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| <b>Report to:</b>         | <b>Council – Public Excluded</b>                   |  |
| <b>Date:</b>              | 29 June 2022                                       |  |
| <b>Subject:</b>           | Infrastructure Acceleration Fund Application       |  |
| <b>Prepared by:</b>       | Murray Dickson – Senior Manager Corporate Services |  |
| <b>Input sought from:</b> |  |  |
| <b>Authorised by:</b>     | Will Doughty – Chief Executive                     |  |

## 1. SUMMARY

In 2021 the Government announced the creation of an Infrastructure Acceleration Fund (IAF). This fund is administered through Kāinga Ora – Homes and Communities and is part of the Government’s \$3.8 billion Housing Acceleration Fund. The IAF is designed to allocate funding to infrastructure projects that unlock housing development in the short to medium term and enable a meaningful contribution to housing outcomes in areas of need.

The IAF is available to fund Eligible Infrastructure, being infrastructure of a nature usually owned and operated by councils and including new or upgraded infrastructure for transport, three waters, and flood management.

The IAF process followed was to call for Expressions of Interest (EOI) and then Requests for Proposals (RFP). KDC was successful with its EOI response, and then has further progressed through the RFP stage. Currently, along with a number of projects around the country KDC’s application is in the “negotiation stage”. The latest update is that ours is one of the applications potentially being fast tracked for announcement in mid-July 2022.

This report is in Public Excluded session due to the ongoing commercial negotiations with Kāinga Ora and the Developer, and the commercial sensitivity of the financial estimates which will be subject to later procurement processes.

This report summarises the application, the next steps, and seeks the delegation for final approval of agreements with Kāinga Ora to the Mayor and Chief Executive due to the urgency of the timetable proposed.

Attachments:

1. Scope cost and funding overview.

## 2. RECOMMENDATION

That Council:

- a) Notes this report
- b) Approves in principle entering into agreements with Kāinga Ora, and the developer (Garry Robertson acting through two separate companies) to secure the IAF funding and commit to the delivery of the Eligible Infrastructure
- c) Notes that the Eligible Infrastructure is not currently budgeted in either the Long Term Plan or the Annual Plan 2022/2023 (so it will be included in the subsequent Council report following completion of negotiations)
- d) Delegates to the Mayor and Chief Executive authority for final approval of agreements with Kāinga Ora and the Developer
- e) Delegates the Chief Executive Officer to determine the release of this public excluded report.

### 3. BACKGROUND

#### 3.1 The Proposal

The proposal “Kaikōura Western Developments”, supports the new Vicarage Views subdivision and the further development of the Ocean Ridge subdivision. Both subdivisions are owned by Garry Robertson through two separate companies (Cargill Station Limited and Vicarage Views Limited). The Vicarage Views site has only been purchased in 2021 and is undeveloped but fully zoned. The Ocean Ridge is almost at its maximum permitted level without substantially new infrastructure investment as per the Council’s District Plan (particularly a rail crossing and a road extension via Green Lane).

#### The Eligible Infrastructure Included in the Application

The infrastructure consists of five parts as follows (refer Attachment 1 Scope Cost and Funding Overview):

- Ludstone Road / Mt Fyffe Road footpath (\$redacted (section 7(2)(b) and 7(2)(h) of LGOIMA applies)
  - This extends the current footpath on the South side of Ludstone Road, along Ludstone Road and up Mt Fyffe Road to the entrance of Vicarage Views
- Ludstone Road dedicated cycleway (\$redacted)
  - This provides a cycleway from Beach Road along the North side of Ludstone Road to Green Lane
- Green Lane road connection and cycleway (\$redacted)
  - This involves the widening and sealing of Green Lane, a rail crossing into Ocean Ridge and extension of roading to a proposed new part of Ocean Ridge subdivision behind the golf course and adjacent to the Kowhai River. This also includes extension of the cycleway from Ludstone Road along Green Lane to Ocean Ridge
- Ocean Ridge three waters network / structures upgrade (\$redacted)
  - To enable extra capacity within Ocean Ridge an infrastructure upgrade is required
- Kowhai River protection works (Ocean Ridge) (\$redacted)
  - In association with Environment Canterbury, flood protection works are proposed which will enable the extra capacity within Ocean Ridge.

The total infrastructure cost is currently estimated at (\$redacted). The developer is proposed to contribute (\$redacted), the IAF fund (\$redacted), and Council (\$redacted) (the later being Ludstone Road works in the LTP which would be repurposed as part of this project avoiding duplicate works).

As Council are aware resealing works on Ludstone Road have been postponed from the 2021/2022 season until the 2022/2023 season so that works are undertaken at the same time as the IAF infrastructure (avoiding duplication and cost).

#### The Housing Outcomes Resulting from the Application

The Vicarage Views subdivision is currently projected to include 88 houses. Of these it is proposed that 58 will be “medium - low income” houses and 30 will be elderly people houses. These are seen as extremely attractive outcomes from the subdivision and the IAF application. As Council are aware Kaikōura has current issues with lack of modern quality affordable housing and similarly modern quality housing for early elderly. The inclusion within Vicarage Views of these houses is seen as a potential game-changer.

For Ocean Ridge, the infrastructure will enable an additional 319 sections. Currently the District Plan prevents the Ocean Ridge subdivision expanding beyond 168 sections without the development of the rail crossing and Green Lane road connection. Of these additional 319 sections, 150 are within an

area currently zoned “open space” behind the golf course and adjacent to the Kowhai River. The addition of these will require a plan change (funded by the developer) as well as the flood protection works included in the IAF application. It is anticipated that the extension of Ocean Ridge subdivision will include in the order of 102 lower to medium income houses.

#### Other Positive Outcomes

The projects, in addition to enabling the housing outcomes above, will also create the following positive outcomes for the community:

- A footpath from State Highway 1 to the Vicarage Views subdivision on Mt Fyffe Road
- A cycleway / pathway the full length of Ludstone Road and Green Lane from State Highway 1 to Ocean Ridge subdivision
- An alternate route other than State Highway 1 for access to and from Ocean Ridge and the township
- Easy walking and cycling access using the above to access schools, the town centre and the new subdivisions
- Additional flood protection for the Kowhai River.

### **3.2 Council / Developer Cooperation**

Council staff have worked closely with Garry Robertson and his team throughout this process, building on the collaborative work and assistance provided as part of Mr Robertson’s due diligence of the Vicarage Views site. For the IAF application, Mr Robertson has funded external resources to assist the application, recognising the strain on Council staff resources.

The IAF process is intended to include council / developer cooperation. However, we believe that the Kaikōura process has been extremely collaborative, including joint meetings with the IAF team (feedback from Kāinga Ora confirms the high level of cooperation).

### **3.3 Developer Financial Contribution**

The Developer contribution of (\$redacted) is proposed to be the subject of a formal Developer Agreement between Council and Mr Robertson’s companies. This contribution is calculated from three sources:

- a) The application of our Development Contributions Policy to the Vicarage Views subdivision
- b) The application of Council’s original Developer Agreement for Ocean Ridge
- c) An additional voluntary contribution from the developer over and above a) and b).

The current anticipated development contributions (a and b above) total (\$redacted), and the voluntary contribution (\$redacted). In terms of the IAF guidelines and terminology a key aspect is the “Land Owner / Developer Fair Share”. In our application the (\$redacted) constitutes the “Fair Share” and with the additional contribution the developer is proposing to fund 30% of the total Eligible Infrastructure.

A Developer Agreement is being drafted to reflect these contributions.

## **4. NEXT STEPS AND FORMAL AGREEMENTS**

As at the date of this report, staff have not yet sighted draft forms of contract from Kāinga Ora. It is anticipated that these will cover the scope of the infrastructure works, the timing of delivery, and milestones and payment mechanisms.

As noted above, a Developer Agreement is being drafted to cover the developer’s contributions to the infrastructure costs.

Kāinga Ora have advised that our application is amongst a small number of projects they would like to formally approve, enter into contracts for, and publicly announce by mid-July 2022. This will require prioritising staff resource, but at this stage no significant issues have arisen from discussions with the IAF team. The timing of the agreements and announcement means that a final report will not be able to be presented to a regular council meeting.

Accordingly, Council delegation to the Mayor and Chief Executive to approve the final agreements with Kāinga Ora and the Developer is sought.

## 5. COMMUNITY OUTCOMES

The issue discussed in this report relate to the following community outcomes:



### Services

Our services and infrastructure are cost effective, efficient and fit-for-purpose



### Development

We promote and support the development of our economy



### Environment

We value and protect our environment



### Future

We work with our community and our partners to create a better place for future generations