



Briefing

Infrastructure Fund - High Level Design of competitive (non-LSP) component			
Date:	8 April 2021	Security level:	In Confidence
Priority:	High	Report number:	BRF20/21040911

Action sought		
	Action sought	Deadline
Hon Megan Woods Minister of Housing	Agree to a number of high level design settings for the Infrastructure Fund including objectives, high-level process and sequencing.	15 April 2021

Contact for discussion				
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Other agencies consulted
The Treasury and Kāinga Ora

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <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 HUD:



Briefing

High Level Design of competitive (non-LSP) component

For: Hon Megan Woods, Minister of Housing

Date: 8 April 2021

Security level: In Confidence

Priority: High

Report number: BRF20/21040911

Purpose

1. This briefing seeks your agreement to a number of design settings for the competitive (non-LSP) component of the Infrastructure Fund (the Fund), including objectives, high-level process and sequencing.

Recommended actions

2. It is recommended that you:

1. **Agree** to the following objective for the Fund:

The purpose of the Infrastructure Fund is to invest in infrastructure that unlocks housing development. This infrastructure investment will:

- enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity;
- be limited to investments that would not otherwise be funded, or not be funded fast enough or at the scale to meet demand;
- maximise value for money including through co-funding, non-contributions, and non-financial commitments including incentivise councils to use non-funding levers that enable housing development;
- enable the building of homes that are affordable for low-to-moderate income households where possible
- create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation; and
- align with wider government objectives, such as ensuring good urban form, partnerships with iwi, and the transition to a net-zero emissions economy;

Agree / Disagree

2. **Note** the risks that the design of the Fund will need to address identified in paragraph 12;

Noted

3. **Note** the following design principles that HUD is having regard to in its design recommendations in paragraph 13;

Noted

4. **Agree** that the entirety of the Fund be operated based on a contestable model, although within this model there is room for substantial negotiation;

Agree / Disagree

5. **Note** that although we propose to structure the Fund as a contestable fund with all places in New Zealand eligible for funding, we consider that

Noted

meeting the objectives of the Fund will mean wide variation in the level of funding, with some Territorial Authorities having few or no projects funded;

6. **Agree** that in most cases Territorial Authorities (as a conduit for other parties) are the best entities to lead applications into the fund given their criticality in the planning process, ability to bring together parties and ultimate owners of most infrastructure; *Agree / Disagree*
7. **Note** we anticipate that iwi and potentially other owners of whenua Māori will also be able to apply directly to the Fund (rather than through a Territorial Authority). We will include advice on the best mechanism for giving effect to this in our 22 April 2021 briefing; *Noted*
8. **Note** that we are considering whether there are any situations where entities other than Territorial Authority could apply directly to the Fund (excluding in relation to whenua Māori), in particular developers. Our current view is that at least in the initial round, developers should not be able to apply directly, but we wish to test this further; *Noted*
9. **Agree** to a two-path structure for the Fund with the following paths:
 - 9.1 A 'Programme path' for priority places: a contestable process based around proposals for multiple potential infrastructures projects in an Territorial Authority (acting as a conduit), with submissions developed with engagement from central government, then evaluated and outcomes negotiated between the TA and central government;
 - 9.2 A 'Project path': a streamlined contestable process based around individual projects;
10. **Note** that advancing the model recommended in recommendation nine requires Ministers or Cabinet to agree a defined set of territorial authorities that will be invited to apply under the programme path, with the remainder eligible to apply under the project path; *Noted*
11. **Note** we propose to distinguish Territorial Authorities invited into each path as follows:
 - 11.1 **Programme path:** Territorial Authorities where the scale and complexity of housing infrastructure investment requires more intensive engagement for the development and negotiation of proposals, including aligning with decision making and negotiation around other central government infrastructure investment;
 - 11.2 **Project path:** Territorial Authorities with a lower expected scale and complexity of housing infrastructure investment where a streamlined approach focused on individual projects will be the most efficient and pragmatic approach for the Government and Territorial Authorities; *Noted*
12. **Note** that the indicative breakdown of funding for the two paths (subject to further choices) is s 9(2)(j); *Noted*
13. **Note** the draft criteria we are developing (subject to further analysis) to determine which places are invited to apply under the programme path in line with the intent in recommendation seven;
 - 13.1 **Housing need:** Particularly acute housing availability and affordability challenges (relating to both home ownership and rental) *Noted*

- 13.2 **Complexity:** Potential housing developments are complex, often involving multiple funding sources, landowners and other stakeholders
- 13.3 **Complementary investment:** Significant complementary investment may occur elsewhere from alternative central or local government initiatives requiring close alignment
- 13.4 **Readiness to engage:** Willingness and capacity to engage in a partnership approach around designing a programme of investment.
14. **Note** if you agree to the proposed approach, we will advise on the appropriate path for each Territorial Authority on 22 April 2021; *Noted*
15. **Note** that we anticipate that the recommended Territorial Authorities for the Programme Path will align broadly (but not perfectly) with places within the Government's current or developing Urban Growth Partnerships (Auckland, Hamilton, Tauranga- Western Bay of Plenty, Wellington-Horowhenua, Queenstown Lakes, Greater Christchurch) and HUD's place-based partnerships (Hastings, Rotorua, Te Tai Tokerau and Tairāwhiti); *Noted*
16. **Note** that as the administrator of the Fund, Kāinga Ora will not be eligible to apply directly. However, proposals from either path led by other parties (typically Territorial Authority) may involve areas that Kāinga Ora is working with others in partnership and/or where it owns land; *Noted*
17. **Agree in-principle** that we fast-track the project path with the programme path launching soon after, subject to further operational analysis; *Agree / Disagree*
18. **Agree** that we plan on funding with multiple funding rounds, with the appropriated funds planned to be allocated over two to five years; *Agree / Disagree*
19. **Note** that further advice on the negotiation strategy with councils and implementation approach for Large Scale Projects (the other component of the Infrastructure Fund) will be provided to you on 15 April 2021;
20. **Forward** this briefing to the Minister of Finance. *Forwarded*



Hilary Eade
Kaiaki

08 / 04 / 2021

Hon Megan Woods
Minister of Housing

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Background

3. In March 2021, Cabinet agreed that a Housing Acceleration Fund be established [CAB-21-Min-0061 refers].
4. The main component of the Housing Acceleration Fund is an Infrastructure Fund (\$3.73 billion) which aims to unlock land for housing development and directly overcome funding and financing constraints faced by councils and other infrastructure providers.
5. Cabinet agreed that you would report back on the design of the Infrastructure Fund by 30 June 2021. You have directed officials to work towards taking a paper to Cabinet on 24 May 2021.
6. There are two broad components to the Infrastructure Fund:
 - a. Funding to enable Kāinga Ora Large Scale Projects (LSPs)
 - b. Funding through a competitive process for other infrastructure to enable other housing development, proposed to operate through two pathways (a priority/programme pathway and a project-based pathway).
7. The two paths proposed in the competitive process is a further-developed version of the second and third 'buckets' of the Fund that we've previously discussed with you (along with the first 'bucket' of funding for LSPs). s 9(2)(f)(iv)
8. In designing the competitive component of the Infrastructure Fund (the Fund) there are a wide range of possible structures and settings. Various recent Government initiatives that provided bespoke funding for infrastructure have been structured and operated in very different ways (e.g. the Provincial Growth Fund, New Zealand Upgrade Programme, 'Shovel-Ready Projects', Three Waters Stimulus Programme).
9. Although there is limited time for design of this Fund, we nevertheless propose to work through the choices sequentially, starting with the highest-order choices and moving down. This briefing outlines what we consider the critical first choices around fund design that are needed to inform more detailed choices. The briefing also outlines some of those further choices, including in some cases known trade-offs and our initial view.

Objectives and Risk

10. We propose the following objective for the Fund:

The purpose of the Infrastructure Fund is to invest in infrastructure that unlocks housing development. This infrastructure investment will:

- *enable brownfield intensification and greenfield expansion in locations with access to amenity and opportunity;*
- *be limited to investments that would not otherwise be funded, or not funded fast enough to meet demand;*
- *maximise value for money including through co-funding, contributions, and commitments from local government and third parties;*
- *enable the building of homes that are affordable for low-to-moderate income households;*
- *incentivise councils to use non-funding levers that enable housing development; and*
- *create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation;*
- *align with wider government objectives, such as ensuring good urban form, partnerships with iwi, and the transition to a net-zero emissions economy.*

11. Alongside the objectives there are a number of significant risks associated with the Fund at a policy level. Risks include those that could reduce our ability to achieve the objectives of the Fund, or could lead to unintended negative consequences.
12. We note the following key risks identified to date:
 - a. Investment simply leads to increases in land values that manifest as windfall gains for current owners. A related issue is our ability to recover contributions from developers that would normally be subject to development contributions.
 - b. Crowding out of investment by councils or developers, including disincentivizing the use of new financing mechanisms under the Infrastructure Funding and Financing Act 2020.
 - c. Contributing to construction cost inflation.
 - d. Potential conflicts of interest for Kāinga Ora as administrator of the Fund, including that, in some cases, it will be the owner of land that could benefit from investment. However, Kāinga Ora will not be eligible to apply directly to the Fund.
 - e. Cost overruns, and potential ambiguity as to who is responsible for meeting these.
 - f. Commitments made in order to receive funding are not met, including significant delays.
 - g. Securing meaningful commitments from developers on the pace of housing development is difficult or impossible.
 - h. Failure to enable investment on whenua Māori.
 - i. The amounts applied for far exceed the amount available, leading to disappointed applicants (and developers/ landowners).
 - j. Stakeholders may have unrealistic expectations of the Fund in terms of delivery of housing (and affordable housing) and do not appreciate this is a medium term intervention directed at enabling developable land (and needs to be seen in context of it being just one of a suite of Government interventions that are intended to have the supply outcomes).
13. Having regard to the objectives and the risks, we propose the following design principles to guide fund design:
 - a. As simple, efficient and effective as possible, while recognising the complex nature of the issues and work involved.
 - b. Reflects the objectives of the Fund, principles previously considered by Cabinet, and the Government's strategic direction and priorities for housing and urban development.
 - c. Coordinated with and complementary to other central and local government investment in land, infrastructure and housing, including to manage capacity constraints.
 - d. Places sufficient competitive pressure on local government (and developers) to achieve the greatest financial and non-financial commitments.
 - e. Transparent, with a clear line of sight between what is being funded and what is delivered as a result.
 - f. Financially sustainable, including with respect to ongoing maintenance costs and construction overruns.
 - g. Cost and risk exposure proportionate to public benefits, leveraging third party contributions and concessions.
 - h. Maintaining high standards for fairness, probity and good practice.

14. Although at this stage funding for the Infrastructure Fund is a one-off, we are designing it with a view that it could be an enduring mechanism for investment, if appropriate. We want to design something built for the long-term.

Immediate expectation risk

15. In addition to the risks above to inform design of the Fund, there is an immediate expectation risk with respect to the size of the competitive process. Public communications relating the Fund have largely focused on the overall \$3.8 billion for the Housing Acceleration Fund. We anticipate that many stakeholders will assume that most of that will be available through the competitive process, [REDACTED] s 9(2)(f)(iv) [REDACTED]. This may lead to unrealistic expectations and emphasis on projects at a scale that are unlikely to be funded through this mechanism.

16. [REDACTED] s 9(2)(f)(iv) [REDACTED]

Overall process: A two-path contestable model

17. We recommend a form of contestable approach be used for the entirety of the Fund. It provides the best combination of competitive pressure and executability.
18. Under a contestable approach, there is a competitive process in which eligible participants submit a proposal(s), that is then evaluated on a common basis with others submitted under the same rules. However, within a contestable process there are a wide range of models with varying degrees of rigidity or flexibility. Negotiation can still play a large role in a contestable process, particularly later in the process, and there is room for collaboration as well. Ultimately, what is critical is that there is a common set of transparent rules that everyone is playing by, even if those rules allow for flexibility.
19. The amount of time involved can vary widely, but to run any contestable process, there are some minimums based on the time necessary to produce and release materials (ie Requests for Proposals), allow respondents to prepare proposals based on the requirements, to evaluate those proposals and negotiate on final terms.
20. The greatest challenge in using a contestable approach is making it fit for purpose for the complex nature of the investments we are seeking to make.
21. We also considered two other models that we do not recommend:
 - a. 'open-negotiation': Under this model the Government engages in negotiation with a set number of parties, in this case likely local government, to agree on the projects to be invested in and the terms. There is no pre-determined maximum or minimum spend for any one area. Even if limited to certain priority places, the complexity involved creates too great a risk of poor outcomes, significant delays or perceived lack of fairness.
 - b. 'negotiation within envelopes': Under this model the Government first determines maximum funding (envelopes) for certain places and then negotiates for the specific projects and terms. We do not consider we would have a sufficiently sound basis for identifying envelopes and the loss of competitive pressure would be very costly to the outcomes sought.

Territorial Authorities as lead applicants in most cases

22. We recommend that in most cases, Territorial Authorities should be the lead applicants for funding. This is because:
 - a. In general, TAs are best placed to bring together multiple parties around specific potential infrastructure investments

- b. TAs hold most of the critical planning levers that will need to align with infrastructure investment. Simply, a development that the TA does not wish to advance will struggle to do so at pace irrespective of infrastructure investment
 - c. In most cases, assets created by this Fund will ultimately be owned by TAs.
23. Nevertheless, there would be an expectation that TAs work with all relevant parties. This would be reinforced through both central government engagement in the development of proposals and the evaluation of those proposals.

We anticipate iwi will also be able to apply to the Fund directly

24. We anticipate iwi and potentially some other owners of whenua Māori will also be able to apply to the Fund directly without the need to work through Territorial Authorities. We need to explore further the best way to support this within the fund structure described below.
25. Critical to this is the need to align with other Budget initiatives related to Māori Housing, as well as existing initiatives and how these would interact with the Fund. We will include advice on this issue in our 22 April 2021 briefing.

We propose a two-path contestable fund model

26. In considering the structure and design of a contestable fund, there are two major tensions we're trying to resolve. They are described below.

Prioritising opportunity versus openness

27. We have previously recommended focusing the Fund on priority places where there is particularly acute need for housing and where an infrastructure investment deficit is a significant root cause. We continue to see this as key to getting greatest impact from this Fund.
28. However, we also understand there is an expectation that this fund be competitive and that there is an ability for quality projects from anywhere in New Zealand to receive funding.

Expediency versus extracting maximum value and managing risks

29. We understand there is a strong desire for expediency in allocation of this funding given the significant challenges that currently exist in our communities.
30. However, in some situations moving very quickly with investment decisions could be difficult or counterproductive. There are three reasons why this might be the case:
- a. In situations where complementary actions are needed to achieve intended outcomes (e.g. planning changes)
 - b. Where patience and a willingness to 'walk away' is needed to achieve value for money
 - c. Where sector capacity or other constraints mean that funding may either not lead to activity soon, or doing so will simply slow down desirable projects elsewhere.

31. s 9(2)(f)(iv), s 9(2)(j) Covid stimulus spending, including the shovel ready projects, appear to have funded many (although not all) of the most genuinely ready-to-go projects at the scale right for this Fund. Time may be required for sufficient further projects to achieve the necessary level of maturity to warrant funding.

Our proposed approach: a two path model

32. To address the tensions described above, we propose a 'two-path model' for the contestable Fund. The two paths would be separate, parallel processes with minimal overlap. This is essentially a further-developed version of the second and third 'buckets' of the Fund that we've previously discussed with you (along with the first 'bucket' of funding for LSPs).
33. The two paths are described below. At a high level, the key distinction between them is how we work with applicants.

A programme-based path for priority places

34. Under this path, Territorial Authorities (and possibly iwi) submit a single proposal containing all applications for funding contributions towards infrastructure projects required to enable multiple potential housing development areas within the Territorial Authorities. The proposals would be evaluated against agreed criteria and then competitive dialogue is entered into in order to negotiate and agree funding arrangements between the applicant and central government.
35. The path would be limited to pre-defined set of Territorial Authorities (although all local government applicants would be expected to work closely with developers and iwi). More detail is provided below on how to determine which places would be eligible to apply within the programme path, but in general, these would be in the larger cities and places where there is more likely to be a number of large projects invested in over the life of the Fund and where the barriers to unlocking housing outcomes are complex, and funding for infrastructure alone is insufficient.
36. We anticipate that these places would be agreed by Cabinet and could be subject to change over the life of the Fund.
37. Although still subject to analysis (discussed below), we anticipate that the recommended places will align broadly (but not perfectly) with places within the Government's current or developing Urban Growth Partnerships (Auckland, Hamilton-Waikato, Tauranga- Western Bay of Plenty, Wellington-Horowhenua, Queenstown Lakes, Greater Christchurch) and HUD's place-based partnerships (Hastings, Rotorua, Te Tai Tokerau and Tairāwhiti).

A project-based path

38. This path would operate as a streamlined, efficient contestable Fund. Eligible applicants would be invited to apply for funding contributions towards infrastructure projects required to enable a specific housing development area (although eligible applicants could submit multiple proposals).
39. The path would only be open to places not eligible to apply under the programme-path. These will generally be places with less acute infrastructure needs and/or where simply providing funding for projects is likely to be sufficient to unlock new housing.
40. This would also be the path for owners of whenua Māori to apply directly to the Fund, if this is made available.¹

Indicative features of the two models

41. The table below summarises some of the indicative features and differences between the two paths. These settings are indicative at this stage as more detailed analysis will be needed if you choose this model. We are not seeking your agreement to these specific settings in the table at this time. Many features of the Fund, such as scope of eligible activity for funding, would not differ between the two paths.

¹ Further work is required to identify which owners of whenua Māori would be eligible to apply directly to the fund.

Table 1. Indicative settings within a two-path model

	Programme-path	Project-path
Who is eligible to apply	Specifically Territorial Authorities agreed by Cabinet with particularly complex and large scale housing and infrastructure needs (see below for more detail) Possibly iwi (in any part of New Zealand)	All other Territorial Authorities Likely iwi (in any part of New Zealand) Possibly developers
Overall process	Contestable, with a common approach to assessment, but more complex negotiation in the later stages.	Streamlined contestable process with quicker decisions requiring some (but less) negotiation.
What proposals look like	A number of generally large and complex housing development places, in many cases involving multiple funding sources/ landowners and other stakeholders . A relatively higher degree of maturity and detail	Individual projects with key information identified, but overall less resource intensive to produce.
Degree of engagement	Engagement in the development of the proposal, helping to support development of a proposal that best meets objectives and aligning with complementary investments across central government. Competitive dialogue involves significant resource, takes time and deals with complex issues before a funding arrangement can be finalised	Relatively limited to question and answer, and technical application support. Funding arrangement negotiations are relatively straightforward.
s 9(2)(j)		
s 9(2)(f)(iv)		

² s 9(2)(j)

42. The key strengths of this model are:
- a. It enables focused engagement with the areas of the country where this is most valuable, while allowing a more resource and time efficient process where this is fit for purpose.
 - b. It provides a path to investment for all of New Zealand while enabling the balance of investment to focus on places of greatest need and potential impact.
43. The key weaknesses of this model are:
- a. Additional administrative costs associated with designing and running two processes rather than one (not quantified at this stage, but likely minor relative to the size of the Fund)
 - b. The likely dissatisfaction from some places not invited to apply via the programme path, regardless of the approach taken to determine this (discussed below).
44. We also considered an alternative model, based a single project path. This would be a simpler, early to articulate process. However, it would leave minimal scope for exerting pressure on local government to provide complementary funding or other actions, or to work to align with other investment across government. It would also require trade-offs between parts of the country with vastly different degrees of housing challenges which would be difficult

Criteria for determining places within the programme path

45. If you agree to our proposed 'two-path' model it will be necessary to seek Cabinet's agreement to the places invited to apply through each path. In line with the intent for each path described above, we would distinguish territorial authorities as follows:
- a. **Programme path:** Territorial authorities where the scale and complexity of housing infrastructure investment requires more intensive engagement for the development and negotiation of proposals, including aligning with other decision making and negotiation around other central government infrastructure investment.
 - b. **Project path:** Territorial authorities with a lower expected scale and complexity of housing infrastructure investment where a streamlined approach focused on individual projects will be the most efficient and pragmatic approach for the Government and Territorial Authorities.
46. In determining the above, we would consider the following criteria for territorial authorities to be invited to apply through the programme path:
- a. **Housing need:** Particularly acute housing availability and affordability challenges
 - b. **Complexity:** Potential housing developments are complex, often involving multiple funding sources, landowners and other stakeholders
 - c. **Complementary investment:** Significant complementary investment may occur elsewhere from alternative central government initiatives requiring close alignment.
 - d. **Readiness to engage:** Willingness and capacity to engage in a partnership approach around designing a programme of investment.
47. On April 8 we provided you with the briefing *The place-based approach and its information base* [BRF20/21030897]. This briefing presents HUD's approach to place-based approach and presents some of the information base we use to inform this approach. The evidence source presented in that paper would be the foundation of our assessment of the criteria above for which territorial authorities are best suited to the programme path.
48. Subject to your agreement to these criteria, we would advise you on our recommended breakdown of territorial authorities by path in the planned 22 April briefing.

Recent investment

49. You have requested a breakdown of recent housing-related infrastructure investment provided by central government regionally to inform prioritisation. We are collating this information, and will provide it in our briefing on 22 April as part of our advice on which path is appropriate for different places.

Timing and sequencing

50. If you agree to our proposed 'two-path' approach, we recommend you sequence the launch of each path, rather than do so simultaneously. Given the significant preparatory work to prepare Fund materials and engagement with local actors, sequencing the roll-out will support a smoother, but still timely establishment of the Fund.

Scenario A: Fast track the project-based path (recommended)

51. Under this scenario we move as fast as practical with the project-based path. This has the benefits of getting to initial announcements as quickly as possible. It allows more time for the more complex programme-based approach to be designed and operate, supporting better outcomes for these investments. Although there will be aspects of the Fund that apply to both paths which will need to be worked through.
52. This approach provides the greatest certainty of meeting commitments to allocate funding beginning in 2021 (if you choose to operate a contestable model).
53. We are seeking your in-principle agreement to this approach, subject to further operational analysis.

Scenario B: Start with programme-based path (not recommended)

54. Under this scenario we start with the programme-based approach, delaying the project-based path. This has the benefit of securing decisions on relatively higher-priority places earlier. However, by moving more quickly with programme-based approach, it may mean fewer funding arrangements are concluded in these places during the first round of funding (compared with scenario A).

We recommend a repeat exercise, rather than a single allocation

55. Funding is to be appropriated through a five year multi-year appropriation. However, no decisions has been taken on over what period allocation of funds should take place. Even with appropriations spread across multiple financial years it would be possible to make allocation decisions entirely, or largely in the first financial year, with disbursements coming over time.
56. Prior to seeing the depth and quality of proposals that emerge initially, it is difficult to be precise about how many 'rounds' over how many years is necessary to get greatest value for money from this investment. Nevertheless, it seems clear that seeking to allocate all, or the significant majority, of funding in a single round is unlikely to be the right solution. The reasons for this are:
- We will likely operate a fairly rapid process for the initial funding round in the interests of making investments as quickly as practical where there are good projects ready to go. However, this will provide relatively little time for submitters to prepare anything but the most ready-to-go projects.
 - Although there will certainly be a wide range of proposals, we anticipate that many of these will not have been thought about in the context of the objectives of this Fund. The ability to provide feedback through an initial round, and have the projects further developed for submission into a future round will likely be necessary if many projects are to meet expectations.
 - Covid stimulus spending, including the shovel ready projects, appear to have funded many (although not all) of the most genuinely ready-to-go projects. Time may be required for sufficient further projects to achieve the necessary level of maturity to warrant funding.

- d. Spreading funding over several years will promote ongoing productive engagement around strategy and approach to housing infrastructure and development with local actors in a way that a single allocation will not.
57. We recommend that no specific duration of the Fund be determined at this time, but an indicative period of two to five years be agreed. A more precise life of the Fund, and the timing of future Fund rounds, would be decided in early 2022 when the initial funding round was largely or entirely complete.

Further design choices

58. Subject to your agreement to the proposals in this paper there are number of material further choices to be made on the design of the Fund that will need to be decided by Cabinet, or delegated. Key questions and choices include:
- a. Scope of what activity is eligible to be funded.
 - b. Who is eligible to apply for funding in relationship to whenua Māori?
 - c. Outside of funding in relationship to whenua Māori, are there any entities other than territorial authorities that would be able to directly apply to the Fund rather than through a Territorial Authority?³
 - d. Whether and how we signal the scale of opportunity for funding for different potential applications to ensure fit-for-purpose applications and manage process fatigue (while not pre-defining exact envelopes).
 - e. What is the role of central government in supporting and influencing the development of proposals prior to their submission, in particular under the programme path?
 - f. What is the indicative funding split between the two pathways, and is this publicly communicated?
 - g. What the assessment criteria used to assess projects under both pathways and what does the evaluation process entail? What does the subsequent negotiation process entail?
 - h. Who is authorised to make final decisions and under what conditions (ie Cabinet, a group of Ministers, the Minister of Housing, the Kāinga Ora Board, the Chief Executive of Kāinga Ora).
 - i. What form does the assessment panel take and does it require independent representation?
 - j. s 9(2)(f)(iv), s 9(2)(j)
 - k. Once funding is allocated, what is the model for leading the development (i.e. directly by councils and council controlled organisations, or with an alternative entity responsible)*
 - l. s 9(2)(f)(iv), s 9(2)(j)
 - m. What mechanisms are used to ensure that this investment is complementary with other central and local government investment in land infrastructure and housing?*

³ As the administrator of the fund, Kāinga Ora will not be eligible to apply directly to the fund under any circumstances (although there may be cases where applications from Territorial Authorities relate to Kāinga Ora-owned land).

- n. What mechanisms will we employ to ensure commitments around nature of development are met including non-market outcomes?*

59. Working through as many of these issues as possible will be the focus of the next briefing (22 April) and any further advice accompanying the draft Cabinet Paper (29 April). However, there may be some matters that we cannot fully resolve in time for a May Cabinet paper. Issues we may not be able to fully resolve in that time are those with an asterisk (*) in paragraph 58 above. Many of these issues relate to complex legal, financial and commercial questions and we may only be able to set a direction of travel, rather than a final solution in the next month.

Consultation

60. The Treasury and Kāinga Ora were consulted on this paper.

Next steps

61. We remain on track for the timeline provided to you on 31 March 2021 (copied below) working toward Cabinet on 24 May.

Milestone	Date
Initial briefing on options for the overall structure of the competitive process	8 April (delivered)
Officials work on design of key Fund settings and engagement with infrastructure agencies and selected features discussed with local authorities	12- 30 April
Advice on the approach to investment for Large Scale Projects within the Infrastructure Fund	15 April
More detailed advice on key Fund settings for the competitive process, including proposed timing, and identification of issues unable to be settled for May Cabinet paper	22 April
Draft Cabinet Paper covering both components of the Infrastructure Fund	29 April
Feedback, iteration, agency and Ministerial consultation	30 April – 12 May
Cabinet paper lodged	13 May
Cabinet Development Committee	19 May
Cabinet	24 May