

5 March 2020

Committee Secretariat  
Transport and Infrastructure Committee  
Parliament Buildings  
WELLINGTON

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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 and welcomes the opportunity to discuss and workshop the Bill further with the Department of Internal Affairs, following the workshop held on Friday 14 February 2020.
- 2 Council appreciates that a special purpose vehicle (SPV) enables off-balance sheet lending to enable 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.
- 3 Secondly, off-balance sheet lending is artificially understating Council borrowings and where the SPV is a Council Controlled Organisation (CCO), the Council is required to prepare Group Accounts and the LGFA borrowing covenants are applied to the Group entity (Council plus its CCOs). Instead, 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.
- 4 The Bill proposes to include a Facilitator and Recommender, as well as Endorsements and a Monitor. Council understands from the DIA that all costs incurred to achieve an Order in Council will be primarily borne by the proposer which may be significant and is very concerned that the detail concerning the Facilitator and Recommender is currently a work in progress, given these roles are fundamental to this “alternative funding and financing” tool. Council seeks assurance that this alternative funding tool is properly supported by a consistent and efficient working process and is keen to understand the details thereof.
- 5 Before the levy can be assessed and collected, the infrastructure would need to be constructed and commissioned. The Council’s rating system is predominantly land-value based and there is little to no evidence to suggest that higher land “holding” costs incentivise land owners to develop their land. This stimulus is driven primarily by compelling profit margins, as highlighted by the Region’s recent Housing and Business Development and Supply Assessment.
- 6 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. The single biggest impact the Council has on its ratepayers’ household incomes, is the payment of rates. Our ratepayers don’t differentiate between our rates increases and those of GWRC, and 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.

- 7 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.
- 8 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" by simply funding local government from current income taxes (say \$100 per capita per annum each year, followed by a fixed rate in the \$ income tax per annum to address economic buoyancy), using current IRD systems and processes.

### **Conclusion**

- 9 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.
- 10 Kāpiti Coast District Council would 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

K. Gurunathan JP, MA

**MAYOR, KĀPITI COAST DISTRICT**