



Aide-memoire

Bilateral meeting with Minister Mahuta on Three-waters reform			
Date:	11 March 2021	Security level:	In Confidence
Priority:	Medium	Report number:	AMI20/21030469

Information for Minister(s)	
Hon Dr Megan Woods Minister of Housing	

Contact for discussion			
Name	Position	Telephone	1 st contact
Brad Ward	DCE, Place Based Policy and Programmes	s 9(2)(a)	
Saskia Patton	Manager, Urban Development Delivery	s 9(2)(a)	✓
Paul Kos	Principal Advisor, Urban Development Delivery	(04) 831 6068	

Other agencies consulted

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> See Minister's notes <input type="checkbox"/> Needs change <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) <hr/>	Comments
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Date returned to MHUD:



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For: Hon Dr Megan Woods, Minister of Housing

Date: Thursday, 11 March 2021

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Purpose

1. To provide you with background information and suggested discussion points for your bilateral meeting with Hon Nanaia Mahuta, Minister of Local Government on Three Waters reform. The meeting is scheduled for 5.30pm to 6.00pm on Monday, 15 March 2021.

Background

2. Three Waters reform is progressing apace, guided by a series of monthly Ministers meetings chaired by Minister Mahuta that you attend.
3. At the recent February meeting, Minister Mahuta made the offer to other Ministers that she and her officials would be available for a pre-meet ahead of any of the upcoming workshops should other Ministers want to discuss matters relevant to their portfolio before the workshop.
4. You indicated that you would like to have a separate meeting to discuss Three Waters reform and its interface with housing and urban development matters. The meeting will also cover a Kāinga Ora Development in Te Kauwhata, for which Kāinga Ora are preparing a separate briefing.
5. Brad Ward, DCE Place-based Policy and Programmes and Saskia Paton, Manager Urban Development Delivery will be present from Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD).

Suggested discussion points

Scale of the three-waters infrastructure deficit for Kāinga Ora's large scale projects

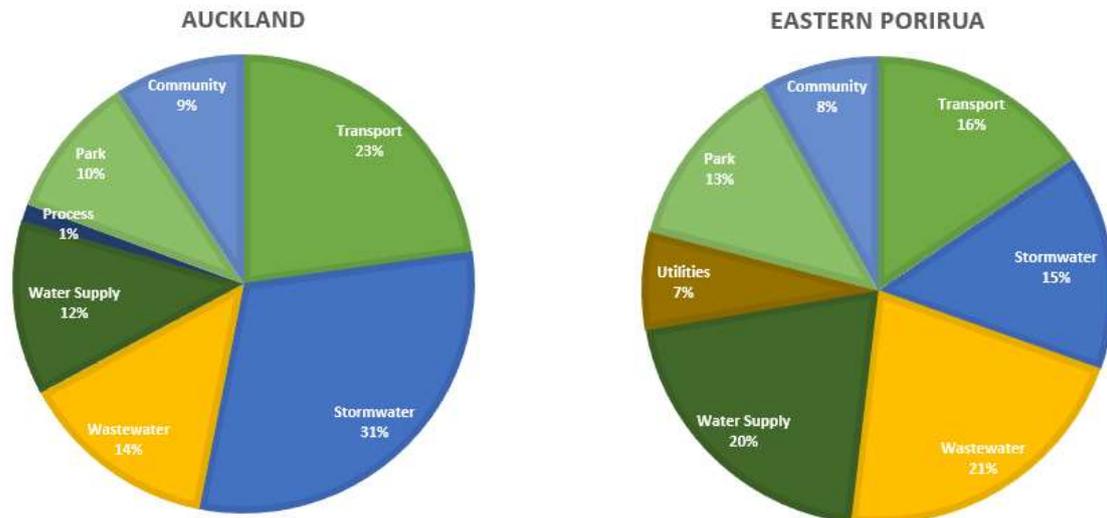
6. Water infrastructure funding and delivery issues are a major factor affecting the delivery of improved housing and urban development outcomes for the Government as a public housing landlord and across New Zealand generally.
7. Providing some detail on the scale of the water infrastructure deficit for large scale projects in Auckland and Eastern Porirua would provide a useful context for starting your discussion with Minister Mahuta.

Table 1: Precinct infrastructure costs for large scale projects by asset type

Asset	Auckland	Eastern Porirua
Stormwater	\$1,017.69m (31%)	\$70.94m (15%)
Wastewater	\$469.32m (14%)	\$101.27m (21%)
Water Supply	\$413.31m (12%)	\$96.56m (20%)
Transport	\$764.25m (23%)	\$73.12m (16%)
Process	\$41.32m (1%)	-
Utilities	-	\$32.06m (7%)

Park	\$339.82m (10%)	\$60.90m (13%)
Community	\$309.18m (9%)	\$38.13m (8%)

Figure 1: Cost of three waters precinct infrastructure is significant for both Auckland and Eastern Porirua



8. Key points in relation to the above information:

- a. For Auckland large scale projects, the combined costs for three waters infrastructure over the 20-yr life of the project is estimated to be around \$1.9 billion, with stormwater being the most problematic to resolve.
- b. Porirua has significant legacy water infrastructure issues to overcome, prior to re-development proceedings. Over half (56%) of the estimated costs relate to Three Waters infrastructure.
- c. The Three Waters costs are a combination of fixing past issues (harder to pay for) and providing enough capacity for growth (easier to pay for). The new Water entities will need to have some ability to play catchup.
- d. Subject to getting through Budget 2021, the proposed Infrastructure Fund should provide some relief in addressing the water infrastructure deficit, especially in Auckland and Eastern Porirua large scale projects.

Discuss potential opportunities to align Government investment and reform opportunities in Auckland

9. Many of the water infrastructure issues affecting housing and urban development come together in Auckland, providing a unique opportunity to align Government investment and reform opportunities in Auckland.

10. Current housing and water-related initiatives of relevance to Auckland include:

- a. Three waters – looking to firm up the new water entity design s 9(2)(f)(iv)
- b. Housing and urban development s 9(2)(f)(iv)
- c. Urban Growth Partnerships - HUD is looking to reset the partnership with Auckland Council and seek a more aligned approach to planning and sequencing infrastructure investment (i.e. via joint spatial planning with Auckland Council).

11. What opportunities does this create?

- a. [REDACTED] s 9(2)(f)(iv) [REDACTED]
- b. The scale of combined Government spend should also be leveraged to incentivise Auckland Council to fund their component of the infrastructure deficit in line with Government priorities for housing and urban development, similar to the outcomes of the Auckland Transport Alignment Project.

Emphasise the need for alignment between Three-Waters reform and spatial planning

12. An important consideration for the new Water entities will be how they support urban development and growth while dealing with competing demands from multiple council areas.
13. New institutional arrangements should be designed to ensure they leverage urban growth partnerships and spatial plans where practical and draw from the aligned investment initiatives (even at a scale smaller than the entity boundaries).
14. Over the longer term, it will be important to ensure that the forward-planning functions of the new entities are tied to any spatial planning requirements arising from the current resource management reforms. Councils will also need to actively engage the new entities and other infrastructure partners (such as Waka Kotahi) in the spatial plan development, acknowledging that enabling infrastructure has long lead times, and can require significant investment.
15. At the more strategic level, the proposed Government Policy Statement for Urban Development (under development) provides an opportunity to set expectations on alignment of infrastructure delivery with spatial planning.

Note support for the stormwater function being retained within the scope of the reforms

16. As noted in previous advice to you, HUD's strong preference (in-line with DIA advice) is for stormwater assets and responsibilities to be transferred to the new water entities, which will help lift the stormwater system's performance through more consistent standards, greater stormwater sector capability, and increasing long-term investment in stormwater.
17. Stormwater funding and delivery is a particular issue across Kāinga Ora's large scale projects in Auckland and Eastern Porirua. HUD's preference for inclusion is also based on the benefits of dealing with fewer entities and draws from the current alignment and coordination issues facing large scale projects.
18. Given the complexity of the stormwater function (both above and below ground), HUD supports DIA's proposal to set up a technical working group to assess transition issues.

Next steps

19. HUD officers will continue to work in close collaboration with officers at DIA to ensure that both housing and urban development interests are captured and you remain well informed on progress and implications.