

5 March 2020

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Transport and Infrastructure Committee
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INFRASTRUCTURE FUNDING AND FINANCE BILL

1. Thank you for the opportunity to submit on the Infrastructure Funding and Finance Bill (the Bill). Council supports the objective of the Bill, to reduce existing constraints on the provision of housing-related infrastructure and supplying serviced urban land to help accelerate large scale green-field development. Council welcomed the opportunity to discuss and workshop the Bill further with the Department of Internal Affairs (DIA), following the workshop held on Friday 14 February 2020.
2. Council appreciates that a special purpose vehicle (SPV) able to strike a levy enables off-balance sheet lending to allow Councils to create borrowing headroom, particularly those that are nearing their borrowing covenants. Council has several concerns with this, namely, an SPV may not achieve lending rates as low as what would be achieved by local authorities lending from the Local Government Funding Agency (LGFA), ultimately costing ratepayers more. This was also noted by the Treasury (in relation to more expensive borrowing for the Milldale development). Any extra costs incurred by the model are ultimately borne by the levypayer, and increase the cost of home ownership. As an alternative, Council fully supports a review of the borrowing covenants imposed by the LGFA, with full consultation with Standard and Poors, and other credit rating agencies.
3. Additionally, there is little to no evidence to suggest that higher land 'holding costs' would incentivise land owners to develop their land faster. This stimulus is driven primarily by compelling profit margins. Instead, increased 'holding costs' are likely to be capitalised into house prices. Further, our concern is that the levy (in lieu of development contributions) will not help to reduce the level of house prices but could, potentially, still be capitalised. Both responses increase house prices – the opposite of the intent.
4. The Bill proposes to include a Facilitator and Recommender, as well as Endorsements and a Monitor. Council understands, from DIA, that all costs incurred in these roles will be covered by the SPV and incorporated into the levy. This means the costs are borne by the levypayer, increasing their home ownership costs. Some of these costs will be significant, for example, legal costs. We are very concerned that the detail concerning the Facilitator and Recommender roles is currently a work in progress, given these roles are fundamental to the tool and the costs could be significant. Council seeks assurance that the tool is properly supported by a consistent, efficient and cost-effective working process and is keen to understand the details thereof.

5. The single biggest impact the Council has on its ratepayers' household incomes, is the payment of rates. Currently, the Council assesses and collects rates on behalf of the Greater Wellington Regional Council (GWRC). This is done by way of separate rates assessments for the rating year and combined tax invoices. Our ratepayers don't differentiate between our rates increases and those of GWRC, nor will they differentiate between our rates increases and the levy attached to their property following an Order in Council. Should separate invoicing of a levy to the ring-fenced properties be required, again this will result in those ratepayers incurring additional charges and Council will still, ultimately, be perceived as and criticised for being the party responsible.
6. Subject to certain criteria, Council provides interest free loans to property owners for water conservation devices (water tanks) up to \$5,000, repayable over 10 years. These loans are recovered by way of a targeted rate against those properties. Council has contested that GST should not be charged against this rate as there is no taxable supply. Whilst the Inland Revenue Department (IRD) agree in principle, Council is required to still apply GST and continues to contest the matter with the IRD. Council therefore seeks certainty on how the levy will be treated for GST purposes.
7. Lastly, instead of shifting more burden on ratepayers' after tax household income, by providing an alternative funding and financing tool by way of a levy or "quasi" rate, Council believes that central government can negate this complex "model" and could collect the levy via taxes, much as it does for student loans.

Conclusion

8. We all recognise the need to take action to address the housing crisis, and that solutions to date have not provided the means for government and councils to solve this issue. While Council is supportive of additional tools to help overcome current constraints, we also have concerns about whether these tools can be implemented without affecting affordability and community outcomes.
9. Council would like to speak to the Committee on this submission.
10. Kāpiti Coast District Council would also welcome the opportunity to further discuss and explore the use of an SPV and other tools to support future outcomes across the Kāpiti Coast district.

Yours sincerely



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