Long-Term Plan endorsement.

However, it will take one to two years to get land, design, consent and procure the key strategic infrastructure, and around three to four years to implement it. Apart from very small initial stages, enough stormwater floodway to reach and service development stormwater treatment devices, and adequate road connections, are required to accommodate significant development.

Figure 75 shows a summary bar chart scheduling key activities, and infrastructure phases to illustrate how important a commitment to early design is to timely delivery.

A notional "end time" is at the right hand side. If the activities are delivered sequentially, as some would have to be (e.g. compulsory acquisition and land agreements should follow the designation process being completed) then the durations would accumulate.

Progressing some of the activities in parallel results in faster delivery but means increased risk and uncertainty.

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Rotokauri – Lead Time – Conceptual illustration of progress towards certainty

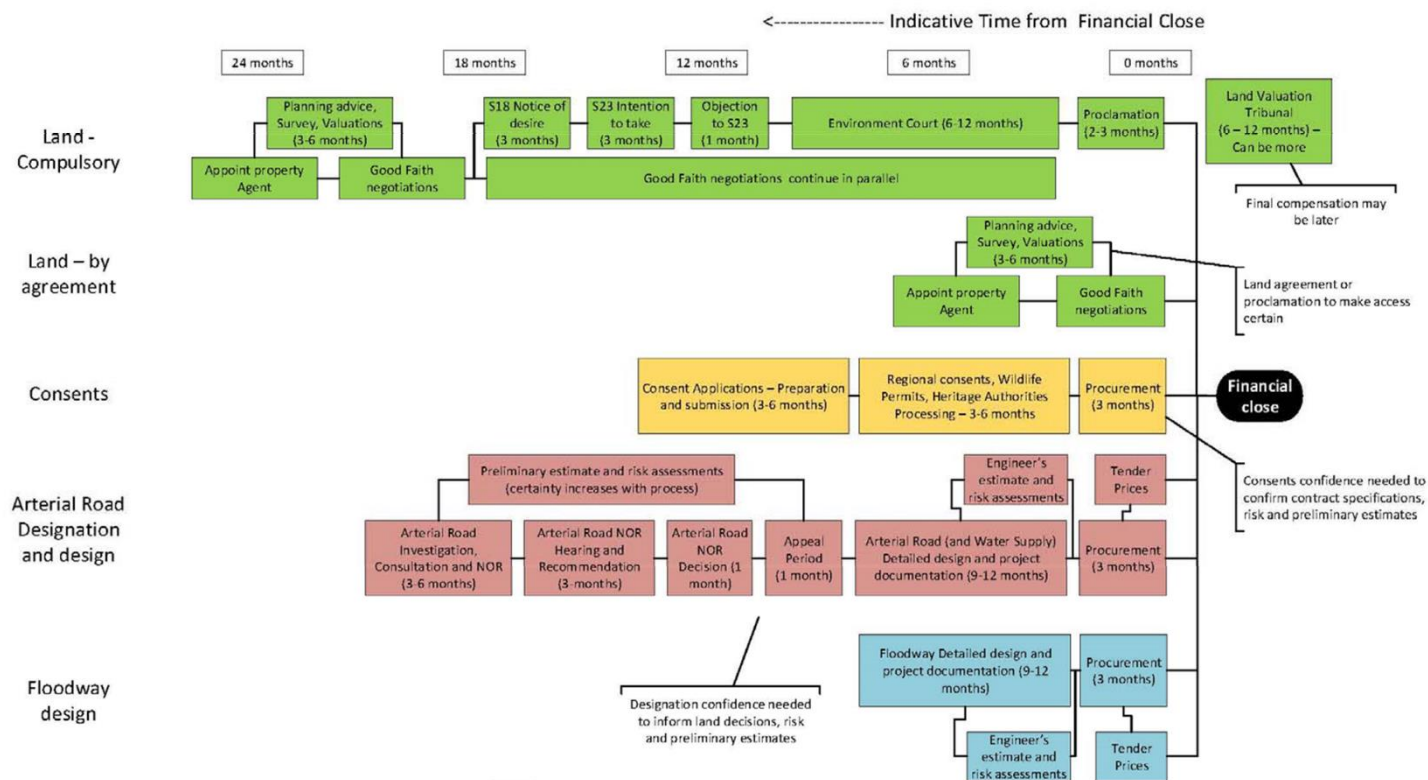


Figure 75: Illustration of lead times towards certainty

High level schedule of dates

The key means to achieving accelerated delivery of infrastructure to provide for a community in Rotokauri relate to:

- access by agreement to land for investigation and for construction
- designation and preliminary design of the arterial roads and associated wetlands and drainage connections to confirm the land required
- detailed design for the stormwater floodway being completed to allow for prompt commencement of construction

The table below compares a schedule based on Long-Term Plan approval in mid-2021 compared to an early start in late 2020. All of the durations are compressed periods for completion of the processes, such as design, land valuation, securing access and acquisition (NOTE – by agreement), designations, etc. Any delays in activities, internal and external approvals, rework, access, etc. will impact the programme but the main risk is land for all scenarios.

If land is resolved very quickly, then the design phases become critical, Activities that would make a material difference in the schedule are marked with an asterisk. The funding that would be required will depend mainly on progress of the road Notice of Requirement preparation and processes.

	Commence on Long-Term Plan Approval		Accelerate – subject to access	
Key Project Milestone	Approximate Start Date	Approximate Completion Date	Approximate Start Date	Approximate Completion Date
Annual Plan	Complete	Complete (August 2020)	Same	Same
Stormwater floodway designation	Complete	Complete	Complete	Complete

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	Commence on Long-Term Plan Approval		Accelerate – subject to access	
Key Project Milestone	Approximate Start Date	Approximate Completion Date	Approximate Start Date	Approximate Completion Date
Preliminary Design Arterials	Under way	Feb 2021	Same	Feb 2021
NOR Arterials	Feb 2021	June 2021	Feb 2021	June 2021
Land (Significant challenge – valuations, PWA, upsize, vesting)	July 2021 (Long-Term Plan commitment and NOR available)	June 2022 (by agreement) 12-month delay if not	July 2021 (Long-Term Plan commitment) October 2020	Require agreement by Feb 2022
Detailed design Stormwater floodway	July 2022 (Long-Term Plan commitment)	June 2023 (by agreement) 12-month delay if not	July 2021	June 2022
Detailed design Arterials	July 2022 (Long-Term Plan commitment)	June 2022 Subject to access for investigations	July 2021	June 2022
IFF draft agreement	Nov 2020	Dec 2021	Nov 2020	Dec 2021
Long-Term Plan	Under way	June 2021	Under way	June 2021
IFF agreement	Dec 2021	June 2022	Dec 2021	June 2022
Cost and risk confidence	Tender - May 2023 Subject to access for investigations	Aug 2023	July 2022	October 2022

	Commence on Long-Term Plan Approval		Accelerate – subject to access	
Key Project Milestone	Approximate Start Date	Approximate Completion Date	Approximate Start Date	Approximate Completion Date
Procurement/ consents	Dec 2023	June 2023	June 2021	October 2021
Construction – Stormwater floodway	Oct 2022	Nov 2026	Dec 2022	Dec 2025
Construction – Minor Arterial	June 2025	June 2027	July 2024	Dec 2026
Development	TBC	2030	TBC	2030

The comparison suggests that there is little advantage from a construction commencement perspective. However, early funding would provide a significant reduction in design and land procurement time risks by building early a buffer in respect of time.

The amount of early funding required in 2020/21 for a flying start depends on progress with the roads Notice of Requirement, completion of and confidence in the preliminary designs. The key activities total up to \$6.0 million, comprising:

- initiation/procurement \$0.5 million
- property agent \$0.5 million
- road detailed design \$1-2 million
- stormwater floodway detailed design \$3-4 million.

The duration of these activities is around 12 months, and the most likely early start would match the completion of preliminary design in February 2021. That leaves four months of the 2020/21 year, equivalent to around \$2 million that would be desirable to have early access to. Funding/procurement would need

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to allow for either full term funding across 2020/21 and 2021/22 or for termination and potential inefficiencies.

The benefits of the early funding are in building time buffers to balance the assumptions in the programme that there will be no significant delays. For example, early funding to allows for project planning and procurement of professional services to scope and engage detailed design consultant and a property advisor could save months and happen in time for Long Term Plan decisions or earlier.

If early funding is available for property advisors, property negotiations can commence to allow parallel Public Works Act processes can start promptly when the Long Term Plan is approved.

If professional services procurement can start in November 2020, then detailed design consultants could in place to commence when the road Notice of Requirement design is ready in Feb 2021. This saves time with a risk of rework if the Notice of Require process leads to major changes.

Interdependencies

Wastewater pump stations will be located and implemented as part of subdivision. Water supply will be delivered in conjunction with roads from the south and east. The stormwater floodway will commence in the west and north. Land for community infrastructure will be secured as part of or prior to subdivision, likely to be through Private Developer Agreements.

Since the road and water supply best connects from the south and east, and the stormwater floodway will progress from the north-west at Lake Rotokauri, significant progress is required to release development. That requires at least two years of stormwater floodway construction and one to two years of arterial road construction before the two approach directions meet.

An illustration of likely sequencing is shown in Figure 76 below. There may be opportunities for road and water supply sequence refinements for interim development consistent with the long term sequence. Roads and development need to be timed to be connected appropriately to the stormwater floodway. Options include commencing the arterial from Te Kowhai Road Extension or Chalmers Way.

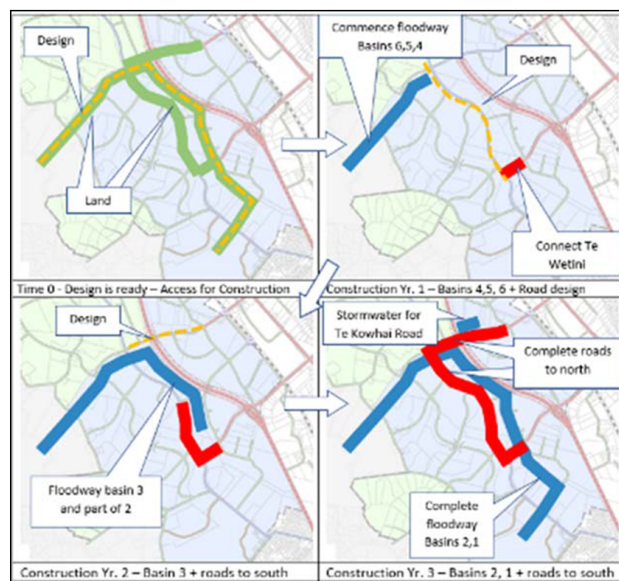


Figure 76: Network infrastructure sequence (illustrative only)

Public Works Act land acquisition would be complete within one year at best, following the designations being confirmed and beyond appeal (two years is normally allowed for and is proving to be the case in Peacocke). That means a schedule based on the Long-Term Plan as a start point and allowing for compulsory processes does not match with Crown Infrastructure Partners and developer expectations and timeframes. Landowner agreement for construction access is essential to meet time expectations. Ownership and compensation can be resolved separately, but there must be certainty of access prior to commitment to construction and desirably before committing to investigations.

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Opportunities to accelerate would require funding for design, land acquisition and potentially construction procurement to be brought forward from the proposed 2021–2031 Long-Term Plan schedule.

Active management of delays and barriers to accelerated infrastructure is needed to realise the environmental, social, cultural, and economic benefits that come from the infrastructure and the development it enables. Consents, wildlife, and heritage authorities remain a time and cost risk.

The timeframes are sensitive to critical activities including Council approval (in principle and the Long-Term Plan), IFF agreements, developer agreements, the transport designation and other consents, and land acquisition. For example, if design of stormwater floodway basins 4, 5 and 6 is brought forward and landowners provide certainty of access, then procurement could proceed for the stormwater floodway in anticipation of IFF, Special Purpose Vehicle and private developer agreement commercial agreements. Late delivery is a significant risk and needs to be addressed in the initial agreements with developers and Crown Infrastructure Partners.

Procurement could include options for novation of design and of construction contracts. Land agreements could be by means of advance purchase agreements (settling compensation later through Public Works Act processes or negotiation) or licences to occupy to be followed by acquisition. Delayed settlement options could reduce budget pressure prior to the Long-Term Plan and IFF commitments being finalised and construction commencing.

Figure 77 shows the most accelerated programme practicable. It is dependent on landowners providing access for investigation and construction and the IFF framework tolerating uncertainty.

It also compresses the design activities to remove any time contingency and relies on no iterative processes. That may increase costs and risks.

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1. Rotokauri – Lead Time – Conceptual illustration of progress towards certainty -

Fast-track design of floodway prior to LTP approval, CSPV and Principal contracted pre-LTP, Financial Close based on estimates for roads – Cost risk unlikely to be acceptable

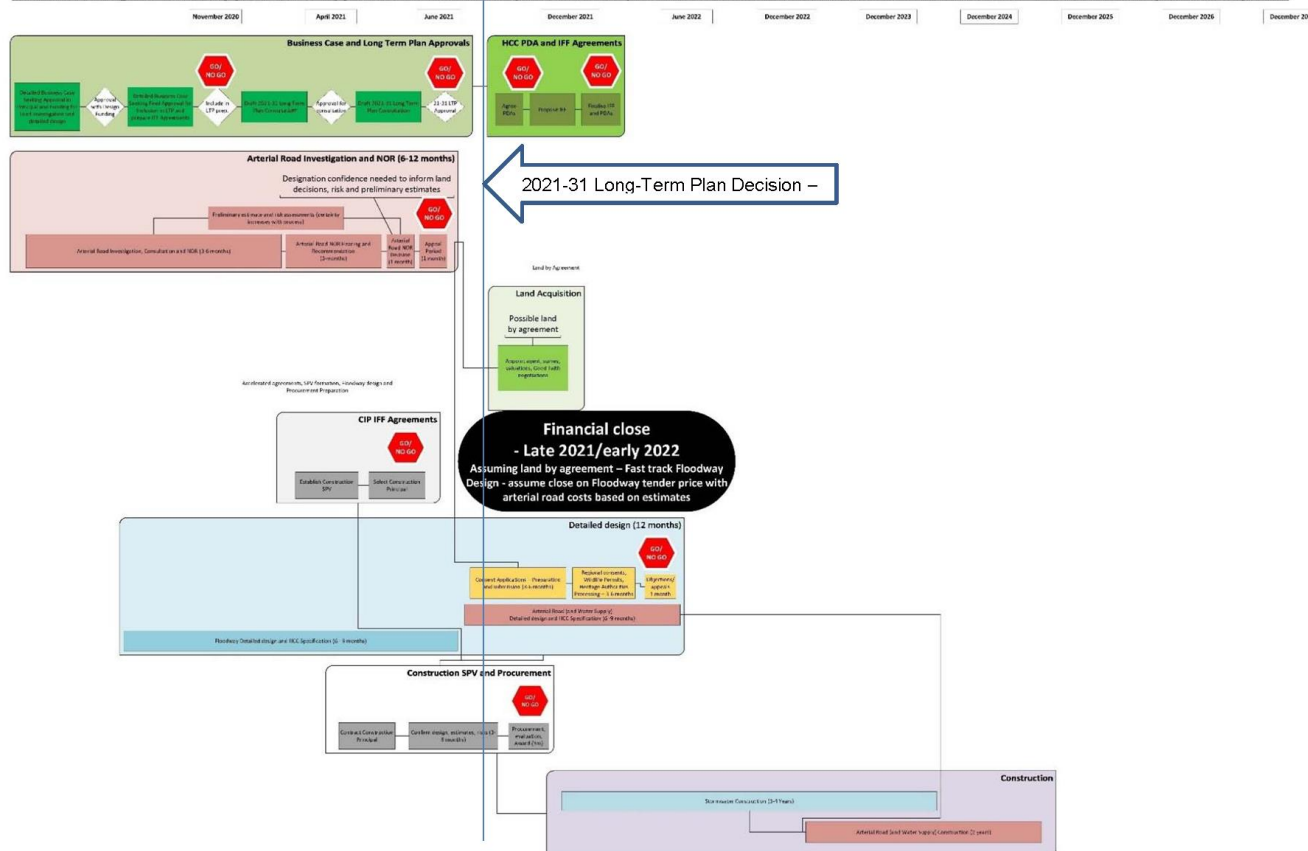


Figure 77: Implementation sequence based on accelerated programme – maximum practicable (illustrative only – red hexagons illustrate go/no go decision points)

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The stormwater floodway is a significant excavation and developers have highlighted an opportunity to reduce earthworks costs by disposing of the cut material on adjacent and nearby sites prior to development rather than potentially more distant sites. This provides cost, time, and traffic savings as well as an opportunity for the developer(s) to make use of suitable material. There would be potential for the material to be used in the minor arterial roads if they required embankments, but this appears unlikely, and the larger areas available to developers provides more time and opportunity for improving the surplus material (for example, drying). Procurement should recognise the value of the fill material to developers, cost savings for the stormwater floodway cut material disposal, and the cost consequences for the minor arterial because it will need to import fill.

Construction of the stormwater floodway in advance of development reduces the risk of unexpected geotechnical responses and means that subdivision design must consider liquefaction risks, reducing Council's exposure to risk. The stormwater floodway designation conditions require a five year monitoring period, highlighting the potential ground response and complexity of the issue.

The arterial roads are currently at concept stage and yet to be designated. This makes timely land access uncertain. If there are alignment or cross section changes these may affect development planning and subdivisions. The north-south minor arterial will require wetland treatment for road run-off prior to discharging to the stormwater floodway. Detailed road design is unlikely to be complete so very early delivery of the works would be dependent on the IFF framework accepting the cost risks associated with committing to construction based on design estimates rather than tenders, unless this is accepted as a design-build component, which is unlikely to be financially efficient or provide value for money.

Bulk water supply will be delivered in conjunction with arterial roads. Recent changes in demand to the north mean that the infrastructure anticipated in the Long-Term Plan is being reviewed and likely to increase in capacity. Wastewater pump stations will be located and delivered by the developers in accordance with the Waikato Regional Technical Specifications and private developer agreement arrangements.

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Options to bring forward stormwater floodway design (labelled 'a') present the greatest opportunity for early delivery – as long as land is available for construction when the Long-Term Plan and IFF framework are resolved. That would bring the time when the stormwater floodway basin 3 is available forward to mid-2023. As long as transport safety and accessibility are not compromised, interim connections for transport and potable water using Chalmers Way could allow some development to commence, but it appears unlikely that any significant development can get away ahead of the stormwater floodway reaching the relevant catchment.

Being placed to take opportunities to commence design and land acquisition work in 2020/21 is essential to meet Crown Infrastructure Partners and developer timeframes.

Since developers have the most to gain from timely delivery, there may be options for commercial agreements for land access and collaboration in managing costs and risks that would further support acceleration.

Success relies on a collaborative framework and close working relationships between developers, Council and the IFF representatives. These stakeholders rely on each other and Council to enable effective development ahead of the current timeframe – outside 10 years. Failure to reach agreement at the right times could result in significant delays of one year (seasonal sensitivity for construction) to three years (Long-Term Plan consultation and approval).

The time for land acquisition is also a critical path uncertainty. Only one landowner needs to object to lead to an additional year's delay or more.

Landowners are unlikely to commit without a clear, acceptable compensation offer from Council. Crown Infrastructure Partners and developers are unlikely to commit without a Private Developer Agreement that addresses potential effects on development contributions.

Consent, Authority and Permit Requirements

Access for land and detailed designs are likely to remain on the critical path to allow construction to commence. Detailed designs and estimates may be required as part of commercial agreements to support cost management and

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ensure appropriate levels of service. These are considerations in the preliminary procurement strategy.

Appendix 17 includes conceptual flowchart programmes with indicative timeframes to show the difference between an accelerated delivery arrangement and business as usual, low risk, sequential delivery.

Figure 78 below shows a simplified bar chart programme.

Consent, Authority and Permit Requirements

The stormwater floodway designation has a comprehensive set of performance and construction conditions that must be complied with. Key programme cost and risk considerations include:

- duration of settlement monitoring and potential for needing seasonal data
- seasonal requirements (set dates) for bat and lizard monitoring
- mudfish investigation and monitoring (to be defined)

In addition, there will be a series of regional consents required for construction such as stormwater management and diversion, earthworks consents, discharge consents, etc.

Heritage NZ is likely to require that actual and potential archaeological, heritage and cultural features are appropriately protected, and an authority may be required.

If wildlife is going to be affected, then Department of Conservation permits may be required.

The transport corridors and wetlands are not designated or consented and will have similar requirements.

A schedule of consents required will be collated following approval in principle.

Work Breakdown

The investment over 10 and 30 years in all Active Projects is clearly dominated by stormwater and by transport.

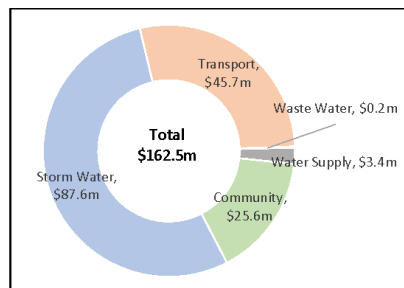


Figure 79: Activity Subtotals (\$ million inflated) (Note different data source to Financial Case as it includes Active Projects covered by Management Case (and potential rounding differences))

For the active projects that the IFF arrangements affect, land procurement/property costs make up around \$60 million. Construction makes up around \$92 million including supervision, with investigation and design making up about \$10 million. Figure 80 and Figure 81 summarise the phase splits.

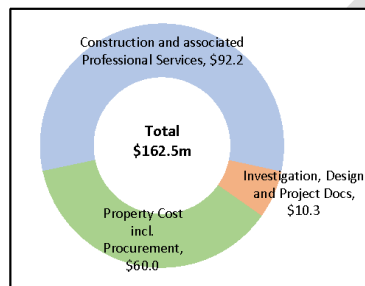


Figure 80: Phase Subtotals (\$ million inflated)
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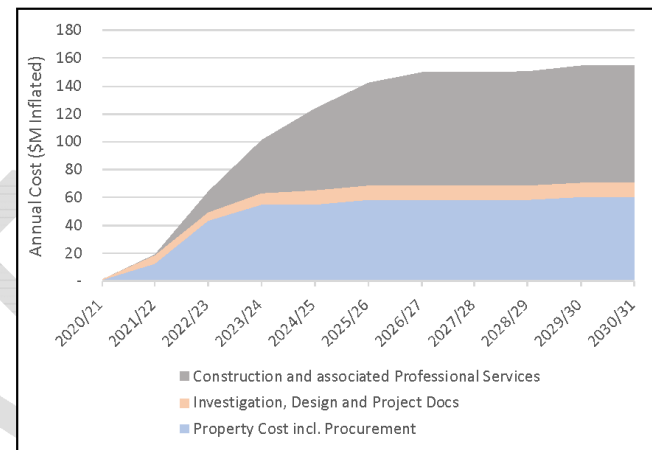


Figure 81: Cumulative Spend by Phase Subtotals (\$ million inflated)

9.9 Governance and Project Management

An illustration of the IFF model is below, illustrating the key parts. Governance and project management needs to be able to deal with Council's typical delivery systems including private developer agreements and be capable of transitioning to work with the IFF model.

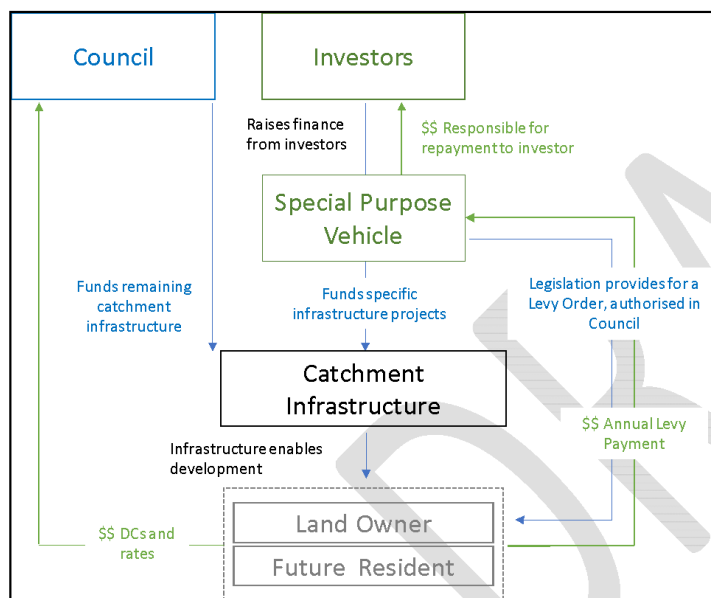


Figure 82: Illustration of IFF model

The Crown Infrastructure Partners process overview indicates that the funding proposal is presented by Council for review and consideration. That should allow Council to ensure that management and governance arrangements are considered at an early stage and protected appropriately.

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Traditional procurement models also allow design to be procured in advance of the IFF arrangement being finalised thereby managing time risks and quality/scope risk by allowing Council to control design.

The disadvantage of this approach is that it needs early funding prior to the IFF funding being effective. If the IFF funding proceeds then costs are likely to be recoverable.

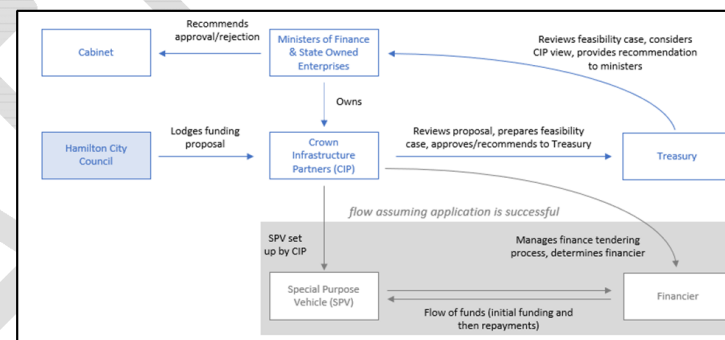


Figure 83: Crown Infrastructure Partners Funding Process Overview

Council's governance and management framework must be capable of adapting to the changing needs of the project as it goes through its lifecycle:

Project Phases	Description	Rotokauri response
1. Initiating	Define Outcomes, Detailed Business Case, project scope, and urgent activities.	This detailed business case highlights the key decision points. Clear guidance will be needed on Council's preferred approach to early procurement and risk.

Project Phases	Description	Rotokauri response
2. Planning	Assign Budget and Resources, Refine scope, and plan implementation.	This is where decisions are made on infrastructure scope and standards, level of service, risk tolerance and affordability.
3. Execution: Pre-implementation	Planning/consenting, establish funding framework, preliminary design, and procurement strategy.	Council must make a fundamental decision about its role as a funding or implementation agent.
4. Execution: Implementation (excluding defects liability and maintenance)	Detailed design, procurement, and construction. There is a wide range of potential procurement interfaces to consider (Developer, private developer agreement, Special Purpose Vehicle) as well as procurement models and scopes.	The Crown Infrastructure Partners expected model is for a Special Purpose Vehicle to deliver at least the stormwater floodway component of the project. This should allow the private developer agreement-only activities to be independent. Council's governance and project management demands are likely to be lower if execution is by others.
5. Capital works completion	Infrastructure vesting following defects liability period, likely to be at full completion and end of an extended landscape maintenance period.	There may be liability for monitoring and subsidence for five years or more after completion.

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Project Phases	Description	Rotokauri response
6. Post-completion	Levy collection, ensuring that benefits are realised and that the community remains aware of levy implications for property purchase.	This becomes a financial management operation equivalent to rates collection, supplemented by clear communications to those involved in sales, such as developers, builders, valuers, and real estate agents.
Monitor & Control: Throughout the project's duration, monitor and control all project work and management activities. Monitor project variables, measure progress, manage changes, address risks and issues and identify corrective actions as per the project's needs.		

Project Management and Governance Structure

The proposed structure will be refined as the various roles and relationships with project partners are established and reporting and engagement needs are understood.

The management approach is staged to support decision-making for significant commitments at the right time with the right information, comprising:

- staged approval of the detailed business case commencing with approval in principle to enable early action and provide stakeholders with confidence
- reports to elected members and governance every committee cycle to support information flow and consistent and timely decision-making
- positioning Council to act in a timely way following consultation for the 2021-2031 Long-Term Plan –
 - Refining the funding and financing framework
 - Negotiation of private developer agreements
 - IFF model

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- Confirming Council capital and operational funding
- Committing to the IFF framework on appropriate terms
- staged approvals where financial commitments are significant –
 - Regular briefings to explain opportunities, risks and options
 - Property investigations and strategic planning
 - Taking financial responsibility for designations
 - Committing to active land acquisition
 - Infrastructure investigation, design, and procurement planning
 - Infrastructure procurement and implementation.
- NZ Government – legislator and underwriter
- Financier
- Special Purpose Vehicle once established (likely to have staff and governance arrangements of its own)
- other Stakeholders and Project Partners –
 - Developers
 - Landowners (Current and Future)
 - Waka Kotahi NZ Transport Agency, Waikato Regional Council, Waikato District, Department of Conservation, Heritage NZ, etc
- infrastructure Delivery (discussed later in procurement) –
 - Design Management, Design and Project Documentation, Procurement, Construction, Quality Assurance, Cost Management
 - This could be a range of delivery models depending on the infrastructure type, cost/risk/complexity, basis of funding and interdependencies.

A conceptual outline for Council's management structure is illustrated in Figure 84 below. This will be refined as the commercial arrangements are better understood and the infrastructure breakdown and timing become clear.

The key groups are:

- Hamilton City Council –
 - Elected members – Council, committees
 - IFF Programme Manager
 - IFF Commercial Manager – private developer agreements, IFF framework, etc.
 - Project Managers for the infrastructure workstreams (Community, Transport, Waters)
 - Council Asset Managers and regulatory/support functions such as Development Engineers and Planning Guidance
 - Specialist advisors (legal, financial, communications, property)
 - Staff Governance for Rotokauri – composition to be confirmed.

- Crown Infrastructure Partners and connections –

Joint governance or steering arrangements will be considered. A robust framework for audit and probity, and other independent reviews will be required for success and developed as part of project planning

Initially, the core Council Rotokauri IFF Programme team (pale blue) would progressively be assembled to prepare and implement a project plan for each stage:

- refining the detailed business case following approval in principle
- directing advance activities – negotiation, design, and property
- working towards the 2021-31 Long-Term Plan and commitment to IFF if endorsed
- establishing a suitable IFF Framework for approval by Council
- design and construction

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The governance and management framework will have to evolve as phases change:

- detailed business case - Initially, the detailed business case phase leading up to the 2021-31 Long-Term Plan is Council-led, engaging with Crown Infrastructure Partners as expected project partners and developers for private developer agreements and as part of the potential IFF framework
- pre-implementation – Activities such as designations, land and consenting would typically be led by Council (again in consultation)
- design – this will depend on the procurement model selected. Preliminary expectations are that this would be led by Council to ensure that level of service and cost decisions consider whole of life costs and community wellbeing appropriately
- construction - this will depend on the procurement model selected. Preliminary expectations are that this would be led by the Special Purpose Vehicle for IFF funded infrastructure with Crown Infrastructure Partners entity governance. Minor development infrastructure would be developer-delivered in accordance with typical private developer agreements. Council may retain control for high risk (pavement liabilities and potential for late scope changes to respond to development elsewhere and emerging design standards) items such as the transport and water connections
- post-completion – a long duration phase that is mainly financial administration.

Ensuring that Council maintains appropriate and effective influence and control will be challenging in the likely-changing context.

Where the potential for governance influence and control by Council reduces, particularly in the design phase and to some extent in procurement, this should be considered a potentially significant change. This will be carefully considered in the IFF contracts.

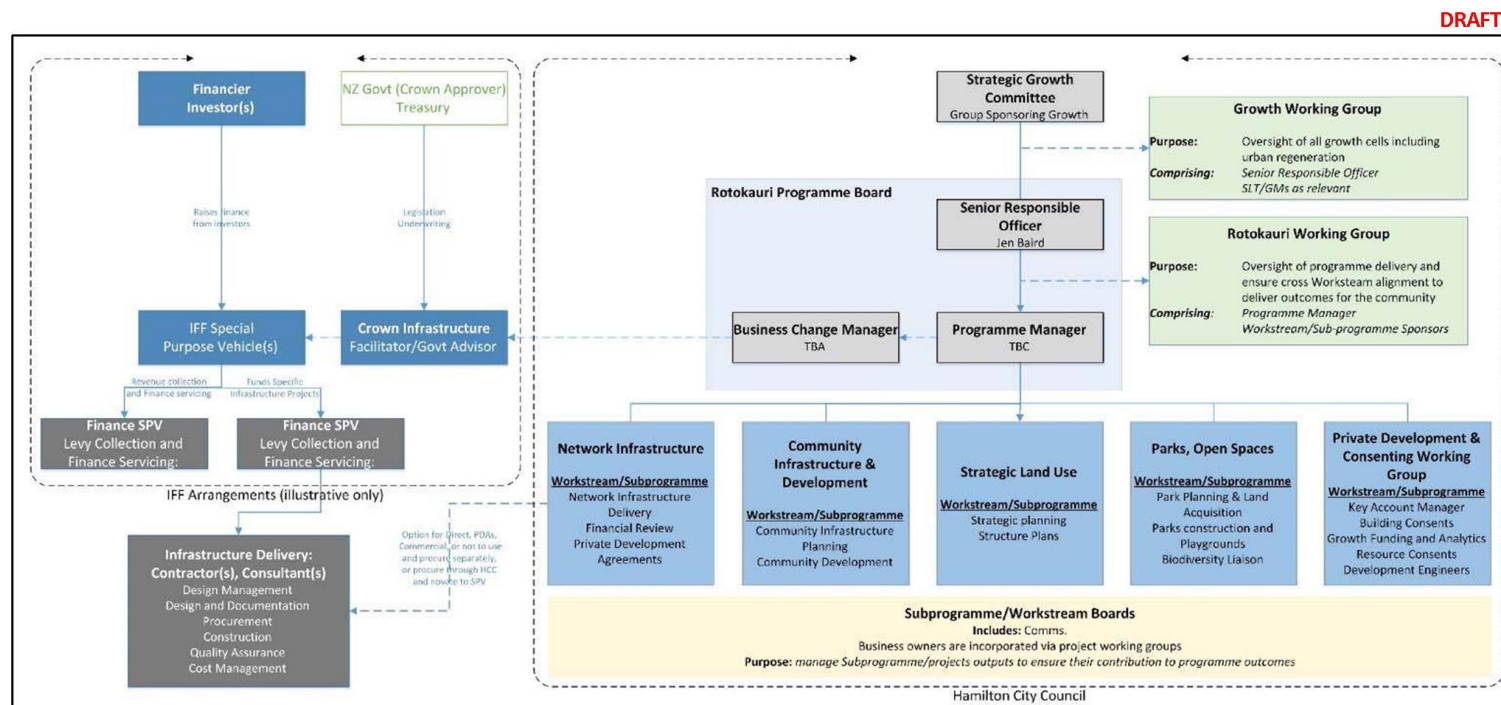


Figure 84: Conceptual Organisational Structure (high-level)

Individual or combined physical works management arrangements will depend on the procurement model selected. Current expectations are that Council will not have a governance role in the Special Purpose Vehicles. In order to manage the risk of value judgements for infrastructure design and specifications relating to whole of life costs and community wellbeing outcomes it is desirable for detailed design to be retained by Council, with an option for documentation and management of procurement of physical works to be novated to the Special Purpose Vehicle.

That option reduces the need for unusual technical peer review, probity and audit assurance activities which would be likely if the detailed design functions lie with the IFF arrangement, which will veer towards reducing capital costs and implementation rather than operational risks and opportunities.

9.10 Procurement Framework

The preferred approach for procurement is to ensure clear infrastructure scope and design requirements and select procurement models that allow the entities best placed to manage the detailed design and construction risks to deal with them directly.

Government Procurement Rules - Council as a territorial authority is encouraged to use the government procurement rules. However, for activities where Council receives Financial Assistance from the National Land Transport Fund, the Waka Kotahi NZ Transport Agency policy and manual are applicable.

Council Procurement Policy and Procedures - Council's procurement policy and procedures (Procurement Policy and Procedures Manual, Version 7, 2018) are consistent with the government procurement rules. These have been accepted by NZ Transport Agency as suitable for activities that qualify for financial assistance through NZ Transport Agency from the National Land Transport Fund, requiring demonstration of value for money.

The preferred approach for the infrastructure is a traditional model. Selection of the optimum delivery models has been based on evaluation of each package considering how well each option contributes to the procurement objectives taking into account the characteristics of each package.

Key Characteristics	1 Stormwater	2 Wastewater	3 Water	4 Transport
Scale	\$87.6m	\$0.3m	\$0.0m	\$45.7m
Complexity / Scope for innovation	High	Medium	Medium	Medium
Programme constraint	High	Medium	Low	Low
Market conditions	Uncertain	Uncertain	Uncertain	Uncertain
Risk (quantum and type)	Medium	Low	Low	Moderate

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Key Characteristics	1 Stormwater	2 Wastewater	3 Water	4 Transport
Stakeholders	IFF / Council / Other	Dev / Other	Council / Dev / Other	Council / Dev / Other
Client involvement, control, and capability	High	Low	Moderate	Moderate
Focus on non-cost success (e.g. social and environmental)	High	Low	Moderate	Moderate
Tangible demonstration of value for money	Medium	Medium	Medium	Medium
Flexibility to deal with change	Low tolerance	Low tolerance	Low	Low

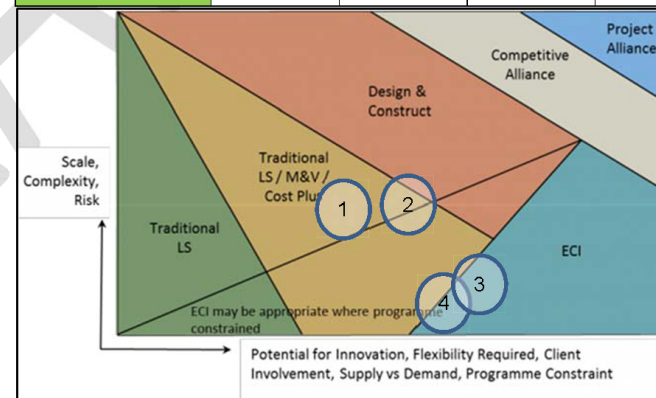


Figure 85: Selection of the optimum delivery models (Waka Kotahi NZ Transport Agency) for package types

A preliminary procurement strategy is summarised below for the key activities. All procurement will have to satisfy the Government Procurement Rules and should be endorsed by either/both of Ministry of Business, Industry and Enterprise, and Council.

	Activity/ Infrastructure	Basis of procurement and likely model	Comments
PM	Council Programme/ Project Management	Council staff supported by Professional Services Panel as required.	Dedicated team as for Peacocke.
Pre-implementation	Land acquisition professional services	External specialists selected and appointed in accordance with Council's procurement policy.	Registered Valuers acceptable to Council meant valuations critical path.
	Transport investigation and designation	Professional Services Panel.	Beca are incumbent.
	Water supply design	Council staff supported by Professional Services Panel as required.	Will feed into transport designs.
	Stormwater design	Professional Services Panel.	Beca are incumbent.
	Wastewater	No special design – Regional Infrastructure Tech Specs (RITS).	Likely to be developer location and timing, so developer design = private developer agreement.
Implementation	Transport and Water Supply Detailed design and project documentation	Council-led, traditional model using Council Professional Services Panel – potentially competed within panel	Risk of late changes to changing performance expectations for water demand, pavements/ walking/ cycling.

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	Activity/ Infrastructure	Basis of procurement and likely model	Comments
		Option for delivery through Special Purpose Vehicle if cost savings outweigh long term performance risks.	
	Transport – Construction	Traditional preferred – Measure and Value likely.	Option for delivery through Special Purpose Vehicle if cost savings outweigh long term performance risks.
	Stormwater detailed design and project documentation	Options: Professional Services Panel or Special Purpose Vehicle option. – potentially competed within panel Review in October 2020.	Beca are incumbent. Special Purpose Vehicle option likely to be too late.
	Stormwater – construction	Range of options – with subdivision, with road.	Prefer Council fixed sum contribution to contract by others.
	Wastewater – design and construction	Developer delivery in accordance with RITS. Council funded via private developer agreement.	Likely to be developer location and timing, so developer design=private developer agreement.

The basis for procurement should be considered when planning for conditions of designation, consenting, construction management, surveillance, and quality assurance (MSQA).

In general, the preferred procurement approach is to have a design process separate from construction (traditional approach) because it supports the following benefits:

- faster delivery for gateway infrastructure, unless a very early decision is made for early contractor involvement
- quality certainty for Council for high risk wastewater operational factors (e.g. being able to swap pumps)
- funding certainty and demonstrable value for money through tendering
- reduced risk of tender costs and delays influencing tenderers' interest with design build.

These benefits outweigh the relatively small potential for significant innovation and cost savings that design build options offer.

The programme's packages of works are candidates for Crown funding through the IFF model. This will influence which entity (Council, Special Purpose Vehicle through IFF, Developer via Private Development Agreement) is responsible for delivery.

Alternatives and mixed options such as early contractor involvement in detailed investigation and design may be appropriate depending on the final commercial arrangements. This preliminary strategy presumes a Special Purpose Vehicle is available.

Having selected the traditional (design - then build), the preferred approach is to use established procedures such as the Council Procurement Policy and Procedures (or equivalent consistent with the Government Procurement Rules) with options including:

- Professional Services – the Council Panel (or LASS PSP Panel)
- construction – Waka Kotahi NZ Transport Agency accreditation requirements to support, quality assurance, safety and environmental objectives.

This approach would typically require open competitive tenders for construction.

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Working with the development community to deliver the stormwater floodway provides opportunities for significant savings from collaboration on earthworks cut/fill management.

In Rotokauri there are likely to be advantages to Council from procurement to capital contributions for physical works using Private Development Agreements where there are clear benefits.

9.11 Property Acquisition Strategy (Refer also to Appendix 19)

Seventeen landowners will be affected by either the stormwater floodway, arterial road or both. Projects of this size and scale would ideally require a timeframe for purchase of property of a minimum of three years. The limited period available to secure the land means that a reasonably aggressive approach to land purchase will be required to ensure the delivery of the project in time for the commencement of construction. Acquisition effort should be directed to purchasing Stage 1 properties prior to, but conditional upon, funding being available in July 2021.

It would be desirable to secure access for construction ahead of formal acquisition on the basis that the project is being accelerated for the benefit of the landowners/ developers and for the community. Council should consider this as a condition precedent for private developer agreements.

The land for the stormwater floodway is designated so the grounds for appeal to the compulsory purchase process will be limited. Council should issue the Notice of Requirement for the roading land as soon as practicable. Time risk treatments include:

- If an objection is received and of a spurious nature make it clear that Council will seek a costs award.
- If an objection appears valid or has a prospect of proceeding to a hearing, focus resources into resolving the matter or some acceptable compromise.
- Request urgent Environment Court hearings.
- Commence the compulsory acquisition process as soon as possible, preferably no later than 1 July 2021.

- Engage with affected landowners as soon as reasonably possible.

The recommended property acquisition strategy is:

- Early engagement with landowners to explore options (i.e. licence to occupy for construction, or an advance agreement) that will enable land to be available for the project ahead of funding being confirmed.
- Good faith negotiations would then follow this approach based on Registered Valuations and incorporating the Public Works Act 1981.
- If good faith negotiations do not work within a reasonable time, revert to the compulsory provisions of the Public Works Act running alongside the standard acquisition process to provide certainty of land ownership.

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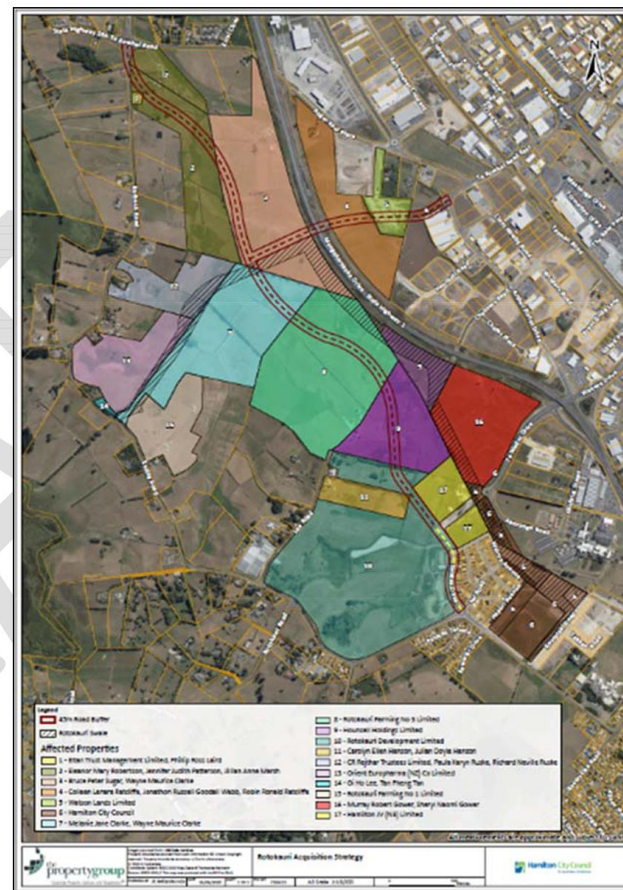


Figure 86: Rotokauri Acquisition Strategy

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9.12 How to manage delivery – Portfolio and project management framework

The project will use Council's Portfolio Management Office systems. Careful consideration should be given to the financial management framework to ensure it is delivery phase focussed rather than being designed from a capitalisation and accounting perspective.

The project will follow the Council's:

- Delegations to Positions Policy
- Statutory Consultation/significance policies
- Project Management Systems - PRINCE2 principles or equivalent, PSoda
- financial systems, including, Psoda and Authority software

Specific delivery considerations for Rotokauri arise because of the novelty of IFF and Council's emerging wellbeing framework.

The IFF approach is a new methodology for Council with a new set of risks and opportunities. It will be managed as a parallel activity as part of the Rotokauri programme.

Applying the wellbeing framework to the Rotokauri programme is an evolving approach (starting with Peacocke). It will be managed as a parallel activity as part of the Rotokauri programme.

Project roles and responsibilities

These will be decided following approval in principle. The likely roles will include:

- Strategic Growth Committee
- Senior Officer Responsible
- Rotokauri Programme Manager
- Sub-programme / Workstream Sponsor(s)
- Business Owner – Waters

- Business Owner – Community
- Business Owner – Parks
- Rotokauri Infrastructure Project Manager
- Project Manager – Transport
- Project Manager – Waters
- Project Manager – Community
- Contract Administrator
- Planning Advisor
- Property Advisor
- Financial Advisor
- Legal Advisor

These roles are likely to be needed regardless of delivery model selected.

Seeking to share roles or resources with the IFF and Special Purpose Vehicle framework will be necessary to avoid cost duplication.

The table below sets out the relevant responsibilities of each role from the Peacocke programme. At time of writing, Council's Portfolio Management Office is reviewing programme governance structures. This section may require review once this work has been completed and comment fed back.

Programme Governance – Strategic Growth Committee

The **Strategic Growth Committee** takes on the primary governance role in the Project Management Framework. The terms of reference specific to Rotokauri will be drafted following approval in principle of the IFF approach.

Senior Responsible Officer

The Senior Responsible Officer represents a key governance role within the Programme Management Framework. They convene the Programme Board and hold ultimate responsibility for the programme coordination. They are responsible for signing off at key stages and have responsibility for cancelling the programme if it cannot be successful.

Programme Manager
<p>The Programme Manager is responsible for weaving together the various workstreams in the programme to deliver the programme benefits.</p> <p>Responsibilities include:</p> <ul style="list-style-type: none"> • ultimately accountable for the programme, including benefits • ensures that the programme is consistent with strategic objectives • visibly champions and promotes the project at SLT level • authorises expenditure on the project • selects and approves the choice of project manager • empowers the project manager to manage the project • chairs the steering group meetings • signs off the transfer of the project to Business as Usual • celebrates and broadcasts success.
Business Change Manager
<p>The Business Change Manager is responsible for aligning the programme with Council's strategic direction and operational imperatives.</p>
Rotokauri Programme Working Group
<p>The Rotokauri Programme working group provides a coordination and communication role in the Programme Management Framework and provides a forum to manage risks, opportunities, and interdependencies between sub-programmes and workstreams.</p> <p>It is a collaboration forum with the Programme Board available to provide direction where consensus is not reached.</p>

Workstream / Sub-programme Sponsors
<p>The Workstream/Sub-programme Sponsors are responsible for delivering various workstreams in the programme to deliver the programme benefits.</p> <p>Responsibilities include:</p> <ul style="list-style-type: none"> • being ultimately accountable for the project, including deliverables • ensuring that the project is consistent with strategic objectives • authorising expenditure on the project • appointing the project manager • empowering the project manager to manage the project • participating in working group meetings • signing off the transfer of the project to Business as Usual • celebrating and broadcasting success.
Business Owners (Community, Transport and Three Waters)
<p>The Business Owner holds a key role that provides the link between the project activities and the post-project value realisation.</p> <ul style="list-style-type: none"> • represents the interests of the users • ensures that deliverables meet user requirements • confirms the viability of the project approach • makes decisions on escalated issues • ensures quality requirements are understood • transitions the deliverables to Business as Usual.

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Project Team: Engineers/Planners/Managers (not shown – to complete)

The project team is the group responsible for planning and executing the project. It consists of the project manager and a variable number of project team members, who are brought in to deliver their tasks according to the project schedule. The project team members are responsible for executing tasks and producing deliverables as outlined in the project management plan and directed by the project manager, at whatever level of effort or participation has been defined for them.

On larger projects, some project team members may serve as workstream leads, providing task and technical leadership, and sometimes maintaining a portion of the project plan.

- weekly risks/red flags/issues reported via email to project manager
- organising workstream tasks and interaction as and when required
- written monthly reporting to the project manager
- controlling budgets and timelines where applicable
- reporting any deviations from budget, timeline or deliverables in a timely manner.

9.13 Project plan – work breakdown and milestones

A detailed project plan will be prepared following approval in principle.

The project plan will include:

- Key deliverables— define macroscope, minimum performance expectations or ways to get them, budgets, etc.
 - IFF contract and management
 - network infrastructure - this will reference the stormwater floodway designation design and conditions and (when available) transport concept and alignment
 - community infrastructure

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- Incorporating the wellbeing approach
- Activities
 - investigation and designation
 - design and property acquisition
 - consenting and community engagement
 - commercial agreements and IFF levy
 - procurement and construction
 - quality assurance.
- Key resources required to deliver
 - decision-makers
 - acceptable Levy
 - willing developers
 - funding commitments/contracts
 - legislation
 - risk and benefit management and monitoring/reporting requirements.

The project is planned to run over four initial phases followed by vesting and operation/collection of levies. The four initial phases are estimated to take approximately five years. Construction will take place over 3 – 4 years, IFF Legislation and entity set-up processes are presumed to be able to fit in parallel.

Phase 1 Enabling Work

- Detailed Business Case— towards annual plan/initiation
- Council-led in consultation with Crown Infrastructure Partners and key stakeholders (developers), allowing Council to meet timetable and position Council to take opportunity.

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Phase 2 Long -Term Plan approval and start detailed design

- commitment to financial responsibility for designation(s), detailed design/Council requirements (performance spec)
- Council-led in consultation with Crown Infrastructure Partners and key stakeholders (developers)
- position Council to take opportunity on an informed basis at Long-Term Plan stage with costs and risks understood
- community engagement/education
- procurement planning with design to support procurement model
- designation – solid understanding of costs, risks, and commercial framework
- detailed design or design build/performance spec/requirements upon which to base contracts/commercials/Long-Term Plan
- draft IFF agreement.

Phase 3 Final negotiation of Private Developer Agreements and IFF

- detailed design/procurement – last chance for Council influence/control Community mandate based on Long-Term Plan
- lead depends on procurement model (e.g. developer design/build) – Governance needs to reflect model
- demonstrable value for money, probity/transparency? How to protect scope/standards/wellbeings/benefits.

Phases 4, 5, 6 (to be confirmed)

- construction - probably developer-led, stormwater floodway, arterial road
- other services, consents, and land acquisition
- levy collection
- quality assurance performance monitoring.

9.14 Resourcing – By stages:<to complete following approval in principle>

The level of necessary resourcing is dependent on the procurement model used. Council's business as usual approach of sequential delivery will not achieve the objectives. Engaging appropriate skill sets through Council procurement is unlikely to be practicable or timely. A responsive model based on procuring external assistance for project management is most likely required to meet programme expectations.

< to complete following approval in principle>	Internal/seconded PM	Consultant design/pre-impl.	Consultant property	Consultant planning	Commercial/legal	Communications	Safety	Compliance/environmental	Community	Financial	Peer review/ assurance L3
Phase 1: Prep, Detailed business case											
Phase 2: Annual Plan, NORs, costs, risks											
Phase 3: Long-Term Plan, Commitment											
Phase 4; Construction											
Phase 5: Vesting/ handover											
Phase 6: Levy Collection/ Operation											

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9.15 Change Management Planning

The strategy, framework, and plan for dealing with change and associated contract management is in accordance with Council's standard change management processes – utilising a Change Register and approval for departures from the approved project plan by governance.

Significant changes are likely through the process. These include:

- IFF legislative changes and contract implications
- land ownership and willingness to collaborate
- Council's approach to wellbeing
- governance frameworks and tolerance for risks and reduced influence.

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9.16 Stakeholder Engagement Planning (Refer also to Appendix 12)

The approach to Rotokauri requires support from Council, investment partners such as Crown Infrastructure Partners, Waka Kotahi NZ Transport Agency, and developers and the wider community. This includes the communities potentially directly affected by Council's commitment to the investment and levy necessary to fund it, and the Long-Term Plan funding requirements for the overspill and balance amounts.

If approved, the proposal as articulated in this detailed business case will be incorporated in Long-Term Plan planning and statutory consultation. The levy approach in particular will require community education as part of consultation.

A preliminary Stakeholder Engagement analysis and plan is attached at Appendix 12. The key stakeholders are listed in the table below along with potential engagement.

Stakeholders	Engagement Approach	Project Phase	Engagement Expectation
Department of Internal Affairs	Inform	Business Case	Kept informed on any key decisions or information surrounding Rotokauri and Council to provide any information required to aid with the development of the IFF legislation.
Crown Infrastructure Partners	Collaborate	All phases	Involvement in the creation of the Council business case, collaborate on the IFF proposal and regularly involved in all active and relevant private developer agreement discussions.
Ministry of Housing and Urban Development	Collaborate	All phases	Kept informed on any key decisions or information surrounding Rotokauri and Council to provide any information required to aid with the development of the IFF legislation. Liaise with on any national level communications where required.
Ministry of Education	Involve	Implementation and post-project	Involvement at a programme level for Rotokauri. Engaged early in the project to understand the education needs and plans for Rotokauri. Need to ensure views and concerns are addressed early in the cell development.
Department of Conservation	Collaborate	All phases	Involvement throughout the project. Need to be engaged early in the project to understand their views, issues, and concerns for Rotokauri, to ensure an appropriate response.
Waka Kotahi NZ Transport Agency	Involve	Implementation	Potential co-funders for some road improvements where there is strategic network benefit or benefits to existing road users.
Council staff	Collaborate	All phases	Specific members of staff need to be fully engaged at the relevant project phases. There should be a project team, steering group, and governance group at each stage (members of each will vary as project develops). Internal communication plan for all staff involved should be developed.
Elected members	Empower	All phases	Fully informed through the project. They need information and key messaging before any public announcement. Briefings, Council and committee meetings and information packs need to be scheduled and reports or collateral prepared. The relevant Council staff need to present to elected members at each stage.
Regional/District Councils	Collaborate	All phases	Involvement throughout the project. Need to be engaged early in the project to understand their views, issues, and concerns for Rotokauri, to ensure an appropriate response.

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Stakeholders	Engagement Approach	Project Phase	Engagement Expectation
High Growth councils	Consult	Business Case	Copied into media releases, non-confidential information and documents shared. Direct discussions between project leads. Communications between the councils is coordinated in line with agreed protocols where appropriate.
Prospective homebuyers	Involve	Implementation and post-project	Need to understand what IFF is and how that impacts on their household costs. Don't need to be sold on IFF but need to understand what benefits, if any, it brings to them personally so they can decide whether to invest in a home with a levy attached to it. Needs to be clear that it isn't a rate and they are not paying more rates than other areas in the City.
Hamiltonians	Involve	Implementation and post-project	Fully informed about any direct impact on rates. Need to have easy access to further information. Will need a quick comms response to misinformation or misunderstanding.
Current Rotokauri residents	Involve	Implementation and post-project	Fully informed about the impact of an IFF levy on them. Need to have access to further information easily. Will need a quick comms response to misinformation or misunderstanding.
Waikato Tainui	Involve	Business Case and Implementation	Involvement throughout the project. Need to be engaged early in the project to understand their views, issues, and concerns for Rotokauri.
Developers/major landowners	Collaborate	All phases	Need regular project updates and financial information to enable opinions to be vocalised and business decisions to be made. Will also want to be updated on the progress of IFF legislation, IFF proposal development and key Council decisions.
Other minor landowners	Involve	All phases	Fully informed about the impact of an IFF levy on them. Need to have access to further information easily. Will need a quick comms response to misinformation or misunderstanding.
Builders	Consult	All phases	Fully informed about the impact of an IFF levy on them. Need to have access to further information easily. Will need a quick comms response to misinformation or misunderstanding.
Real Estate agents	Consult	Implementation and post-project	Fully informed but also want specific information about potential costs/benefits/disbenefits. May also like to have a direct briefing and Q&A session.
Financial organisations	Consult	Implementation and post-project	Informed via central government but need clear understanding of Hamilton's direction and potential timing.
Media	Inform	All phases	Simple fact sheets, summarising IFF and how it works. Also useful to provide individual briefings early to avoid misconceptions and misreporting. Need to respond quickly to incorrect statements.

Key stakeholders are landowners, without whose agreement the schedule will be significantly affected, and prospective homebuyers who need to understand and accept the levy. The messaging during the Long-Term Plan process will be critical. Landowners require early engagement.

9.17 Benefits Management Planning

This project proposes to manage benefits in accordance with the Rotokauri IFF benefits framework (refer to Appendix 13).

The key Rotokauri Programme benefits and how this management proposal delivers and supports them are tabulated below. Early delivery to budgets is fundamental to many of the benefits.

Wellbeing Outcome	Benefit Title	Management Response	Comment
Environmental	Increased Biodiversity	Biodiversity management planning as part of consent conditions for stormwater floodway and transport corridors. Consider opportunity for parks.	Apply Council biodiversity strategy.
Environmental	Reduced emissions	Encourage mode shift through infrastructure and land use.	
Environmental	Improved water quality	Floodway and ICMP.	Regional Council monitor and enforce.
Economic	Improved strategic relationships and connections	Review detailed business case with stakeholders to avoid misalignment.	
Economic	Improved funding capability	Collaboration with Crown Infrastructure Partners to achieve IFF.	

Wellbeing Outcome	Benefit Title	Management Response	Comment
Economic and Social	Improved transport safety and efficiency	Manage new traffic on existing networks and ensure safety and adequate capacity.	Speed management framework Development engineers/subdivision consents.
Social	Increased health and wellbeing	Active options for connections between destinations. Encourage community engagement Provide opportunities to interact with the natural environment. Suitable community facilities.	Urban design and subdivision layouts key. Sustainable construction.
Social and Cultural	Improved community amenity	Active options for connections between destinations. Encourage community engagement. Provide opportunities to interact with the natural environment. Suitable community facilities.	Urban design and subdivision layouts key.
Environmental and Cultural	Access to nature	Active options for connections between destinations. Encourage community engagement. Provide opportunities to interact with the natural environment.	

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Wellbeing Outcome	Benefit Title	Management Response	Comment
Cultural	Increased recognition of Maaori heritage	Taangata whenua engagement in project design and construction protocols. Protection and enhancement of significant features where evident.	Taangata whenua in design teams. Signage strategy proposed. Storyboards along stormwater floodway paths.
Economic	More jobs	Delivery on time, local sourcing emphasis.	Social/Training opportunity.
Economic	More money in the economy	Delivery on time, local sourcing emphasis.	Collaborative procurement.
Economic	More homes enabled faster	Manage land risk by requiring landowner commitment as condition precedent to IFF and private developer agreement. Accelerate start. Delivery on time. Coordination with developers.	
Economic	Increased housing affordability	Value for money. Optimum design. Collaboration in construction.	Optimise consenting and approval processes to avoid/reduce costs.

9.18 Opportunities and Risk Management Planning

The strategy, framework, and plan for dealing with the management of risk are outlined in the following table.

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The project will develop a register that lists all risks identified in this and earlier business cases, and the results of their analysis and evaluation. Information on the status of the risk is also included. The risk register will be regularly and frequently updated and reviewed throughout the course of the project.

Council's key risks include some, such as cyber-attack, which are not specific to Rotokauri and can best be centrally managed.

Risk Number	Strategic Risk Description
1	A Disaster Event: a natural or human-induced disaster event (excluding act of terrorism).
2	Major Economic or Financial Shock: an external financial event impacts Council's financial strategy, fiscal and monetary position.
3	Increasing Compliance Standards due to Stakeholder Expectations: the risk of central government and regional council increasing compliance standards or changes in community expectations.
5	Growth: significant change to/in growth demand and/or the consequences growth does not deliver positive outcomes for the community.
6	Political changes impact Council's strategic direction: political stakeholders make unpredictable decisions or take actions that significantly impact or contradict Council's strategic imperatives.
7	Significant Shortages of Key External Resources: the market is unable to deliver necessary resources to achieve our strategy, including but not limited to people and material for projects.

Other Council risks such as those highlighted in the consideration of growth are potentially relevant to Rotokauri IFF. The preliminary growth risks for the Long-Term Plan are tabulated below.

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Council preliminary growth risks and unmitigated Rotokauri rating

Council Risks	Rating
Compliance/Regulatory	
Lose development contribution judicial review	Low
Changes to policy/District Plan etc.	Medium
IFF legislation delay/timing	Medium
Kainga Ora process and outputs, costs etc.	Medium
Land use planning and infrastructure lining up	Medium
Financial	
Development contribution revenue forecasts	High
Waka Kotahi NZ Transport Agency funding	Low
IFF falls over	Medium
Accuracy of costing	High
Impact on Consequential Opex	Medium
Change in credit rating	Medium
Downturn	High
Joined-up picture being modelled	Medium
Political	
Risk appetite change	High
Lack of clarity, delays	High
New Council not having the right information or story	Medium
Ownership	Medium
Alignment	Medium
Lack of clarity on political expectation on what growth looks like	High
Other priorities emerging	High

Reputational	
Lack of delivery on existing promise	Medium
Quality of forecasts	High
Risk of over-promising	High
Growth	Medium
Consultation process missing the mark	Medium
Living up to government expectations	Medium
Alignment to community expectations	High
Timing	
Consultation after work is completed (or while) Impact of changes to initial assumptions	Low
Sequencing	High
Reality of achievability	High
Land purchase - affordability	Medium
Underestimate how long activities will take	High
People/Resourcing	
Not enough resourcing in house, burnout, individual specialists.	High
Clarity of ownership - sponsor, direction (not GM)	Medium
Cost of construction	High
External consultants and contractors' cost and availability, opportunities.	Medium
Information availability	Medium
Data Management	
Data controls	Medium
Assumptions	Medium
Response to changes	Medium
New software	Medium

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Item 11

Attachment 1

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The detailed risk register can be found in Appendix 16.

Risk mitigation in relation to wellbeings

Wellbeing	Risks	Treatment	Residual Risk
Environmental	Poor outcomes during construction	Environmental management plan Consent conditions and monitoring	Medium
Social	Delay in completion Lower infrastructure and community level of service	Accelerate programme	Med-High
Cultural	Damage to heritage items Damage to sensitive environments	Taangata whenua engagement Discovery Protocols Kaitiaki roles	Med
Economic	IFF agreement does not meet Council needs Council cannot meet Council share of infrastructure	Sensitivity testing Commercial challenge and review Focus on gate way infrastructure and community land Monitor towards Long-Term Plan	High

As part of refining the business case the programme team will define the preferred risk management framework. It is likely to be a combination of Council's organisational Risk Universe (to suit organisational/commercial aspects and benefits/outcomes) and the Waka Kotahi NZ Transport Agency

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DRAFT Detailed Business Case, as at 1 October 2020

Z/44 risk framework (to suit infrastructure). These are both modelled on the same risk standard (ISO31000) and can be used in a complementary way.

The key principles proposed in the management approach for risks and opportunities are to:

- Focus on outcomes and benefits realisation in a wellbeing context.
- Recognise the complexity and novelty of the IFF arrangements and the emerging wellbeing framework as new methodologies for Council with new sets of risks and opportunities.
- Acknowledge as our ultimate customers the Rotokauri Stage 1 community living with 30-plus years positive and negative implications of the proposed levy and infrastructure decisions.
- Utilise and build on Council's proven programme and project management and controls framework, including financial, risk, delegations, and procurement policies.
- Manage the funding model, wellbeing objectives and infrastructure delivery as parallel and interdependent workstreams.
- Define clear hold points and go/no go decisions to ensure that costs, risks, and opportunities are understood before significant commitments.
- Actively identify and treat risks, considering the changing context for the economy, housing, and infrastructure markets.
- Operate three levels of assurance – appropriate management, governance, and independent review – recognising that different project stakeholders and changing phases present different risks, demands and needs for influence.

The main opportunity relates to the IFF framework reducing the pressure on Council's debt to revenue ratio and consequential ability to fund other activities. Other opportunities come from collaborating with government funding agencies, and developers to enhance wellbeing and capacity for growth with appropriate lead infrastructure delivered in partnership.

Rotokauri Stage 1 also provides a great opportunity to demonstrate development that supports wellbeing from the start, making the most of what has been learned from Peacocke and the HIF funding opportunity. Cost savings are likely if the network infrastructure is delivered at the same time as subdivision earthworks.

The main risks for Hamilton are commercial associated with Rotokauri being the largest and most complex application of IFF, being new to Hamilton and an uncertain housing market with infrastructure and development markets also affected by Covid-19. The timing of development in relation to the stormwater floodway and subsidence is also a risk. Implications for decision-making and project management may differ from the assumptions underlying Council's current systems.

Key Benefits and Risks

	Key Benefits	Key Risks
Social Wellbeing	More homes enabled faster	Not meeting expectations of the Community or emerging policy
	Increased housing affordability	Funding to inform decisions is not available in time, resulting in delays, or uncertainty leading to poor outcomes
	Improved community amenity	The levy is perceived as a new tax and is not well received
	Access to nature	IFF legislation or consents not available in time
	Increased health and wellbeing	IFF funding is not sufficient to enable the works to be brought forward or commercial advantages not sufficient to motivate developers

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Environmental Wellbeing	Increased Biodiversity	Consequential risks from other wellbeings affecting timing and levels of service from infrastructure
	Reduced emissions	
	Improved water quality	
Cultural Wellbeing	Te Ao Maaori aspects of other wellbeings	Consequential risks from Te Ao Maaori aspects of other wellbeings
	Increased recognition of Maaori heritage	Conflicting expectations for Council influence on implementation
		Major developer/funding entity relationships break down
Economic Wellbeing	More jobs	Yield doesn't match expectations, resulting in reduced development contributions, levy and rates take or different timing of revenue
	More money in the economy	Project and contractor capacity affect project cost and timing
	Improved funding capability	Rotokauri undermines Council investments in other growth cells
	Improved transport safety and efficiency.	Market uncertainty affects viability and timing of development
		Lack of community facilities and connections undermines benefits

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These are paraphrased from a strategic risks and risk control matrix collated following a preliminary risk workshop for the Rotokauri IFF. This is attached at Appendix 15.

Subject to approval in principle, as the road design progresses, and prior to finalising the business case, a comprehensive infrastructure risk register will be collated.

The proposed risk treatments include three levels of assurance – Project/management oversight capability and experience, project governance (internal), and independent and objective assurance – applied to the following controls:

- stakeholder management and communications planning
- Long-Term Plan Process
- multi-disciplinary programme management
- Council processes – delegations, reporting, audit and review
- detailed business case
- robust Private developer agreements
- financial modelling
- go/no go processes
- risk, assumption and uncertainty management and reporting
- financial systems that match levy arrangement
- robust IFF agreements
- heritage, cultural, biodiversity and ecological management and consenting strategies
- active management of liquefaction risk e.g. building consent conditions
- resource planning – availability, budgets and staffing, both operational and capital

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- procurement planning.

A comprehensive risk register and treatment plans will be prepared following approval in principle.

9.19 Post-Project Evaluation Planning

Project evaluation reviews are planned at key milestones intervals, with the first review prior to the Long-Term Plan decision to check that the project will deliver its anticipated benefits. A post-implementation review will be completed.

Gateway Reviews: The proposal is subject to on-going gateway reviews. The Gateway 1 review (detailed business case) has been undertaken on the project as part of the development of this Detailed Business Case. Further gateway reviews will be held at appropriate points in the project as agreed with the Council's Portfolio Management Office. Reviews should include:

- Gate 2: Project Plan
- Gate 3: Pre-procurement
- Gate 4: Construction

9.20 Stakeholder support/commitment

It would be desirable for Crown Infrastructure Partners and Developers to confirm as part of refining the business case:

- they accept the strategic aims and investment objectives of the investment proposal, its functional content, size, and services
- that the financial costs of the proposal can be contained within the agreed and available budget and a willingness and ability to pay for the services at the specified price level
- the margins of leeway beyond which support must be re-validated
- confirm that acceptance of suitable contingency arrangements addresses any current or unforeseen affordability issues

- that access to land will be provided for construction, subject to a licence to occupy or advanced agreement.

The commitment to provide access to land is critical to achieving early delivery.

9.21 Key decisions for Hamilton

Critical assumptions for the Rotokauri programme of activities rely on some key early commitments by Council to achieve success. These are:

- To consider whether to make up to \$2.0 million design and land procurement funding available early – prior to the Long-Term Plan and final commitments from other stakeholders. Council should pursue retrospective funding options.
- To not commit to implementation until landowners confirm that construction access is certain for stormwater floodway construction (Basins 5,4, 3). To do otherwise will result in delays.
- Commence procurement following the 2021-31 Long-Term Plan decision in June 2021 based on draft private developer and IFF agreements, in parallel with contracts with the Special Purpose Vehicles and final private developer agreements being executed.

Engagement with taangata whenua and the community will continue.

Risk management and monitoring of the development and commercial context will be necessary.

Council's decisions will need to be framed in a way that allows the project to be responsive to changes in the evolving IFF framework and to ensure that Council's project partners understand the commitments required for success:

- access to land
- tolerance for risk associated with accelerated processes.

The key decisions and a summary of time implications are presented in Figure 87 below.

9.22 Next steps - Actions before detailed business case approval

The following actions are necessary to achieve the programme:

- commence comprehensive stakeholder engagement
- commence stormwater floodway detailed design, and land acquisition investigations
- seek commitment from landowners allowing access for construction
- progress Notice of Requirement for the arterial roads
- refine construction programme once designation conditions are confirmed
- refine project estimates (base, expected (50%ile), funding contingency (95%ile))
- prepare risk file and treatment plans for pre-implementation phase
- refine commercial framework with Crown Infrastructure Partners and progress private developer agreements with developers
- engage with Crown Infrastructure Partners and developers to establish a common understanding and commitment for project delivery and tolerance for risks and changes –
 - detailed business case - strategic aims and investment objectives, scope and approach
 - programme – sequence, dependencies, durations, risks
 - costs - budget, contingency management, willingness to pay
 - land acquisition strategy and Procurement strategy.

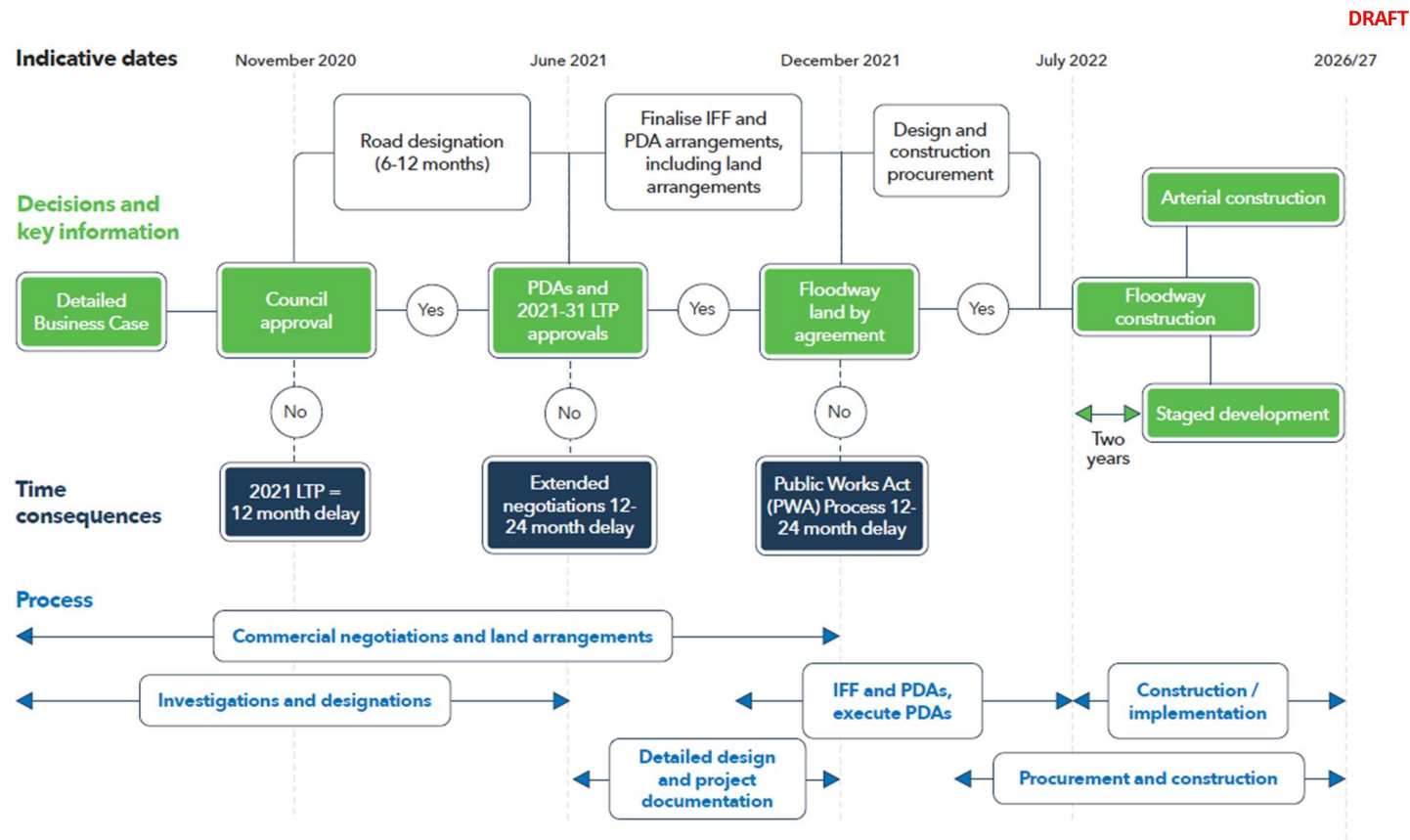


Figure 87: Key decisions, time implications and process overview.



Council Report

Committee: Strategic Growth Committee **Date:** 01 October 2020
Author: Karen Saunders **Authoriser:** Jen Baird
Position: Growth Programmes Manager **Position:** General Manager City Growth
Report Name: Peacocke Programme Update

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Strategic Growth Committee on progress of the Peacocke Programme of work for August – September 2020.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Growth Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. Overall, the programme is currently still on time for delivery; however, this may change as we understand more about the impact of the Covid-19 lockdown measures over future months. Staff will continue to monitor and report on any impacts to the Strategic Growth Committee.
4. Activities and achievements since the previous report on [20 August 2020](#) include:
 - i. Progress on processing several resource consent applications including Qestral Retirement village earth works consent and the Northview subdivision application.
 - ii. Amberfield Environment Court hearing was held from 31 August 2020 to 9 September 2020. The Environment Court Judge will issue an interim decision by early December 2020 at the earliest for guidance to the parties to finalise the ecological consent conditions.
 - iii. Contract Award of construction tenders for transport and wastewater infrastructure packages, which are due to start construction in October 2020. Award of physical works contracts for the bridge and strategic wastewater pipelines represent significant milestones for the Peacocke Programme.
 - iv. Progress on the SH3/Ohaupo Road Roundabout construction; construction is on track for completion in 2020.
 - v. The land acquisition process is on track. The Council has secured property rights for 32 of the 39 properties within the designation footprint, four additional properties since August. The number taken by Proclamation has now dropped from nine to six because agreements have been reached with owners in parallel. Of the 16 Section 23 Public Works Act (PWA) notices served, there have been four objections – two were promptly resolved by agreement; the two relate to the Shaw and Buchanan properties. The Shaw objection is progressing through court-assisted mediation. The Buchanan objection is yet to have a date set for court-assisted mediation by the Environment Court.

- vi. Work is underway to implement the Ecological Monitoring and Management Plan (EMMP). This includes significant gully and stream restoration work (e.g. more than 10ha within the catchment), pest control, and bat roost protection and enhancement (e.g. providing artificial bat roosts).
 - vii. The Mangakootukutuku Integrated Catchment Management Plan is progressing towards public consultation.
 - viii. The Tangata Whenua Working Group has been working closely with the design and construction teams to continue to give effect to planned cultural recognition through incorporated narrative and symbolism.
 - ix. Continuing evaluation of key projects for the Greenstar Accreditation programme.
 - x. Initial engagement with key stakeholder groups has commenced for the Plan Change project including co-design sessions with representatives from across the community. Staff will report back to Elected Members with a summary of the workshops at the 30 September 2020 briefing.
 - xi. The Notice of Requirement process for the Northern Sports park has progressed. Four submissions were received. The hearing date was set for September 2020; however, it has been postponed to allow sufficient time for further discussions with the submitters. A new hearing date will be confirmed in due course.
 - xii. Staff have been continuing work to reach settlement of the Amberfield appeal matter for the Southern Sports park.
 - xiii. Peacocke made national news headlines in September 2020 for the award of the bridge contract.
 - xiv. The Ministry of Education acquisition team is continuing with securing sites for two new schools in Peacocke. The Ministry of Education growth team is also reviewing Melville High and Melville Intermediate schools. Consultation has commenced and Elected Members and a Maangai Maaori representative have been nominated as consultation board members.
 - xv. Waikato Kindergarten Association is actively looking for land for an early education facility in the area.
5. A focus of the next few months will be looking at new ways to effectively engage our key stakeholders and the community because of Covid-19, particularly around the Peacocke Structure Plan and upcoming infrastructure projects.
 6. Overall the programme is running to schedule, in particular:
 - i. The HIF network infrastructure project is on track.
 - ii. Current pre-application discussions and consenting and construction activity total approximately 2,300 homes, which is approximately 60% of the projected 10-year developer uptake of 3,750 homes in Peacocke. However, it should be noted that the economic impacts of Covid-19 are likely to affect the timing of this uptake, particularly the timing of construction of housing. This will continue to be monitored over the coming months and staff will provide updates in future Peacocke reports to the Strategic Growth Committee.
 7. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Background - *Koorero whaimaarama*

Attachment 2

8. This is the ninth Peacocke Programme progress report, covering the period August 2020 – September 2020. The previous Peacocke Programme update was presented to the Strategic Growth Committee on [20 August 2020](#) for the period July 2020 - August 2020.
9. The Peacocke Programme financial report as at 31 August 2020 will be included as part of the Capital Portfolio reporting presented to the Finance Committee meeting on 6 October 2020.
10. The programme commenced in July 2018, following Council approval of the Housing Infrastructure Fund (HIF) detailed business case and subsequent adoption in the 2018-28 10-Year Plan. Since then, the Peacocke team has been working on delivery of physical works. In 2018, the Council commenced a programme of investigations, stakeholder engagement, elected member engagement, concept design development and land acquisition work for the projects. Activity during 2019 included continuing the 2018 activities plus commencing detailed design, continuing property acquisition, and enabling works including diversion of some utility services.

Peacocke Programme Vision and Objectives

Item 11

11. The vision for the Peacocke Programme is to enable the development of an attractive and sustainable community in the Peacocke Growth Cell and surrounds. Ko te whakakitenga moo te whenua Peacocke - Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke.
12. Over the next 10 years, the Peacocke Programme is projected to deliver a third of Hamilton's medium-term housing needs.
13. The Peacocke programme includes the delivery of the strategic network infrastructure, community facilities and infrastructure, resource consenting and building consenting activities, ecological protection and enhancement, funding, monitoring and reporting and commercial activities.
14. The Programme supports the delivery of the 2018-28 Long Term Plan and the following community outcomes:
 - **A city that embraces growth** – we have the infrastructure that meets our current demands, supports growth and helps build a strong economy;
 - **A great river city** – we embrace our natural environment and have green spaces, features and community facilities that make Hamilton a great place to live, work, play and visit
 - **A Council that is best in business** – we are customer focused, financially sustainable and have the best people delivering the best outcomes for the city.
15. As per the HIF Detailed Business Case, the investment objectives of the Peacocke programme are to:
 - i. support Hamilton to be the third City Economy in New Zealand,
 - ii. increase the amount of developer-ready land to meet the National Policy Statement-Urban Development Capacity,
 - iii. support the provision of affordable housing
 - iv. build a vibrant community that integrates with Hamilton,
 - v. enable coordinated land use and strategic infrastructure,
 - vi. ensure financial sustainability for Hamilton City Council and the community.

Discussion - *Matapaki*

Commercial, planning and consenting activities

Pre-application discussions

16. Commercial infrastructure negotiations and planning consent pre-application discussions are underway with three major developers in Peacocke.
17. The initial focus for the infrastructure negotiations is to progress property acquisition and to integrate development proposals with the Council's programme of works to achieve better whole-of-life asset outcomes or create more efficient integrated assets such as joint stormwater treatment devices.

Development activity

18. The Council's Covid-19 Economic Reporting Dashboard and the latest Covid-19 Economic Update are available on our website [here](#).
19. The dashboard includes a range of indicators that will help users to understand the impact of Covid-19 on Hamilton. Some of these economic impacts may affect timing of developments in Peacocke, in particular timing of housing construction. The dashboard includes the latest Council data on consents, which will allow us to monitor the impact on the construction sector. The Growth Funding & Analytics team will continue to monitor the economic environment and provide monthly updates that will also be available on this page.
20. Growth projections have taken the effect of Covid-19 and border restrictions into consideration. These will be incorporated into long-term planning for an indication of the number of houses based on projected migration numbers.
21. There have been 164 house sales since 2015 in Peacocke Stage 1. The average sale price of those sales was \$655,000.
22. The majority of Peacocke Stage 1 has been consented or is seeking consent to subdivide.
23. A subdivision resource consent for 250 residential allotments along with 22 'super lots' at 3019 Ohaupo Road in Peacocke Stage 1 is currently being processed. The super lots will be the subject of future land use proposals for higher-density development such as duplexes and apartment units.
24. The Amberfield/Weston Lea Ltd subdivision consent application in Peacocke Stage 2 for 833 residential allotments was granted by independent hearing commissioners on 1 November 2019, subject to relevant consent conditions. The applicant and DOC have appealed the consent conditions relating to sports parks and ecological conditions. An Environment Court hearing was held from 31 August 2020 to 8 September 2020. The Environment Court Judge will issue an interim decision by early December 2020 at the earliest for guidance to the parties to finalise the ecological consent conditions. The appeal relating to the Sports Park is subject to mediation discussions between Weston Lea Ltd and the Council. If settlement is not reached, the matter will be set down for an Environment Court hearing for some time in 2021.
25. Amberfield is the first major subdivision consent application in Stage 2 and initially applied for 862 dwellings. Through the consenting process, this was reduced to 833 dwellings. Information relating to the consent and hearing is available for viewing on the Council website [here](#).
26. Qestral Corporation has lodged two applications regarding their proposed retirement village in Peacocke. These include:
 - A land use consent for a retirement village at 37 Weston Lea Drive, which was lodged with the Council on 24 December 2019. The development includes establishing a 252-unit retirement village, a care centre, a manor, a pavilion and dementia facility, together

with internal roading and landscaping. This application has been returned to the applicant to work on further information for the re-lodgement.

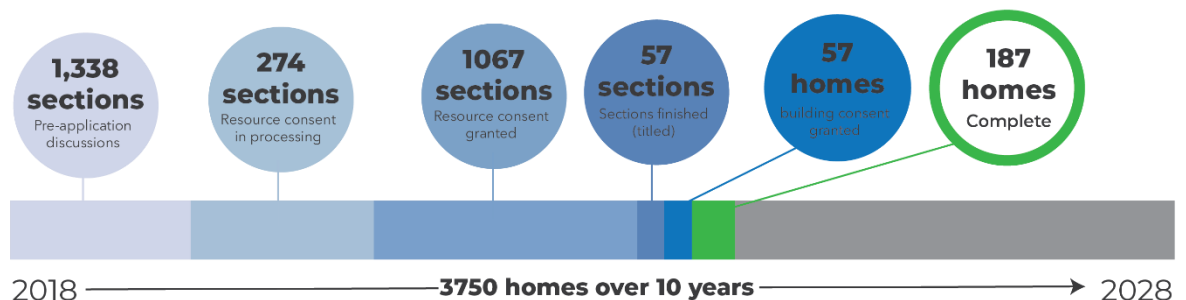
- A land use consent for bulk earthworks at 55 Weston Lea Drive, which was lodged with the Council on 27 February 2020. The bulk earthworks comprise a total 5,000m³ of cuts and 40,000m³ of fills over 4ha land area. The bulk earthworks will enable some interim works with the aim of re-lodging a land use consent for establishing a retirement village over a 19-ha area by Qestral Corporation Ltd in due course. This application was granted on 1 September 2020.

27. A map showing the location of development activity in Peacocke can be seen in **Attachment 1**.

Progress towards the Housing Infrastructure Fund housing yield

28. As per the detailed business case, the HIF investment is to implement strategic infrastructure to enable the development of 3,750 homes over 10 years from 1 July 2018.
29. Current pre-application discussions and consenting and construction activity total approximately 2,300 homes, which is approximately 60% of the projected 10-year developer uptake of 3,750 homes in Peacocke (refer **Figure 1**). However, it should be noted that the economic impacts of Covid-19 are likely to affect the timing of this uptake, in particular the timing of construction of housing. This will continue to be monitored and staff will provide Peacocke specific updates to the Strategic Growth Committee as more is known.

Figure 1. Pipeline showing development activity since 1 January 2018 in the Peacocke HIF funded area (Peacocke Stage 2 and remaining capacity Stage 1), as at September 2020



30. Pending Covid-19 impacts, development is expected to accelerate once the bridge and the wastewater infrastructure solutions are in place from 2023/24.

Peacocke District Plan Change 5

31. Plan Change 5, which will refresh the Peacocke Structure Plan, is a public policy process where Members have the final say. Only the Council can resolve to notify a plan change to formally initiate RMA processes that are essential for altering the planning provisions in Peacocke. Therefore, it is important that Members are briefed in a timely and detailed manner to not only understand the key opportunities and risks associated with the project, but to feel a level of comfort and ownership with what is occurring, given their unique political role in the process.
32. The review of the Peacocke Structure Plan provides an opportunity to consider and address several key issues that will impact the outcomes of the Peacocke Structure Plan. To support the review, background studies are continuing to be prepared. Along with this work, several Council briefings will be held over the next six months on the plan change process.
33. The first of these briefing was held on 27 May 2020. The purpose of this briefing was to outline the progress to date on the plan change and provide the opportunity for Members to input into the plan change process. To develop a structure plan that meets best practice and the

Council's strategic organisational objectives, staff sought Members' support on the following matters:

- a) creating the opportunity to build a modern suburb with high ecological and transport outcomes
- b) increasing density to support public transport and a vibrant community, and
- c) protecting the natural environment and ensuring development is compatible with the natural environment.

34. Staff have now started the public engagement process and have undertaken the first round of stakeholder workshops which were held on 22 and 23 July 2020. The following key stakeholders were invited to participate in the two workshops:

• Riverlea Environment Society	• Ministry of Education
• Mangakootukutuku Stream Care	• Te Awa Cycleway Trust
• Project Echo	• Waka Kotahi NZ Transport
• Forest and Bird	• Cycle Action Waikato
• Waikato Regional Council	• CCS Disability Action
• Department of Conservation	• Waipa District Council
• Common Ground	• Waikato District Council
• Waikato River Authority	• Heritage NZ

35. Along with these workshops, one-on-one meetings and workshops are being undertaken with key developers. Developer and community co-design workshops/webinars were held in mid-August 2020 and 7/8 September 2020 respectively.
36. Wider community engagement is planned to commence at the beginning of October 2020.
37. Staff will brief Elected Members on the outcomes of this engagement and progress of the Peacocke Plan Change at a proposed briefing on 30 September 2020.
38. The current milestones for the Structure Plan are set out in **Table 1**:

Table 1. High level Plan Change Project time frames

Milestone	Description	Planned date
Confirm proposed plan change methodology	Council briefing	27 May 2020 (completed)
Community and key stakeholder engagement	Workshops, open days, media etc	June – October 2020
Final structure plan documents and District Plan provisions	Present to Council	November 2020
Final Iwi review prior to public notification	Sign-off by Waikato-Tainui	November 2020
Council Resolution to notify plan change	Council Meeting	Early 2021
Notify plan change (subject to interaction with current infrastructure, procurement and acquisition processes)		March 2021
Prepare s42A report		May – July 2021
Hearing of submissions	Hearing Commissioners	August 2021
Decisions released and appeal period	Commissioners/Environment Court	September 2021

Network Infrastructure

39. Overall, the network infrastructure programme is on track and progressing well. The current programme remains on track for a construction start on the strategic wastewater pipe and transport packages in October 2020.
40. The next major contract award decision will be for the wastewater transfer pump station in 2021.

Land acquisition

41. Acquiring the land needed for the network infrastructure is progressing in accordance with the Public Works Act (PWA). It continues to be a decreasing risk to the programme but there are several difficult conversations being had with landowners.
42. A fourth s23 objection has been received, relating to a landowner on Hall Road. In this instance, the parties resolved the appeal within a week without the need for mediation or court proceedings. A summary of s23 objections are presented in **Table 2** below:

Table 2. s23 Objection Status

Objection Received	Description	Status (expected as at 1 Oct 2020)
5 November 2019	Related to a property on Peacockes Road. Resolved by agreement.	Closed
17 December 2019	Shaw objection. Staff are continuing with court-assisted mediation in progress.	Open
13 July 2020	Buchanan objection. Resolution likely to include court-assisted mediation.	Open
24 August 2020	Relates to a property on Hall Road. Resolved by agreement.	Closed

43. An overall property status update is outlined in **Table 3** below:

Table 3. Property Status Update

	No. Properties	Description	Status
Total Properties Affected*	39*	For the current HIF programme	Overall on track
Properties now in Council control	32	<ul style="list-style-type: none"> Five were already Council owned before HIF commenced Six following recent proclamation (reduced from 9 due to reaching agreement by negotiation) Rest by agreement or advanced agreement 	Properties under management. Access arrangements being progressed.
Properties still to secure	7	<ul style="list-style-type: none"> Four are in PWA compulsory process, one is land from NZTA Three are close with agreement imminent. 	39 - 32 = 7 Staff have prioritised most critical properties

* Some other land access agreements or consequential acquisitions are additional to the 39 designated properties

Network Infrastructure physical works

44. The Strategic Growth Committee resolved to award the bridge and wastewater pipeline contracts at the 20 August 2020 meeting. These contracts have now been awarded following resolution of normal pre-award matters with the preferred tenderers.

45. Planning is on track to make full use of the coming summer construction season.
46. Staff intend to update Elected Members, wider stakeholders and the local community with key construction-related information such as temporary traffic management arrangements over the coming weeks.

SH3/Ohaupo Road Intersection

47. There is an emerging asbestos contamination issue on the SH3/Ohaupo Road project.
48. Independent experts have been urgently engaged to undertake testing across the site to determine the extent of contamination and to advise on potential remediation options and associated costs. At the time of writing, staff are still compiling expert information to inform the best course of action. Once a preferred option is identified this will need to be actioned immediately to ensure any potential health risk is avoided and to minimise delays to contract works.
49. It is currently unclear whether the issue and associated remediation can be dealt with within existing project contingencies. Should an increase to the Approved Contract Sum be required because of works instructed as a result of this issue, this will be brought back to this committee.

Parks and Open Spaces

50. A Notice of Requirement for the approximately 14.5ha northern sports park has been lodged. The Notice of Requirement was limited notified to adjoining landowners, the Department of Conservation (DOC) and Tangata Whenua. Submissions closed on 10 August 2020. Four submissions were received from The Adare Company Ltd (landowner), Rex Hannam (landowner), Kevin and Kathy Sanders (adjoining landowner) and DOC. The hearing was to be held on 21-23 September 2020 but has now been postponed to allow sufficient time for further discussions with the submitters. A new hearing date will be confirmed in due course.
51. The decision by the independent commissioners for Amberfield included the southern sports park and this has been appealed by the applicant. Staff are progressing work to assist with settlement of this appeal point. Negotiations for the purchase of the sports park are ongoing with an objective of acquiring this land within the 2020/2021 financial year, pending negotiations.
52. Construction of a new neighbourhood playground at Te Inuwai Park has been completed. A community event to celebrate the opening of the playground will take place later in the year as weather improves.
53. The acquisition of neighbourhood parks and gully land where required will be undertaken as and new developments commence.

Wellbeing considerations - *Whaiwhakaaro-aa-oranga tonutanga*

50. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
51. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
52. The recommendations set out in this report are consistent with that purpose.
53. The Peacocke programme is underpinned by Sustainability Principle 1: Council includes environmental, economic, social, and cultural considerations in its decision-making criteria.

Social -

54. The vision of the Peacocke programme is to enable the development of an attractive and sustainable community. This aligns closely with the definition of social wellbeing – the extent to which individuals feel a sense of belonging and social inclusion.

Engagement with the community

55. As part of the Peacocke engagement strategy, there has been a focus on engaging with the existing communities in south-west Hamilton, as well as wider Hamilton, to make sure we bring the whole community on the journey with us. A focus of the next few months will be engaging our key stakeholders and community around the Peacocke Structure Plan and communication around the Strategic Wastewater and Transport project construction.
56. Staff are continuing to engage with environmental and cultural groups, key developers, Government agencies including Heritage New Zealand Pouhere Taonga and Department of Conservation, as well as our project partners through the Housing Infrastructure Fund including Waka Kotahi NZ Transport Agency.
57. The Ministry of Education acquisition team is continuing with securing sites for two new schools in Peacocke.
58. The Ministry of Education growth team is also reviewing Melville High and Melville Intermediate schools. The Ministry of Education is leading the consultation, which has commenced. Council staff are working with the Ministry of Education to ensure that the Council has appropriate levels of involvement in that process. The Ministry of Education has allowed Council representation for the Consultation Board. The consultation includes several public meetings and is seeking feedback from the community on their preferences.
59. The Waikato Kindergarten Association is actively looking for land in Peacocke for an early education facility.

Economic

60. The key economic benefit the Peacocke HIF investment for strategic infrastructure will deliver is the bringing forward of residential development in Peacocke as outlined in economic case of the [Housing Infrastructure Fund detailed business case](#).
61. During the lockdown period in April 2020, Council submitted a proposal for further investment into Peacocke that looks to connect with the Hamilton Airport. This proposal was shortlisted to the next stage for consideration by the Government. However, the Council has not been advised of the decision. Regardless, the recent construction contract awards will significantly contribute towards the economy. Further information about the Peacocke 'Shovel Ready' proposals can be found [here](#).

Environmental

Peacocke-wide environmental activities

62. Environmental wellbeing – the extent that the sustainability of the environment is protected now and into the future – is a major consideration for the Peacocke programme.
63. Peacocke is not only our biggest investment into a new growth area, it's also our biggest-ever environmental investment.
64. Staff have engaged with THaWK regarding the Waikato Bat Plan initiative. THaWK supported the concept of the plan and have nominated a representative to be on a steering group which will establish the scope of the work, to understand potential costs involved in preparing the plan. The intent is for this to be a multi-agency/cross-Council plan that is led by Waikato Regional Council. The first steering group meeting for this plan is scheduled in September

2020. Staff will bring a proposal through to the relevant committee for consideration in the next six months once more is known.

Southern Links and transport corridor-related environmental activities

65. Work is underway to implement the Ecological Monitoring and Management Plan (EMMP). This includes significant gully and stream restoration work (e.g. more than 10ha within the catchment), pest control, and bat roost protection and enhancement (e.g. providing artificial bat roosts).
66. Key current and upcoming activities include:
- 80 artificial bat roosts (bat boxes) have been installed in the Peacocke area to date as part of implementing the Ecological Monitoring and Management Plan (EMMP). An additional 20 bat boxes will be installed once access to various sites has been secured.
 - Significant restoration work has started. Planting plans have been prepared for the first eight hectares of gully and lizard habitat restoration over the next 3-4 years. Detailed design and consenting work for the associated maintenance track is underway.
 - Restoration work on the first 1.6ha lizard habitat restoration work has started with 5000 plants in the ground and another 6500 to be planted next season. Baseline lizard surveys for this site are scheduled for September 2020.
67. Other ongoing monitoring required by the EMMP has been scheduled as follows:
- Bird survey in November 2020
 - Wetland baseline surveys in October/November 2020
 - Acoustic bat monitoring and bat box monitoring surveys from January to March 2021.
68. All tree and vegetation removal for Southern Links-related projects to date have followed the protocols in the EMMP to protect bats, lizards and birds from harm.
69. The Ohaupo Rd/SH3 Roundabout project has 7,000 of a total of 17,000 plants to date, with the balance expected to be in the ground by the end of this planting season.

Communications and Engagement

70. The contract award for the Peacocke transport project, including the bridge over the Waikato River and surrounding roads, was announced on 9 September 2020. The announcement recognised the partnership with iwi, central government and local government to progress the development, and the environmental, social, cultural and economic benefits for Hamiltonians. The announcement achieved front page coverage in the Waikato Times, Stuff.co.nz and Nzherald.co.nz. Video footage of the transport network was shared widely online.
- Stuff.co.nz article: <https://www.stuff.co.nz/national/politics/local-government/122711670/hamilton-city-council-awards-135m-contract-for-new-river-bridge-and-roads?rm=a>
 - Nzherald.co.nz article: https://www.nzherald.co.nz/hamilton-news/news/article.cfm?c_id=1503366&objectid=12363452
 - Our Hamilton stories: <https://ourhamilton.co.nz/growing-hamilton/peacocke-contract-a-massive-milestone/>
<https://ourhamilton.co.nz/growing-hamilton/pedestrians-cyclists-a-priority-in-peacocke/>
 - YouTube links: <https://www.youtube.com/watch?v=5V3C1DML7ak&feature=youtu.be>
<https://www.youtube.com/watch?v=SkQrlaLAS7c&feature=youtu.be>

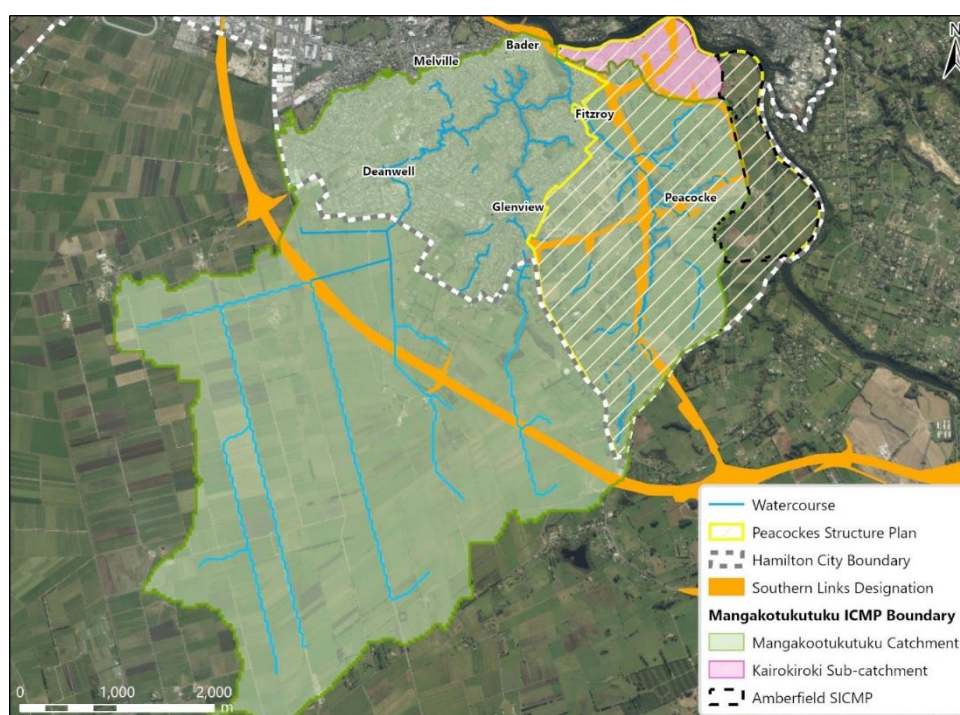
71. The opening of Peacocke's first park, Te Inuwai Park, was well-received in the community in early August 2020. It celebrates the area's previous life as a food bowl for Māori and English settlers and was named after a Ngāati Mahanga ancestor who resided in the area. The story was picked up in local newspaper and received praise on social media.

- Stuff.co.nz article: <https://www.stuff.co.nz/waikato-times/news/122490519/community-park-and-playground-completed-in-new-hamilton-subdivision>

Mangakootukutuku Integrated Catchment Plan (ICMP)

72. The Mangakootukutuku Integrated Catchment Management Plan (ICMP) has been under development since 2017 and is nearing completion. The extent of the Mangakootukutuku Catchment is shown in green in **Figure 1** and includes most of the Peacocke Growth Cell. The Kairokiroki Sub-catchment (pink) is also included under the Mangakootukutuku ICMP.

Figure 1. Extent of Mangakootukutuku Catchment



73. ICMPs are integrated strategies for stormwater, land-use and watercourse management, and also include for water and wastewater infrastructure. They are required to be produced under the Operative District Plan in order for development to occur. ICMPs influence all four local government wellbeings – social, economic, environmental and cultural. The Mangakootukutuku ICMP references the Vision and Strategy for the Waikato River as providing key guidance on environmental management.
74. The Mangakootukutuku ICMP has been reviewed by Waikato Regional Council (WRC) in July/August 2020. Waikato Regional Council has asked that the ICMP include two phases of stormwater treatment for all roads in Peacocke. This would commonly mean installing both stormwater wetlands and raingardens. The ICMP team considers that the cost benefit of the second phase of treatment is extremely low (except for busy roads) and that other environmental interventions (such as additional restoration planting) are likely to be more impactful. This discussion with WRC is ongoing and is a key risk to the ICMP project.
75. Following agreement with Waikato Regional Council, the ICMP will be ready for targeted consultation.

76. Parties to that targeted consultation will include iwi, landowners in Peacocke, landowners in the rest of the catchment that are affected, property developers, environmental groups, local and central government agencies, environmental groups, and others who have expressed interest during the project.
77. The matters to seek feedback on through consultation are:
 - The ICMP has used flood models to produce flood maps. These maps show where flooding may occur in a once-in-one-hundred-year storm event. There is a legal requirement to put this information on LIMs once it is finalised. Staff note that flood maps will likely change as private development activity occurs in Peacocke.
 - The ICMP proposes future stormwater devices on developable property in Peacocke. Some of these stormwater devices will serve multiple developers.
78. Following targeted consultation, the ICMP will be sent to Waikato Regional Council for approval.

Cultural

79. Effective partnership with Iwi is integral to the success of many of the projects across the Peacocke programme. We respect the special status of Tangata Whenua, are committed to the principles of Te Tiriti O Waitangi and further Maaori aspirations through building mana-enhancing partnerships.
80. Our Iwi partners, Waikato-Tainui, are engaged under the Joint Management Agreement (JMA), with a shared responsibility to achieve the vision and strategy for the Waikato River.
81. Staff place a high level of importance on the Vision and Strategy for the Waikato River when planning projects that impact the river and tributaries within the Peacocke catchment.
82. Staff recognise and consider relevant sections of the Waikato-Tainui and Ngaati Hauaa Environmental Plans when planning projects within the Peacocke catchment.
83. Maangai Maaori provide a political voice for Maaori within the decision-making of select Council committees.
84. Waikato-Tainui interests are represented on the Peacocke Governance board through Waikato-Tainui General Manager Rights and Interests.
85. The Council continues to meet its legislative responsibilities under the RMA by providing opportunities for Iwi and hapuu to contribute to local government decision-making processes and exercise of kaitiakitanga over the natural and physical aspects within Peacocke.
86. Iwi and hapuu contributions in Peacocke have included the Southern Links road corridor projects; private plan changes; Integrated Catchment Management Plans; and processing of resource consents.
87. There is an agreement in place between the Council and Waikato-Tainui to resolve first rights of refusal for designated land that was originally derived from the Crown.
88. The programme team continues to engage with the Tangata Whenua Working Group (TWWG) to enable the construction of network infrastructure in Peacocke in partnership with local iwi. Cultural inductions and training have helped educate the wider team and contractors on the importance of keeping cultural considerations at the forefront of everything we do.
89. Cultural symbolism is woven into the scope of construction projects. Actual details are being developed through various stages of the design development and through working with HEB Construction, and in close partnership with the Tangata Whenua Working Group. A 'cultural blueprint' process will help ensure cultural opportunities within placemaking and wayfinding

are identified focused and guided. This will include identifying scope, costs and funding opportunities where outcomes may not fit within the scope of existing identified budgets.

90. Kaiarahi and Kaitiaki contracts are being established to guide and provide cultural guardianship during construction works.
91. Iwi/Mana whenua have been engaged for the Peacocke Plan Change (Peacocke District Plan Change 5).
92. Iwi/Mana Whenua have been engaged in developing the Mangakotukutuku Integrated Management Plan.
93. Iwi/Mana Whenua have supported the Council in seeking to resolve the protest in Peacocke by Te Wakaminenga o Maniapoto and others.
94. Amorangi Maaori continues to provide cultural advice and support to project management teams and works in Peacocke.

Financial Considerations - *Whaiwhakaaro Puutea*

95. The approved overall budget for 2018-28 10YP Peacocke growth cell remains unchanged at \$413.5 million. The programme remains on track and on budget as per the business case. While overall this total remains unchanged, there is a need to forecast movements in annual amounts to re-phase budgets between years, allowing timing to be amended to reflect actual expenditure needs (not reflective of project progress). An example is property where final payments will be determined by the Land Valuation Tribunal in the next 12-24 months.
96. The 2020-21 approved capital expenditure budget for the total Peacocke growth cell is \$74.2M. The associated capital revenue from NZTA is \$14.0M.
97. Actual expenditure as at 31 August 2020 was \$5.4M. Revenue was \$1.3M.
98. The Peacocke growth cell is in part being funded by the New Zealand Government through the Housing Infrastructure Fund (HIF). The HIF relates to provision of essential infrastructure. The total value of these works is \$290.4M, funded by NZTA subsidy of \$110.1M and HIF of \$180.3M.

Total	HIF Facility	NZTA Subsidy	Total
2018-28	\$180,300,000	\$110,100,000	\$290,400,000

99. For 2020-21 the HIF-funded portion is \$42.8M; the associated revenue from NZTA is \$12.5M. The net \$30.4M is the value of the HIF drawdown planned for the 2020-21 financial year.
100. To date there have been nine HIF funding drawdowns, totalling \$22.3M. Eight have been claimed, while the quarter ended 30 June 2020 remains in progress. The remaining HIF funding available is \$158M.
101. The following summary table has actual financial performance for the HIF, by financial year. Also included is the remaining value.

Financial Year	HIF Facility	NZTA Subsidy	Total
2017-18	\$176,000	\$91,000	\$267,000
2018-19	\$5,737,000	\$5,094,000	\$10,831,000
2019-20	\$16,346,000	\$9,878,000	\$26,224,000
Total	\$22,259,000	\$15,063,000	\$37,322,000
Remaining	\$158,041,000	\$95,037,000	\$253,078,000

102. The first drawdown for current financial year will be for the quarter ended 30 September 2020.

103. Peacocke Programme Capital Report (as at 31 August 2020) will be presented to the Finance Committee on 6 October 2020. At the time of preparing this report it was not available. This report will contain an overview of the Peacocke programme including high level financial graphs.

Risks - Tuuraru

104. The Peacocke Programme has adopted the Council's risk management framework with further alignment with the Waka Kotahi NZ Transport Agency risk register format.
105. As part of the assurance framework implemented into the Peacocke Programme, the Council's Risk Manager provides quarterly support to the Peacocke Programme Manager.
106. Construction phase risk workshops are being scheduled with the successful contractors which will lead to updated risk registers.

Emerging risks

107. The rate of developer uptake is being closely monitored following some delays experienced with the first major resource consent application, Amberfield, largely due to biodiversity requirements. Staff will continue to monitor this as an emerging risk, noting that most consenting activity is largely dependent on the network infrastructure being in place (from 2023/24).
108. The PWA provides a process to resolve objections to the land being taken for the works and for determining the amount of compensation payable (if disputed). Land ownership versus compensation payment follows different timeframes, which allows physical works to commence while resolving compensation differences.
109. The PWA process will obligate the Council to purchase whole properties in a limited number of cases. The approved project budget is based on the cost of the land within the designated footprint only. This cost risk will be mitigated through the eventual sale of surplus land at market price and the proceeds recycled back into the relevant HIF budget for physical works.
110. Cost over- and under-runs are likely on individual project components; however, this risk will be mitigated within the overall funded network infrastructure budget for Peacocke.

Covid-19 Risks

111. The Government's response to Covid-19 has resulted in reduced alert levels; however, there remains a risk going forward both locally and internationally as the likelihood and consequence of ongoing impacts remains difficult to predict. Movement within alert levels could disrupt the supply chain or workforce availability or result in increased time and cost for projects. Staff are monitoring the situation.
112. The economic impacts of Covid-19 may also affect the timing of developments in Peacocke, particularly the timing of housing construction. This may affect the timing of the projected developer uptake of 3,750 homes over 10 years. Staff will continue to monitor and report on the situation and will be seeking more ways to enable development in the area while ensuring wellbeing outcomes for the community.
113. Covid-19 may also impact planned community engagement activities, which may result in a delay to some projects or changes in the delivery of engagement. The project teams are actively monitoring the situation and will respond as more information arises.
114. Construction market volatility resulting from Covid-19 and the associated alert levels is currently an unknown risk. Key construction contracts are proceeding through procurement with specific steps included to engage proactively with industry proponents. Staff will report back to elected members through the regular Peacocke programme reporting and as part of contract award decisions later in September 2020.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

115. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

The next six months: October 2020 – March 2021

116. The next six months will include high levels of engagement and consultation as several key projects in the programme progress. The focus will be on:

- a) understanding and monitoring impacts of the various Covid-19 alert levels on the programme
- b) planning for investment into Peacocke for the Long-Term Plan
- c) progressing the Peacocke Structure Plan review (Plan Change 5)
- d) continuing work on key infrastructure including the wastewater transfer pump station design
- e) commencing construction for key infrastructure projects including the bridge and wastewater pipeline
- f) progressing construction of the SH3/Ohaupo Road intersection
- g) investigating ways to minimise impacts of construction traffic on local roads and coordinating with developers
- h) progressing land acquisition
- i) developing further the environmental workstream and implementation of the EMMP
- j) continuing the consenting processes
- k) progressing commercial negotiations with developers
- l) looking for more ways to enable development
- m) investigating active recreation reserves
- n) commencing sports park acquisition
- o) continuing to form partnerships
- p) continuing stakeholder engagement.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Peacocke Development Activity Map – Sep 2020



Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Public Excluded Strategic Growth Committee Minutes - 20 August 2020) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Future Proof Implementation Committee - Public Excluded Minutes)	
C3. Te Wetini Drive Extension		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)