Hamilton City Council
Te kaunihera o Kirikiriroa

Notice is hereby given that an ordinary Meeting of the Growth and Infrastructure Committee will be held on:

Date: **Tuesday 14 February 2017**
Time: **9.30am**
Meeting Room: **Council Chamber**
Venue: **Municipal Building, Garden Place, Hamilton**

Growth and Infrastructure Committee

OPEN ATTACHMENTS

ATTACHMENTS UNDER SEPARATE COVER

HOUSING INFRASTRUCTURE FUND

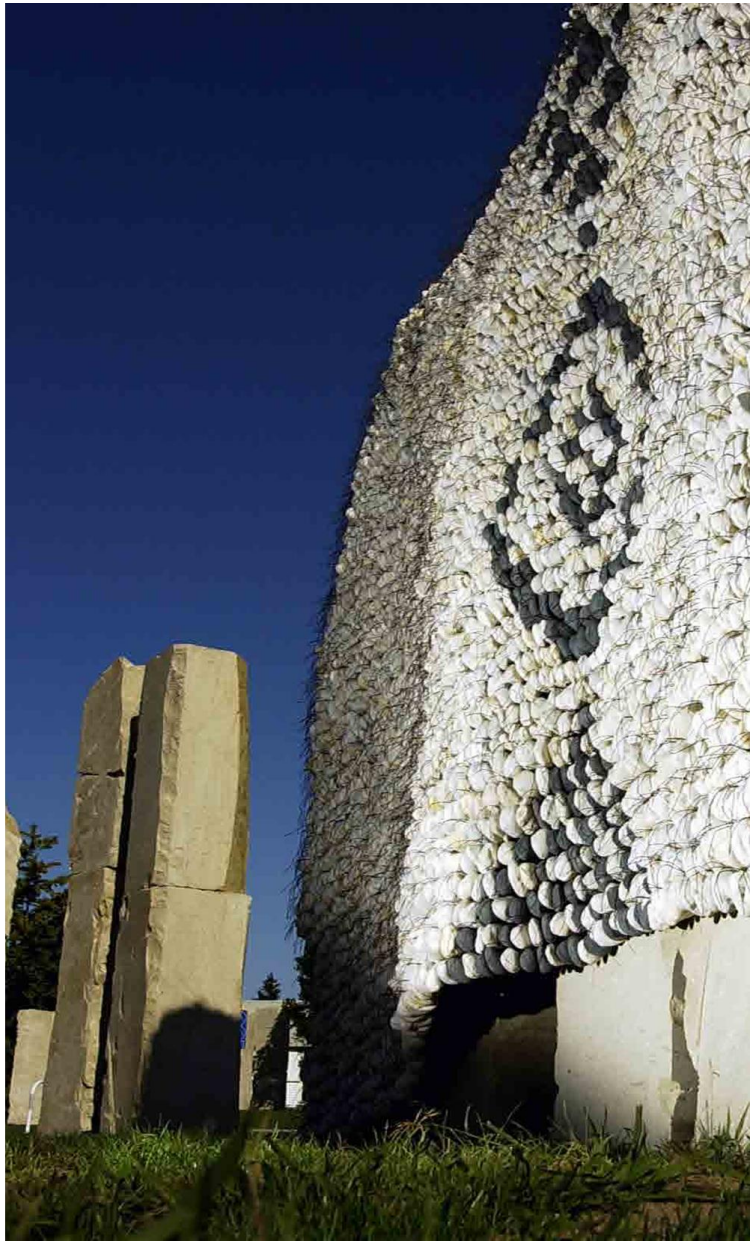
INDICATIVE PROPOSAL SUBMITTED BY HAMILTON CITY COUNCIL

2 DECEMBER 2016

Item 12

Attachment 1

Contents




KIMBERLEYS
GREG
Hamilton City Council
Te kaunihera o Kirikiriroa

Item 12

Attachment 1

1. EXECUTIVE SUMMARY

Hamilton City Council (HCC) formally submits an indicative proposal for an allocation from the Housing Infrastructure Fund (HIF).

Our application would open two major growth cells of Peacocke and Rotokauri in Hamilton which will provide for a HIF deliverable of between 2350-3100 additional homes over a five- to seven-year period.

If successful, HIF allocations will provide for a total combined growth cell capacity of 10,600 homes (of which circa 1100 dwellings are already in place). The HIF allocation would provide the requisite stimulus to advance significant new residential development beyond current business as usual settings under the existing HCC Long Term Plan.

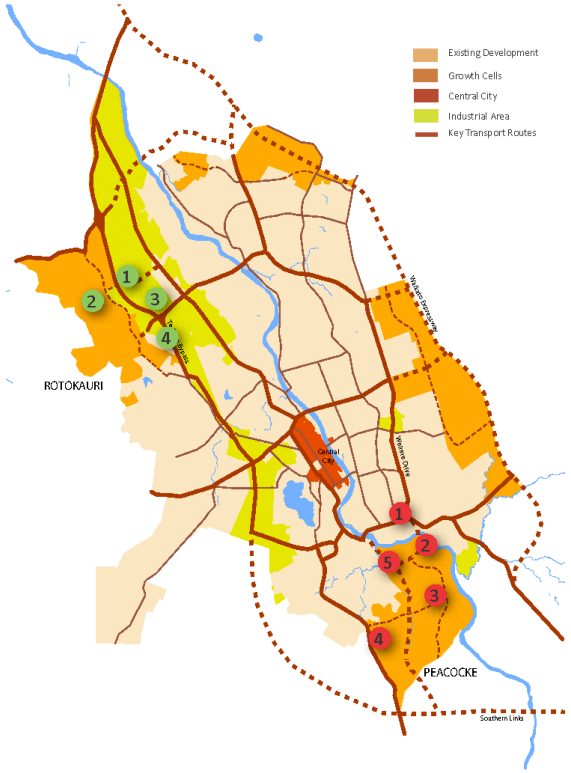
1.1. HCC is to apply to the HIF for $240 million

This funding request has been derived from the costs over a ten year period for opening the two growth cells of $382 million (less $78M which could be reasonably expected from an NZTA subsidy for regionally significant roads and $64M which is currently funded in the HCC 10-Year Plan).

Our indicative proposal is for strategic roading, water, wastewater and three waters infrastructure gateway investments to enable the bringing forward of new residential development in two growth cells by ten years.

Both growth cells are included within the HCC District Plan, are zoned, have designations in place and are ready to go. Appendix 1 contains maps indicating the location of each cell and the infrastructure subject to this indicative proposal.

The HIF application covers the items listed below. It is important to note that all the infrastructure items identified are part of an integrated package of works. All of these items are necessary to ensure the additional housing identified in this application can be delivered.



Peacocke – **Growth cell capacity 8000 homes – HIF delivery of 2350 homes within a 5- to 7-year period**

The total estimated cost for these works is approximately $240 million gross.

Transport projects total $205M

1. Wairere Drive/Cobham Drive overbridge
2. Wairere Drive extension and bridge over the Waikato River to Peacocke North/South arterial
3. Peacocke Road Urban Upgrade (contribution)
4. SH3/Dixon Road Intersection and Peacocke East-West arterial to Peacocke Road

Waste water projects totals $35M

5. Wastewater strategic storage and pressure main back to the existing Far Eastern Interceptor

Of this there is a potential contribution of $78M from NZTA subsidy for transport work.

This results in a HIF component of **$162M for the Peacocke growth cell** for a yield of 2350 homes over five to seven years and opening a long term cell capacity for a total of 8000 homes.

Rotokauri – **Growth cell capacity of 2600 homes – HIF delivery of 750 homes within a 5-year period**

The total estimated cost of the infrastructure for this growth cell is approximately $142 million gross.

Stormwater projects costs total $85M

1. Strategic lead stormwater floodway to provide essential stormwater management functions that are critical for enabling development in stage 1 of the growth cell

Transport projects total $40M

2. Major north-south Transport arterial

Three waters projects total $17M

3. Water main bulk supply $10M
4. Waste water Interceptor $7M

No NZTA subsidy opportunity exists. $64M is funded late in the 10 Year plan.

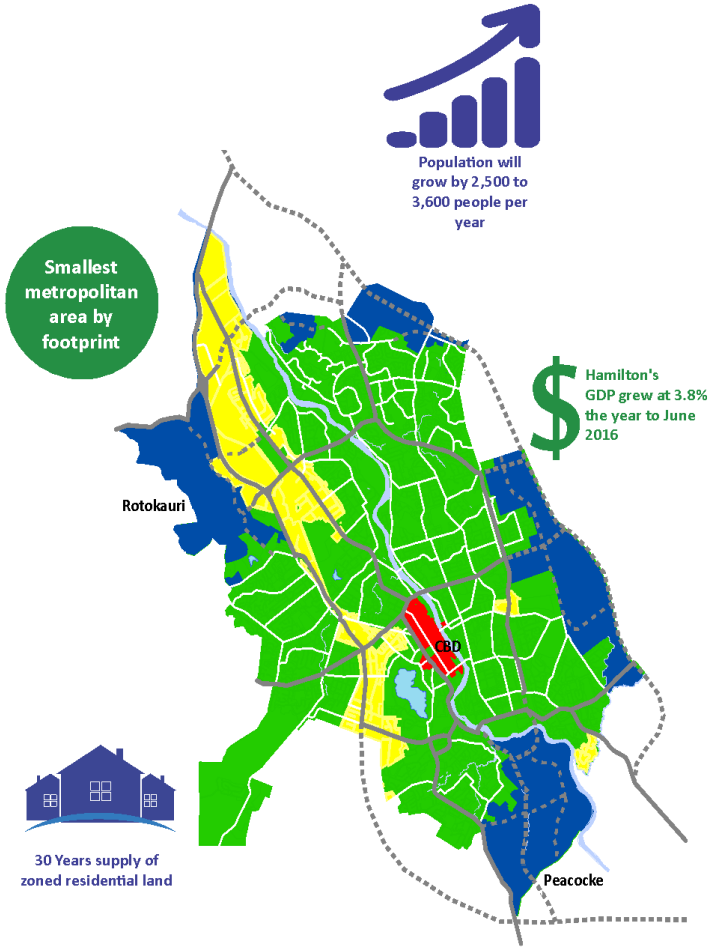
This results in an additional **$78M required from the HIF for the Rotokauri growth cell** for a yield of circa 500 to 750 homes over a five year period and a total cell capacity of 2600 total homes.

Hamilton City Council
Te kaunihera o Kirikiriroa

2

Item 12

Attachment 1



2. BACKGROUND INFORMATION

Hamilton is one of New Zealand's fastest growing cities with a forecast population by year end 2016 of circa 157,000 people. Hamilton is growing at around between 2 to 2.3% per annum or between 2500- 3,600 people per year, while the city GDP grew at 3.8% the year to June 2016. Future projections see Hamilton growing close to 176,500 by 2023 and to 200,000 by 2036 representing a 17.6% increase in growth. This is based on Statistics New Zealand medium projections.

With the National Policy Statement on Urban Development Capacity (NPS-UDC), Hamilton is required to provide developer-ready land for 11,638 dwellings until 2025 (or 1293 dwellings per year).

Hamilton is the smallest metropolitan area by land area and is one of the smallest local government areas by land size in the country. Hamilton has zoned land to its boundary providing for the next 30 years of residential development. Current residential supply for developer-ready land under the NPS-UDC provides for 4 years of greenfield supply, with the current 10-year plan providing for a further seven years of supply.

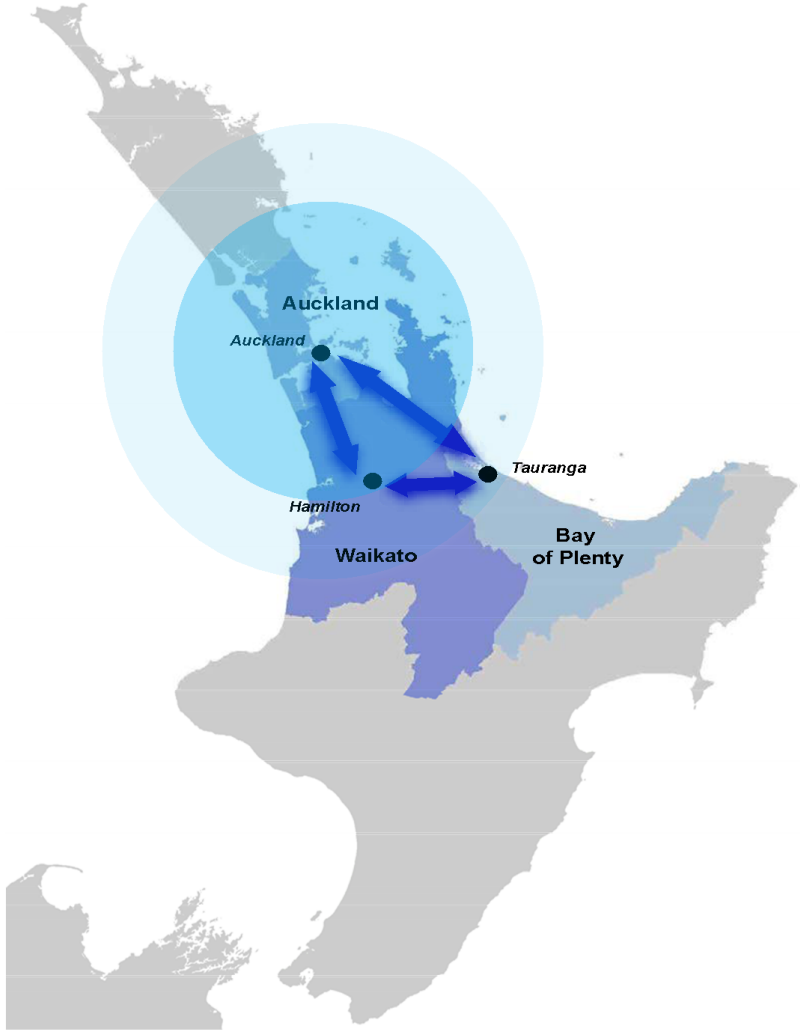
Strategic agreements exist with neighbouring authorities to transfer land within the boundary of the Waikato Expressway network from 2039. A sub-regional planning framework (Future Proof) has established an integrated land use and transportation pattern for the next 30-50 years.

2.1. The Hamilton Narrative

Hamilton has a compelling narrative with Council acting as the co-ordination body with key city and regional stakeholders. The city is leveraging the Auckland halo effect by actively promoting its competitive strengths, including:

1. Geographical location to half the nation's population within the 'Golden Triangle' of Auckland, Hamilton and Tauranga
2. Availability of land
3. Affordability of non-residential and residential property for development
4. A strong and diversified economy with a robust employment base across the following key sectors:
   - High value manufacturing
   - Health
   - Education and science
   - Agritech
   - IT and technology industries
   - Logistics
5. Growing tourism potential
6. A favourable age profile with the youngest and most highly skilled workforce in the country with 39% employed in the knowledge intensive sector.

The opportunity to leverage the Housing Infrastructure Fund (HIF) in the south of the city in conjunction with key infrastructure and economic projects (Waikato Expressway including the extension to Piarere, Inland Port / logistics hubs, advancement of Southern Links, Pairere to Tauranga road upgrade, upgrade to East Coast Main Trunk Line) underscores the power of a co-ordinated Hamilton sub-region with complementary planning with Tauranga and Auckland.



Hamilton City Council
Te kaunihera o Kirikiriroa

4

2.2. Housing Infrastructure Fund opportunity

The HIF is an opportunity support growth and prosperity which HCC is keen to utilise. HCC has identified the fund can potentially advance two developments that could include strategic roading and three waters gateway investments that would fast track the delivery of new housing in the Hamilton growth cells of Peacocke and Rotokauri.

Peacocke

The REDACTED of producing up to 350 homes over the next three years. is working in partnership with HCC to initiate that development.

REDACTED

HIF funding will, in addition to REDACTED initial development, release development for a further 330 homes from year three which are currently restricted by roading constraints.

REDACTED

Therefore the HIF fund will provide an infrastructure for a total of 2350 homes and potential for a total 8000 homes overall in Peacocke.

Rotokauri

At Rotokauri, the HIF will enable the funding for the lead infrastructure for an initial development of 500-750 homes (over a 5-year period and subject to market conditions) in stage 1 of the REDACTED development through the construction of a major floodway for stormwater.

The HIF will enable Hamilton to bring forward, by ten years, the development of between 2350 to 3100 homes and as a gateway investment, unlock the cells with long-term development capacity for a total capacity of 8000 homes in Peacocke (over a 25-year period) and 2600 homes in Rotokauri (over a 10-year period).

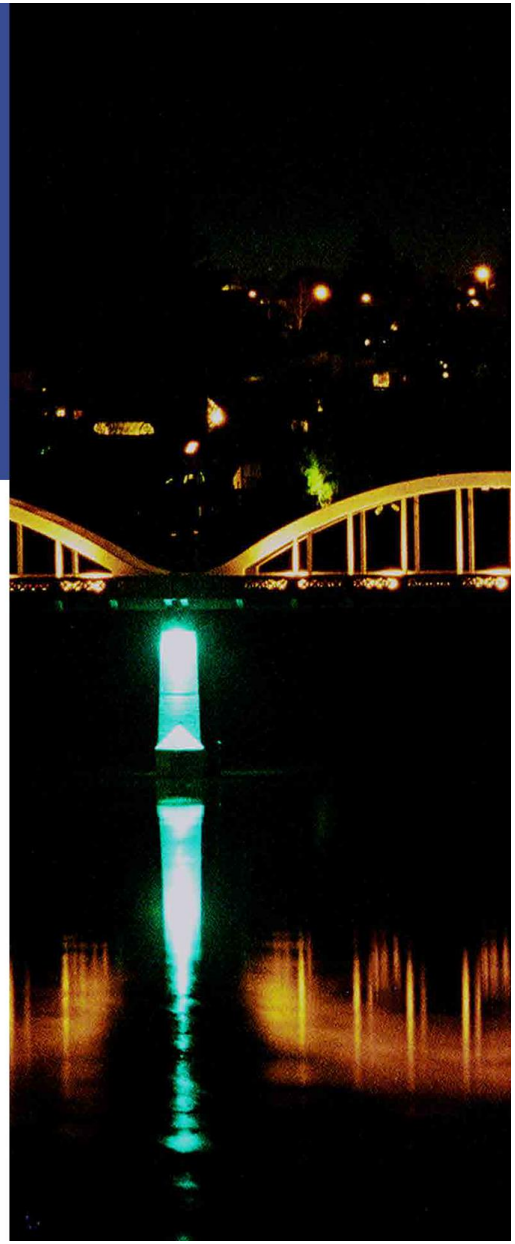
Hamilton has minimal regulatory constraints to the proposal. The land identified is zoned and included within the October 2016 Partly Operative District Plan. For Peacocke, a land acquisition programme is underway and all designations are in place with regional consents secured for key transport related projects associated with the HIF project funding. For Rotokauri the land is zoned and a joint Council/developer team is working on a master plan process for staging the development.


FUNDING CRITERIA IN DETAIL
hamilton
Hamilton City Council
Te kaunihera o Kirikiriroa
6

3 - ELIGIBILITY

3.1. GEOGRAPHIC AND GROWTH STATUS ELIGIBILITY

APPLICANT TERRITORIAL AUTHORITIES MUST BE PART OF A HIGH-GROWTH URBAN AREA AS DISCUSSED IN THE NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY (NPS-UDC).



Hamilton City Council (HCC) satisfies this criterion in full.

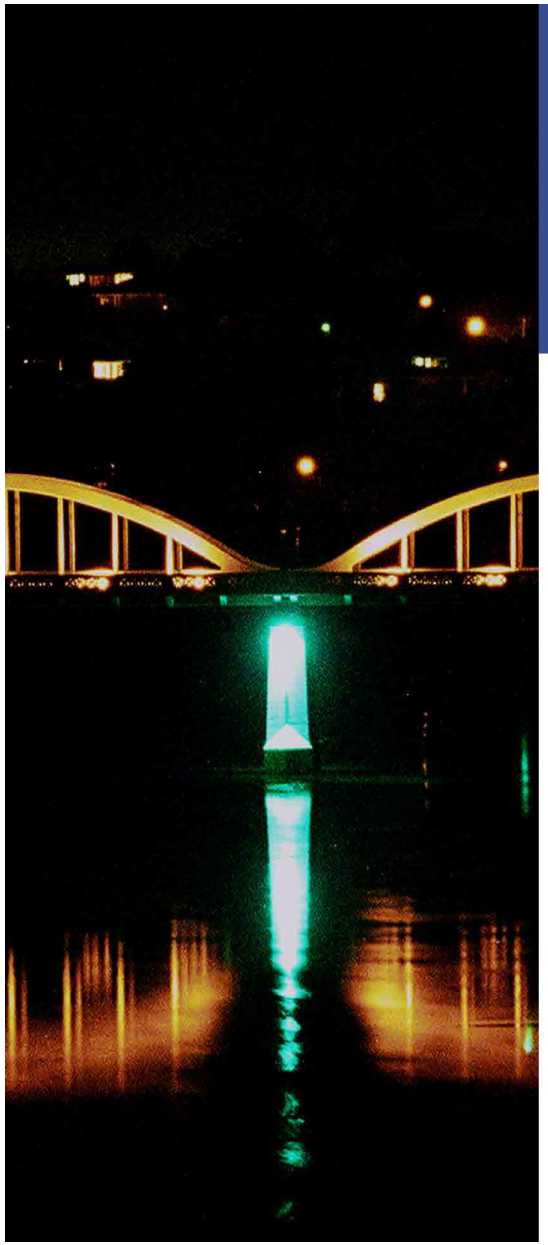
HCC is part a high growth area as defined under the NPS-UDC. High Growth Areas under the NPS-UDC are defined as any area that has a residential population of over 30,000 people according to the most recent Statistics New Zealand urban area resident population estimates and which is projected to grow by more than 10% between 2013 and 2023.

Hamilton is part of the Hamilton Urban Area (HUA) as identified in the list of Statistics New Zealand Urban Areas.

The HUA had an estimated population at the 2013 base of 214,800 people, and is projected to grow to 246,500 by 2023, a growth rate of approximately 13% over the HIF period.

Hamilton accounts for approximately 60% of the total population of the HUA. Hamilton's estimated population at 2013 was approximately 150,000 people and is expected to grow to 176,500 people by 2023, representing a 17.6% increase in growth.

Consequently, the HCC area exceeds the urban area threshold of 30,000 people and Hamilton is also growing faster than 10% over the 2013-23 period as outlined in the NPS-UDC.



3.2. PROJECT ELIGIBILITY

THE PROJECTS FOR WHICH THE TERRITORIAL AUTHORITIES ARE SEEKING HOUSING INFRASTRUCTURE FUND ASSISTANCE MUST BE FOR NEW OR UPGRADED TRUNK INFRASTRUCTURE IN THE FORM OF LOCAL AND STATE HIGHWAY ROADING (INCLUDING PUBLIC TRANSPORT INFRASTRUCTURE), WATER, WASTEWATER AND STORMWATER INFRASTRUCTURE.

HCC satisfies this criterion in full.

The projects which HCC is seeking HIF funding are for the following new (and some minor upgraded) infrastructure:

Peacocke – this work is not currently funded in the 10-year Plan

- Wairere Drive/Cobham Drive overbridge
- Wairere Drive extension and bridge over the Waikato River to Peacocke North/South arterial
- Peacocke Road Urban Upgrade (contribution)
- SH3/Dixon Road Intersection and Peacocke East-West arterial to Peacocke Road
- Wastewater strategic storage and pressure main back to the existing Far Eastern Interceptor

The total estimated cost for these works is approximately $240 million gross (with a potential contribution of $78M from NZTA subsidy for transport work) indicating a $162M contribution from the HIF.

Rotokauri — this work is partly funded commencing from 2021/22 of the 10-Year Plan

- Strategic lead stormwater floodway to provide essential stormwater management functions that are essential for enabling development in stage 1 of the growth cell
- Major north-south transport arterial
- Water main bulk supply
- Waste water interceptor

The total estimated cost of the infrastructure for this item is approximately $142 million gross. (Of this there is no NZTA subsidy opportunity and $64M is funded in the 10-Year plan but later than will be required indicating an additional $78M of funding is required from local funds).

3.3. SUPPORTING NEW DWELLINGS

THE INFRASTRUCTURE TO WHICH THE PROPOSALS RELATE MUST SUPPORT THE BUILDING OF NEW OR ADDITIONAL DWELLINGS.

HCC satisfies this criterion in full.

The infrastructure funding sought by HCC directly relates to the building of new dwellings in two significant greenfield areas of Hamilton.

Peacocke is a significant growth cell potential for the city. A HIF allocation would unlock a total capacity for some 8000 dwellings which could be higher if increased densities are achieved. The cell is well positioned to provide access to the south of the city to regenerate the CBD and provide access to two major employment bases in the University of Waikato and Waikato Hospital as well as the future development of the Tainui Inland Port at Ruakura.

A key feature of the Peacocke area bid is that the transport infrastructure proposed serves a significant inter regional function driving national and regional economic development. In addition, it is very necessary and related to supporting the building of new development in a significant City growth cell. The opportunity to leverage the HIF in the south of the city in conjunction with key infrastructure and economic projects (Waikato Expressway, Inland Port / logistics hubs, advancement of Southern Links, Pairere to Tauranga road upgrade, upgrade to East Coast Main Trunk Line) underscores the power of a co-ordinated Hamilton sub-region with complementary planning with Tauranga and Auckland.

The Rotokauri growth cell is complementary to the city residential pattern providing direct residential housing in close proximity to the western employment belt of the city. Apart from the large stormwater infrastructure requirements included as part of the HIF application, other subsequent infrastructure is in place or planned and funded which allows dwellings to be realised at an accelerated rate.

See responses in Part B of this submission for a full breakdown of the new dwellings that would be delivered earlier when compared to HCC's existing Long-Term Plan and 30-Year Infrastructure Strategy.

The new housing that would be delivered with HIF assistance includes apartments, townhouses, duplexes and single stand-alone houses.

3.4. CAPITAL EXPENDITURE

FUNDING ASSISTANCE PROPOSALS CAN ONLY RELATE TO THE CAPITAL COST OF BUILDING OR PROCURING INFRASTRUCTURE

HCC satisfies this criterion in full.

The funding assistance sought in this application relates only to the capital costs of the infrastructure sought and does not relate to any maintenance, repair, depreciation, financing or operational works.

Item 12

Attachment 1

4 - ASSESSMENT

4.1. YIELD

The number of dwellings that could be built as a result of the proposed infrastructure as a proportion of the total projected demand for housing over the construction timeframe of the dwellings.

Hamilton's population is expected to grow from approximately 160,000 in 2017 to 236,500 in 2046, an increase of 79,500 people (or by over 50%).

On this basis, the demand for new residential dwellings in Hamilton until 2025 is 9574 dwellings, or 1064 per year, made up of new greenfield and infill dwellings in the existing urban areas of Hamilton.

The NPS-UDC indicates that high growth areas must provide for 20% additional development capacity over the current demand estimates. Applying this demand contingency means the 1064 new dwellings required in the city increases by another 229 to 1293 dwellings per year (11,638 new dwellings to 2025)

Between 2025 and 2045 the estimate for new dwellings is approximately 23,000.

Consequently, over a 30-year period, the total number of dwellings needed to be constructed in Hamilton is approximately 34,000 dwellings.

In accordance with the HIF guidance documentation, the proportion of new dwellings enabled by the proposal is to be determined by dividing the anticipated yield by the total demand expected over the 30 year period, as outlined below:

9500 NEW DWELLINGS ENABLED
TOTAL HOUSING DEMAND OVER 30 YEARS OF 34,000
= 28% OF FUTURE DEMAND

Note – the 9500 is the determined by subtracting the total capacity of the two growth cells (Peacocke 8000 + Rotokauri 2600 = 10,600) less existing houses that are in situ (1100) as part of initial stage developments allowed for prior to infrastructure constraints restraining further development.

It is important to note that securing HIF funding also delivers interim housing yields while simultaneously unlocking substantial long-term housing growth in both Peacocke and Rotokauri.

Receiving HIF funding would provide the surety HCC requires to enable a moderate amount of development to be enabled immediately (within a 5- to 7-year time period). Council would have the confidence of being able to accommodate new housing development in advance of the substantive growth infrastructure being delivered. This would enable HCC to maximise existing asset investment and to tolerate temporary lower levels of service in the knowledge that the necessary growth infrastructure was secured and under construction.

A breakdown of the working assumptions informing our analysis is provided below for each growth cell.

Peacocke roading, water, and wastewater infrastructure

The HIF would bring forward the opening of Peacocke growth cell by 10 years.

1,350 dwellings could be constructed in years 1-3 of receipt of the HIF funding with another 1000 dwellings to be delivered post the construction of the major bridge and associated roading works. This means that the HIF would potentially enable at least 2350 new dwellings to be constructed by 2028.

Year	Current settings – no HIF allocation	Interim housing yield until new growth infrastructure is delivered (year 1-3)	With infrastructure in place from HIF (years 3-10 with HIF funding)	Change compared to BAU
2018-2028	0	350	2000	2350
By 2035	3900	N/A	7300	3400
By 2045	8000	N/A	8000	0

Further modelling indicates that by 2035, 7300 dwellings could be constructed compared to 3900 without the advancement of construction provided for by the HIF. By 2045, under either scenario, Peacocke growth cell will be full and hold around 8000 dwellings. This number could be significantly higher if higher densities were achieved.

The demand projections above are outputs from HCC's growth model which is based on Statistics New Zealand medium population series with a +20% margin in the medium term and +15% longer term to account for the draft NPS-UDC requirements.

Dwelling forecasts are generated from these population projections taking account of planning and infrastructure constraints, and staging of growth cells. It has been assumed that accelerated growth in Peacocke under the funded bridge scenario will not in and of itself create higher total city growth, and that the private sector can deliver the dwellings to match demand.

Rotokauri strategic stormwater floodway

The HIF would bring forward the opening of Rotokauri growth cell by 4 years. This assumes a 2018 construction start and 5 year build time, compared to the 2022 construction start indicated in HCC's current Long Term Plan ("BAU"), with at least 500 new dwellings being delivered in the first year.

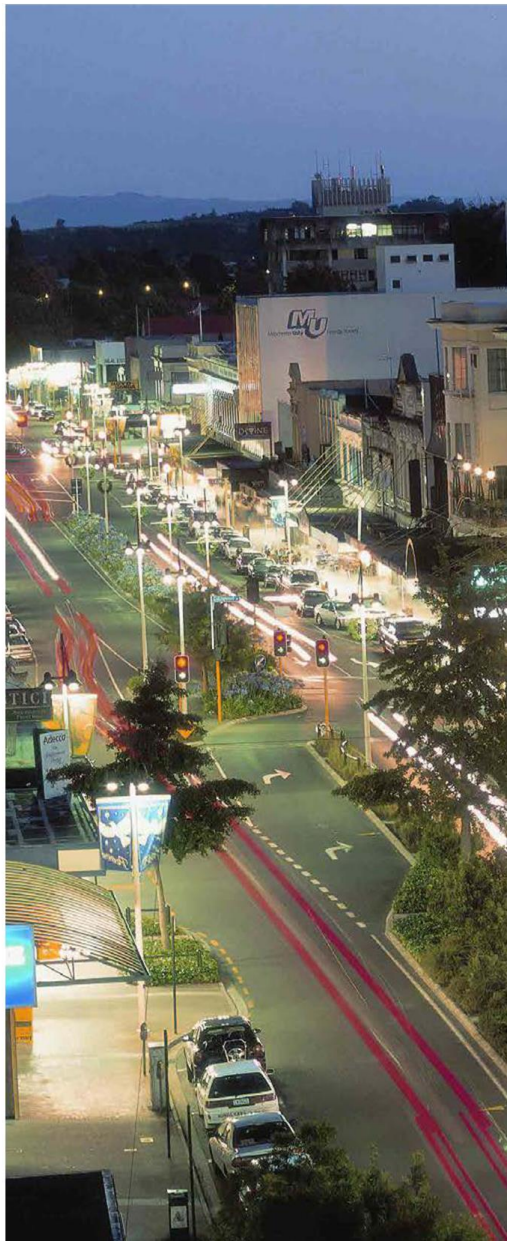
Further modelling indicates that with the HIF, between 2022 and 2028, around 400 dwellings/yr could be constructed, with demand to match.

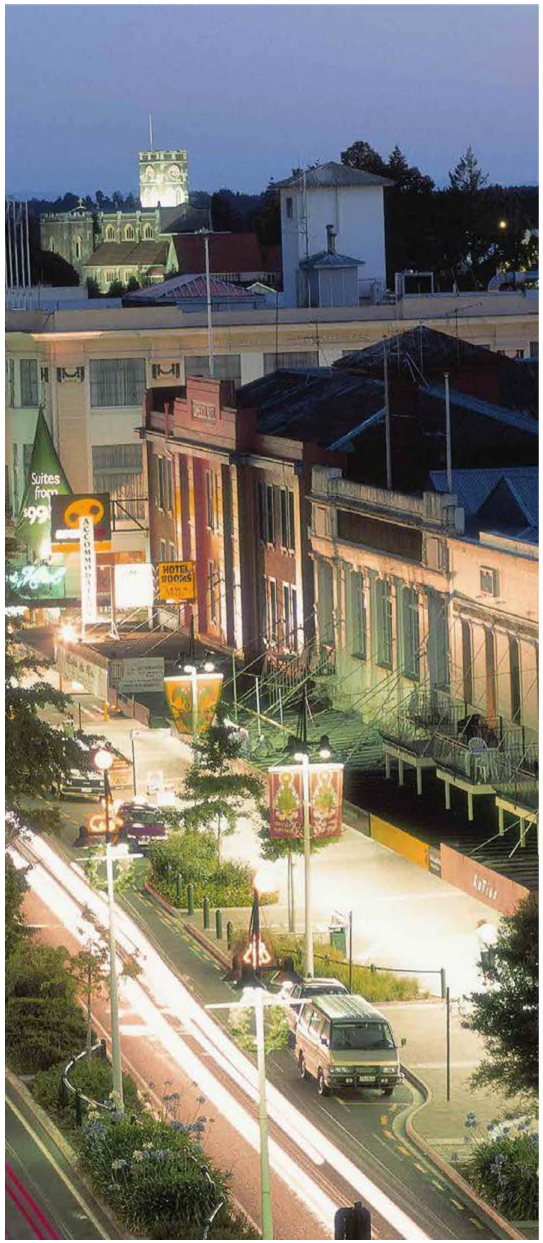
Year	Current settings – no HIF allocation	Interim housing yield until new growth infrastructure is delivered	With infrastructure in place from HIF	Change compared to BAU
2017	13	500	N/A	500
2018- 2028	2100	N/A	2600	500
By 2035	4600	N/A	5700	1100
By 2045	6600	N/A	6600	0

Given a five-year design and construction period, and assuming that transport and 3 waters structure planned supporting infrastructure were in place when it was completed, the HIF would enable 2600 new dwellings to be constructed by 2028.

As a result, by 2035, a total of 5700 dwellings could be constructed compared to 4600 without the advancement provided for by the HIF. By 2045 under either scenario Rotokauri growth cell will be full and hold around 6600 dwellings. This number could be significantly higher if higher densities were achieved.

Modelling indicates that if the floodway were completed in 2023, from that point on and for the next 15 years, it could account for an average of circa 28% of the city's new demand (i.e. 28% of the forecast 1300 dwellings per year on average across the city over the next 10 years). Note that by 2025-2030 Hamilton's current largest growth cell (Rototuna) is projected to be full.





The demand projections above are outputs from HCC's growth model which is based on Statistics New Zealand medium population series with a +20% margin in the medium term and +15% longer term to account for the draft NPS-UDC requirements. Dwelling forecasts are generated from these population projections taking account of planning and infrastructure constraints, and staging of growth cells.

It has been (conservatively) assumed that accelerated growth in Rotokauri under the funded floodway scenario will not in and of itself create higher total city growth and that the private sector can deliver the dwellings to match demand.

4.2. SPEND PER DWELLING

The average infrastructure spend per dwelling enabled by the infrastructure for which housing infrastructure fund assistance is sought.

In accordance with the guidance provided by MBIE, HCC has calculated the average spend by simply dividing the total value of the funding assistance applied for by the anticipated dwelling yield enabled by the infrastructure, as outlined below.

Total cost of the new infrastructure ($382m)
Total number of new dwellings enabled by the HIF (9500)
= $40,210 per dwelling

This calculation includes a potential NZTA subsidy of $78M to recognise the sub-regional nature of the transport projects in Peacocke. If this $78M were discounted from the total cost of the new infrastructure, the cost per dwelling reduces to $37, 530 per dwelling.

When considering the amount HCC is applying for the calculation is as follows

Total cost of the new infrastructure ($240m HCC HIF application)
Total number of new dwellings enabled by the HIF (9500)
= $25,263 per dwelling

Note, these calculations do not represent a development contribution, which would include a cost share of citywide assets such as head works and major city arterial roads not included in this proposal.

4.3. DEGREE TO WHICH TIMING IS BROUGHT FORWARD

The timing of infrastructure construction if provided through the Housing Infrastructure Fund assistance, compared to timing if no Housing Infrastructure Fund assistance was provided.

The degree to which the infrastructure is brought forward is outlined in the table below.

PROJECT	LONG TERM PLAN/ 30 YEAR INFRASTRUCTURE STRATEGY TIMING	TIMING IF BROUGHT FORWARD WITH HIF ASSISTANCE	CHANGE IN TIMING
Roading upgrade and development in Peacocke Stage 2. Wairere Drive extension and bridge over the Waikato River.	Not listed in the current LTP. In the 30-Year Infrastructure Strategy these works are scheduled to be delivered sometime between 2028-2045.	Brought forward to commence works in 2018. Five year program of works.	Between 10 and 27 years.
Peacocke Waste Water Treatment works.	Not listed in the current LTP. In the 30-Year Infrastructure Strategy works are scheduled to be delivered between 2028-2045.	Brought forward to commence works in 2018. Three year program of works.	Between 10 and 27 years.
Rotokauri Strategic Stormwater Floodway.	Partially funded in years 7-10 of the current LTP. Not identified in the 30-Year Infrastructure Strategy.	Brought forward to commence works in 2018. Four year program of works.	Brought forward between 4- 6 years.

4.4. EXPECTED TIMING OF DWELLING CONSTRUCTION

The expected timing within which dwellings will be built in the area to be served by infrastructure built with Housing Infrastructure Fund assistance.

Peacocke infrastructure works

The HIF would bring forward the opening of Peacocke growth cell by approximately 10 years.

This assumes a 2018 construction start and 5-year build time, compared to the 2028 construction start indicated in HCC's current 30-Year Infrastructure Strategy ("BAU"). Notwithstanding this construction timeframe, the HIF funding would provide stimulus to enable new housing to be developed prior to the completion of all the major infrastructure works.

Rotokauri infrastructure works

The HIF would bring forward the opening of Rotokauri growth cell by 4 years. This assumes a 2018 construction start and 5-year build time, compared to the 2022 construction start indicated in HCC's current Long-Term Plan (or BAU settings).

Modelling indicates that if the floodway were completed in 2023, from that point on and for the next 15 years it could account for an average of circa 35% of the city's new demand (i.e. 35% of the forecast 1300 dwellings per year on average across the city over the next 10 years). Note that by 2025-2030 Hamilton's current largest growth cell (Rototuna) is projected to be full.

4.5. DEVELOPER INTEREST EVIDENCE

The timing of infrastructure construction if provided through the Housing Infrastructure Fund assistance, compared to timing if no Housing Infrastructure Fund assistance was provided.

Senior HCC representatives have engaged with major land owners and developers who have a expressed a strong commitment to develop and bring forward new residential dwellings should HCC receive the requested HIF allocation.

REDACTED

Letters of support from key land owners and developers endorsing the HCC submission to the HIF are attached as Appendix 2 to our submission.

4.6. CO-BENEFITS AND ECONOMIC GROWTH

The degree to which the proposed infrastructure could support or complement other investments or economic growth and ability to support or complement other investments in the development area or support

The key economic benefits accruing from the HIF include advanced housing supply, the timely delivery of new enabling infrastructure and CBD regeneration opportunities.

The immediate economic impact of this kind of investment will originate from the increase in construction activities in these areas. In the first instance, construction activity will increase through infrastructure such as bridges and storm water facilities, and subsequent house projects.

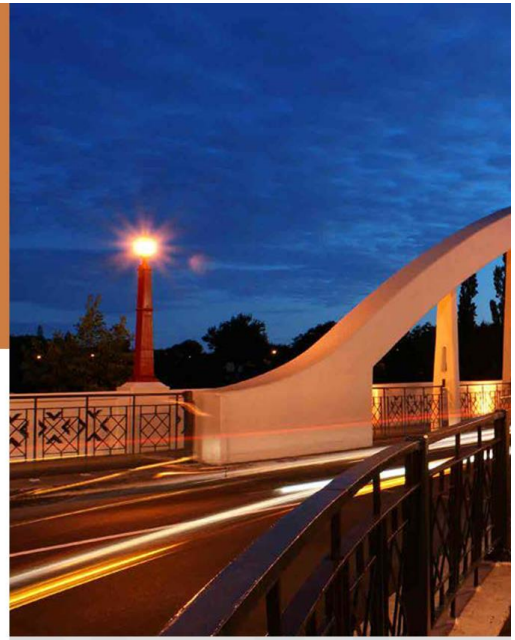
It is estimated that $1 invested in construction activities generates a total of $3 in economic activities (Rice and Sherwin, 2011). This includes $1 worth of direct impacts as wage income and corporate profit, an impact of $1.29 on the supply chains of the construction sector such as manufacturing, real estate, architectural, and engineering services, and 71 cents worth of induced impacts due to the increase in household income and expenditure.

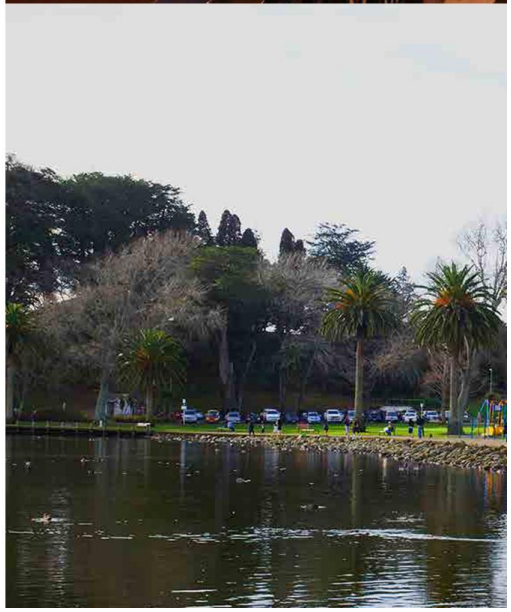
In addition to these multiplier effects (due to the upstream / downstream spending by construction and associated firms / workers), there are wider benefits of construction stimulated by agglomeration benefits due to the potential co-location of businesses resulting in higher labour productivity. There will be an increase in employment opportunities due to construction activities. The construction sector in New Zealand accounts for 1 in 12 jobs in New Zealand and contributed one in seven new jobs over the last decade. Furthermore, the construction sector plays a major role in building New Zealand's infrastructure stock (45% of all gross fixed capital formation), which is the foundation of productivity and economic growth (Rice and Sherwin, 2011)

Regional Economic Development

Peacocke is a significant growth cell potential for the city as it unlocks a total capacity for some 8000 dwellings. The cell is well positioned to provide access to the south of the city to regenerate the CBD and provide access to two major employment bases in the University of Waikato and Waikato Hospital as well as the future development of the Tainui Inland Port.

A key feature of the Peacocke area bid is that the transport infrastructure proposed serves a very significant inter-regional function driving national and regional economic development, and in addition it is very necessary and related





to supporting the building of new development in a significant city growth cell. The opportunity to leverage the HIF in the south of the city in conjunction with key infrastructure and economic projects (Waikato Expressway, Inland Port / logistics hubs, advancement of Southern Links, Pairere to Tauranga road upgrade, upgrade to East Coast Main Trunk Line) underscores the power of a co-ordinated Hamilton sub-region with complementary planning with Tauranga and Auckland.

Additionally, the development of the Tainui Inland Port and the growth of Fonterra' s Crawford Street distribution hub and the planned North Port logistics facility validates the completion of the strategic roading network by advancing Southern Links and the extension of the Waikato Expressway to Piarere and eventually upgrading the Piarere to Kaimai links to Tauranga. Having the Peacocke growth cell as a centre residential cell to these major linkages is leveraging the benefits of logical sequencing of complementary regional projects.

The Rotokauri growth cell is complementary to the city residential pattern, providing direct residential housing in close proximity to the western employment belt of the city. Apart from the large stormwater infrastructure requirements included as part of the HIF application, other subsequent infrastructure is in place or planned and funded which allows dwellings to be realised at an accelerated rate than planned.

Potential benefits of increases in associated business activities

With new housing schemes there will be an obvious increase in business activities, particularly in retail businesses that will establish in these new growth cells enabled by HIF funding. There will also be increased demand for local social infrastructure such as community centres, libraries, and schools. These complementary activities associated with housing projects will add money to the local economy and create employment opportunities.

Previous reports commissioned by HCC indicate that the retail node location for Peacocke will serve an estimated long-term population capacity of 27,000 people (Speer – Peacocke Centre Overview 2011). The HCC District Plan provides for a suburban centre zone in this growth cell. HCC economic estimates indicate that similar sized suburban centres will generate an estimated $75-78 million in retail spend per centre by 2021 and $112-117 million by 2041.

Hamilton CBD regeneration benefits

The current state of the Hamilton CBD illustrates a CBD in transition. Some businesses left the CBD in the recent past and the current vacant retail space is circa 6,788sqm (8%) (CBRE research & NAI Harcourts, 2016).

Housing development and subsequent population growth, especially in Peacocke, is expected to have a substantial positive impact on business activities in the CBD due to the proximity of the cell and the direct transport links available. The main impact would be two-fold: firstly, the number of visitors, and thus the demand for CBD retail businesses, will increase. Secondly, the demand for service sectors will also increase.

In 2015, the retail sector contribution to CBD real GDP was around $120M (6%) and services contribution was circa $1300M (64%), and it is anticipated that significant new residential development in Peacocke, which is closely located

to the Hamilton CBD, will provide additional retail and hospitality stimulus to the CBD.

Potential benefits due to increase in rates income
From a city-wide perspective, growing the supply of affordable residential housing will increase the rating base. This will support large city-wide events and make potential events/opportunities increasingly viable.

Potential benefits of associated social and transport infrastructure
Social infrastructure (such as educational organisations, medical centres, swimming pools, libraries) and transport infrastructure that will be developed in tandem with the HIF-enabled housing will have both productive and amenity values.

The increased provision of such infrastructure in parallel with housing will increase the attractiveness of the new growth area. Social infrastructure could also enable the development of social capital through various community activities. Social capital generally means the connectivity of people through social networking and thus their ability to have access to free resources such as voluntary labour and expert opinions for further development of new growth areas.

Infrastructure investment will increase the amenity-adjusted real wage rates (Grimes, 2014, cited in Grimes et al, 2014). Amenity-adjusted wages are defined as wages adjusted to include the value of un-priced amenities to an individual. Amenity adjusted wage rates can increase with infrastructure investments in various ways. Infrastructure such as a swimming pool may raise amenities in a city; improved transport networks may reduce travel costs; provision of higher education organizations may raise skills and hence wages.

Potential impact on the housing market
It is likely that new upcoming supply in the market from the advancement of growth cells identified in this proposal would create an incentive for existing land owners currently land banking to release more sections to maximise profits in the short term, therefore further increasing the market supply of sections in the short term.

Recent trends indicate that house prices are affected by variables such as population and migration, land availability, construction costs, credit availability and interest rates, and government fund rent and mortgage subsidies (Grimes, 2015).

The proposed infrastructure at Peacocke and Rotokauri will affect the availability of land. Currently, land prices are on the rise and any extra land available may mitigate this trend at least in the short term. The real impact on house prices will also be affected by the type of houses to be developed in the new growth areas.

Potential impacts on Hamilton Southern links project
We would expect that opening up of Peacocke earlier will increase the attractiveness of the new growth area and also increase the potential for wider economic benefits of the Hamilton Southern links project

4.7. CROWN RE-IMBURSEMENT PERIOD

The period within which a territorial authority expects to reimburse the Government, or purchase one hundred per cent of the equity in the infrastructure (where provided by a special purpose vehicle) and / or territorial commitment to invest in a "further package of related works" a higher rate, within a ten year period, to match the front loaded transport investment.

The HIF opportunity is challenged by Council's ability to accept the level of debt required over the repayment period. This is due to the fact any HIF funding received by Council will go on our balance sheet which in turn has implications for debt to revenue ratios, our credit ratings and subsequent finance costs.

HCC has the ability to service an increased amount of debt on the basis that a model can be developed with government that utilises the following levers:

- Delay the onset of the debt proportional to the recouping of the new revenue for built dwellings (rates and development contributions)
- Extend the repayment period from ten years to the lifetime of the entire growth cell
- Where roading components of proposals can be assigned State Highway status in which funding from government is directly delivered to road construction and revoked to Council at a future date
- A vehicle for which development contributions can be claimed.

Growth councils have identified an issue with the current recovery structure relating to transport repayments. As it stands, the HIF structure may prevent development contributions from being collected for lead transport infrastructure because it is 'third party funding' and not recoverable under the LGA (S200(1)).

Legal advice obtained recently (copy available on request) supports this. This matter could be addressed through legislative change before the funding structure is finalised; otherwise financial benefits to councils seeking transport funding through the HIF will be challenging.

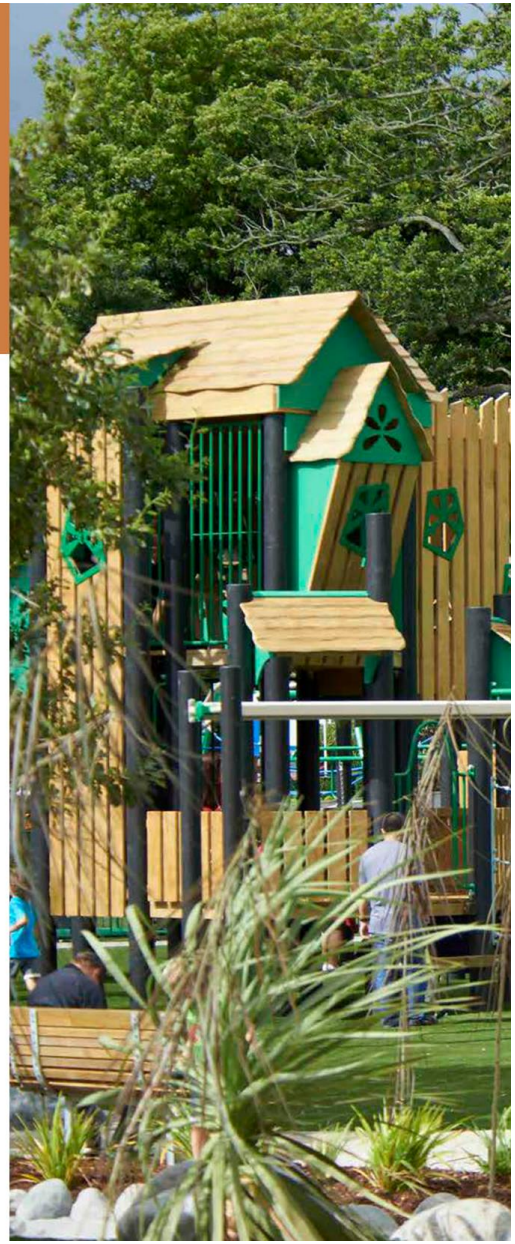
4.8. COMMITMENT TO REMOVING BARRIERS TO DEVELOPMENT

The degree to which the territorial authority is committed to removing barriers that would otherwise impede development in the area of the infrastructure will serve.

There are no urban planning barriers impeding the development of the either the Peacocke or Rotokauri growth areas. Rotokauri and Peacocke are both fully structure planned and have urban zonings under the HCC Partly Operative District Plan.

Critical roading infrastructure for the Peacocke cell is secured through a 20-year designation lapse period along with regional council consents for enabling works for the bridge over the Waikato River and associated road works. Similarly, Council has begun a detailed program of land acquisition to enable these works to commence in a timely fashion.

HCC is in the process of developing a Housing Accord with the New Zealand Government which seeks to find partnership solutions for fast tracking housing provisions within the city. HCC is undertaking a "streamlining" project focused on refining standards and rules, language and definitions and customer services to ease the use and efficiency of the regulatory functions of Council.



4.9. CAPACITY UNDER THE NATIONAL POLICY STATEMENT

The degree to which proposed infrastructure assists a territorial authority to meet development capacity targets under the National Policy Statement on Urban Development Capacity

The funding secured under the HIF would directly assist Council to meet its obligations under the NPS-UDC by bringing forward circa 2350-3100 homes over a five- to seven-year period and providing the long term capacity of 10,600 homes over a 24-year period across two growth cells.

For further information:

Richard Briggs
Chief Executive
Ph. 07 838 6975, Mob: 021 819 376
Richard.Briggs@hcc.govt.nz

or

Kelvyn Eglinton
General Manager City Growth
Ph: 07 838 6639, Mob: 027 808 4128
Kelvyn.Eglinton@hcc.govt.nz

Item 12

Attachment 1

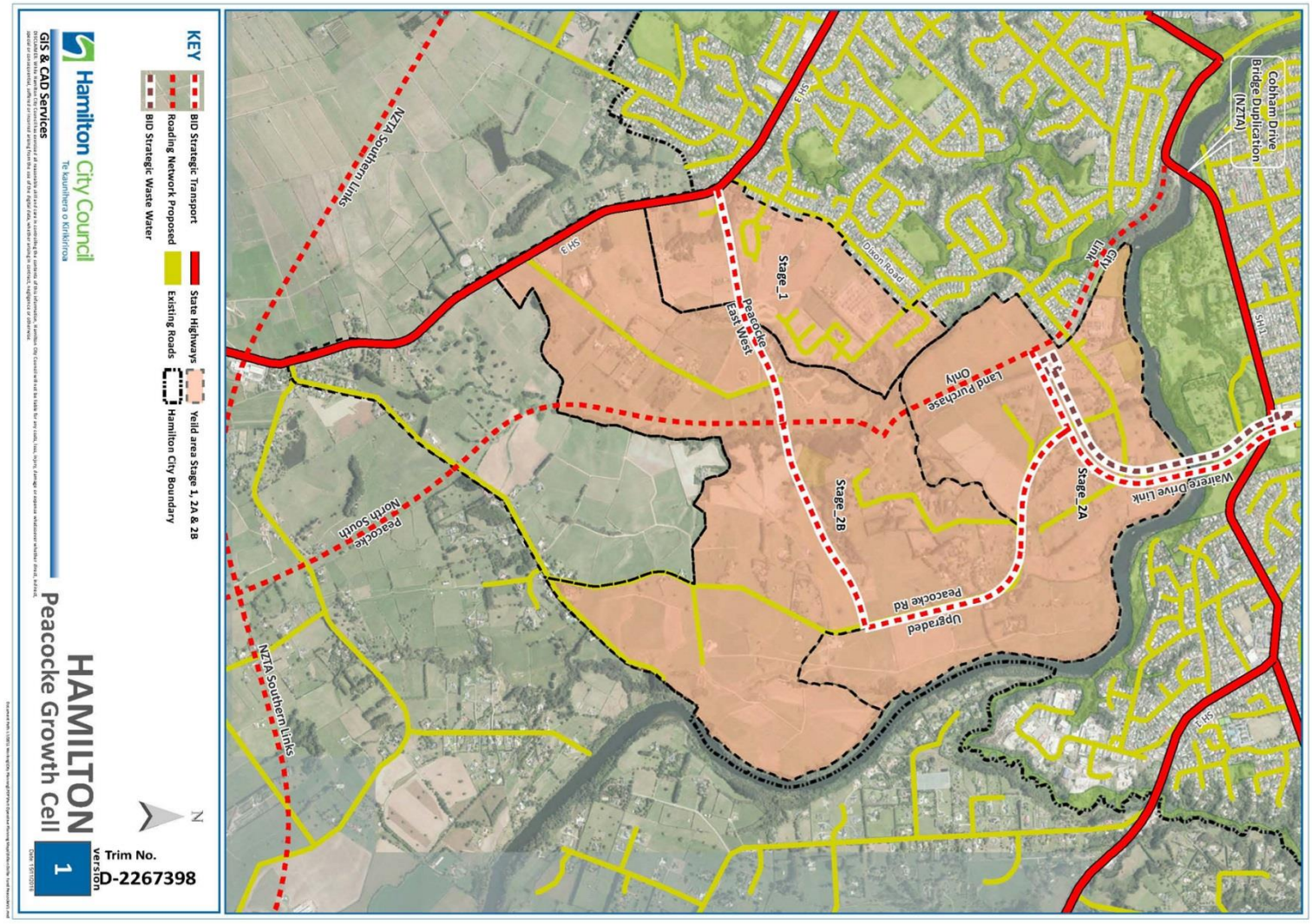
Appendix 1

Maps indicating the location of each cell and the infrastructure subject to this indicative proposal.

Item 12

Attachment 1

Peacocke Growth Cell



Item 12

Attachment 1

Rotokauri Growth Cell

Appendix 2

Letters of support from key land owners and developers

Item 12

Attachment 1

REDACTED

REDACTED

Item 12

Attachment 1

REDACTED