General Circular Investment: No 17/01

Subject	**Updates to the Investment Assessment Framework to give effect to the Housing Infrastructure Fund (HIF)**
Circulation	Asset Managers (all Approved Organisations) NZTA (State Highways) Local Government New Zealand Office of the Auditor General
Circulated by	Bob Alkema – National Manager Investment
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PURPOSE

To notify approved organisations and other stakeholders of:

a) changes to the strategic fit criterion in the investment assessment framework for State highway improvements, local road improvements, regional improvements, walking and cycling improvements and public transport improvements activity classes to enable investment from the Housing Infrastructure Fund (HIF) through the National Land Transport Fund (NLTF), and
b) the approach for calculating the benefit cost ratio of lead infrastructure being brought forward for investment through the HIF.
c) NLTF funding assistance for HIF business cases

BACKGROUND

The HIF is a one-off $1 billion contestable Government fund that will help high-growth councils (see **Note 1** for qualifying high growth councils) facing financial constraint bring forward transport and water infrastructure required to enable new housing to be built sooner. The HIF can be accessed for the capital costs of the infrastructure only and is a short term solution to help councils respond to the requirements under the National Policy Statement – Urban Development Capacity while they develop long term financial solutions to providing new infrastructure.

The Ministry of Business Innovation and Employment (MBIE) is responsible for the implementation and ongoing operation of the HIF, however, HIF funding for transport projects will be managed by the NZ Transport Agency through the NLTF[1].

To enable the Transport Agency to invest in HIF lead infrastructure (infrastructure being brought forward in time) government has amended the Government Policy Statement 2015-18 (GPS). The GPS amendment

[1] Water infrastructure will be provided through interest free subordinate debt managed by MBIE.

introduces a new priority to “ensure[ing] the supply of serviced land to support development and the increased supply of housing in high growth urban areas”. The GPS amendment also authorises the use of the NLTF to enable investment in lead infrastructure that improves the supply of housing in high growth urban areas.

CHANGES TO THE STRATEGIC FIT CRITERION IN IMPROVEMENTS ACTIVITY CLASSES (12, 13, 20, 3, 4(531))

We have made changes to the NZ Transport Agency’s Investment Assessment Framework to give effect to the new housing supply priority added to the GPS.

A new high strategic fit criterion to “provide access to housing development in high growth areas” has been added to the following activity classes:

- State highway improvements (activity class 12)
- Local road improvements (activity class 13)
- Regional improvements (activity class 20)
- Walking and cycling improvements (activity class 3)
- Public transport improvements (activity class 4 (531))

The Planning and Investment Knowledge Base guidance has been updated to include this addition.

https://www.pikb.co.nz/assessment-framework

GUIDENCE ON THE CALCULATION OF THE BENEFIT COST RATIO FOR LEAD INFRASTRUCTURE

The benefit cost ratios (BCR) for HIF activities which provide access to housing development in high growth areas are to be calculated assuming that the level of housing development that cannot occur without the investment is advanced ; the costs and benefits generated by the infrastructure work are brought forward in the BCR calculation.

For example, it is expected by 2030 that a local road connecting lifestyle blocks in a Greenfield area will be widened to arterial standards so as to meet the demand posed by the construction of 1,000 new dwellings that is earmarked for that area. If the project attracts HIF funding, and this advances the road widening by 10 years (2020 rather than 2030), the BCR will be calculated based on the number of new houses previously predicted in 2030 being in place in 2020.

Calculating the HIF projects as if they are lag investment with existing demand, rather than leading demand, allows the HIF projects to be compared against other projects in the National Land Transport Programme.

TRANSPORT AGENCY INVESTMENT IN HOUSING INFRASTRUCTURE FUND RELATED BUSINESS CASES

Under normal investment processes, the Transport Agency co-funds, through the NLTF, the costs of developing business cases for transport infrastructure investment. In line with normal processes, the Transport Agency will co-fund HIF related business cases which include transport elements in them and are supported by the Transport Agency Board.

NLTF co-funding can be retrospectively claimed by councils once the business cases have been supported by the Transport Agency Board. The individual council's normal funding assistance rate will apply. The Transport Agency is unable to co-invest in any non-transport related infrastructure, therefore any HIF Transport Agency Board supported business cases which include joint proposals for transport and water infrastructure will only receive NLTF funding for the costs relating to the transport elements of the business case.

NLTF funding assistance will be given to Board supported HIF business cases irrespective of whether the proposals are subsequently supported by the HIF Independent Assessment Panel (IAP).

ENQUIRIES

All enquiries relating to this circular should be directed to your local New Zealand Transport Agency, Planning and Investment Manager.

Bob Alkema
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NOTES

1 – QUALIFYING HIGH GROWTH COUNCILS

The definition of high growth urban area, according to the National Policy Statement on Urban Development Capacity (NPS-UDC), and used in the GPS, is:

> "a resident population of over 30,000 people according to Statistics New Zealand latest resident population estimates; or
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> at any point in the year a combined resident population and visitor population of over 30,000 people, using Statistics New Zealand latest resident population estimates and estimates of visitor numbers.
>
> and
>
> in which the resident population of that urban area is projected to grow by more than 10 percent between 2013 to 2023, according to Statistics New Zealand medium projections".

Only those councils which are in, or part of, a high growth urban area, as at September 2016 are eligible for funding through the HIF. Those councils include:

Auckland Council, Hamilton City Council, Tauranga City Council, Christchurch City Council and Queenstown-Lakes District Council; and

Waikato District Council, Waipa District Council, Western Bay of Plenty District Council, Selwyn District Council and Waimakariri District Council to the extent that parts of these councils form part of a high-growth urban area.