



## Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	15 July 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2677708
<b>Report Title</b>	Housing Infrastructure Fund – Term Loan Facility approval

## I. EXECUTIVE SUMMARY

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This report provides a brief update on changes to the Housing Infrastructure Fund Detailed Business Case and acknowledges the approval of the associated Term Loan Facility.

Council made a bid in 2017 to the \$1 billion Housing Infrastructure Fund (HIF) and was granted \$38 million. The total cost of the HIF programme is \$72 million with the remaining budget coming from Waikato District Council's Long Term Plan. The funds will be used for the construction of various wastewater and water infrastructure within Te Kauwhata Township.

The landscape for all things water related moved significantly since the initial business case was prepared. A development proposal that may impact Council's zoning and future growth was signalled (subject to District Plan review considerations), a new drinking water regulator has been established and a Sub-Regional Three Waters Strategy has been developed. In light of the changing landscape a number of the projects provided for in the HIF Detailed Business Case were put on hold while water and wastewater servicing options for the mid-Waikato were investigated.

The long-term 50 year servicing strategy for water and wastewater supply from Meremere south to Huntly will synchronise with the Sub-Regional Three Waters Strategy and inform the exact nature of water and wastewater infrastructure in Te Kauwhata and surrounding mid-Waikato area.

In May 2020, Council and WaterCare staff revised the capital works programme contained within the detailed business case into two tranches; Tranche A being the works that will continue irrespective of the outcome of the mid-Waikato Water and Wastewater Servicing Strategy with Tranche B being those works that will support the long-term servicing. Tranche B projects will be refined once the strategy has been received and agreed by the Waters Governance Board. The Ministry of Housing and Urban Development have supported this approach and based on the revised programme and related financial updates (summary attached) submitted the Term Loan Facility Agreement for approval by the Minister of Finance. The signed agreement was received by Council on the 14 July.

In accordance with Council's Treasury Risk Management Policy, projected external borrowings were approved by Council as part of the 2018-2028 Long-Term Plan process. All legal documentation in respect to external borrowing is approved by Legal Counsel prior to execution, and ultimately signed off by the Chief Executive.

The key points for noting by the Committee are as follows:

- The HIF programme of works has been split into two tranches (A&B) and the facility covers the growth related portion of specified water and wastewater capital projects only
- Tranche B works are subject to further change based on the outcome of the mid-Waikato Water and Wastewater Servicing Strategy
- Council can make a maximum of one drawdown per quarter
- Drawdowns and repayments are subject to a minimum value of \$100,000 with integral multiples of \$1,000
- All drawdowns must be completed before 30 June 2029
- Development contributions (DC's) related to the specified works will be used to make the scheduled repayments between June 2022 and June 2036
- The scheduled repayments amount to \$25 million of the \$38 million with an expectation that voluntary prepayments will be made for the remaining \$13 million from the related DC revenue
- While the drawdowns received are interest free, late repayments will be subject to interest
- The Loan Facility Agreement stipulates the following reporting requirements
  - Copy of Council's Financial Statements to be received no later than 5 months after the financial year end,
  - Annual progress reports as at 30 June each year to be received by 1 August
  - Progress reports have a stipulated format and cover
    - construction of HIF infrastructure,
    - construction of developer infrastructure,
    - land subdivision and house construction information

## **2. RECOMMENDATION**

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**THAT the report from the Chief Financial Officer be received.**

## **3. ATTACHMENTS**

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Summary of updates to the HIF financial business case

## Updates to the Financial Business Case

To facilitate HIF loan drawdowns for Te Kauwhata specific infrastructure, the business case update separates the projects into two tranches.

Tranche A contains water and wastewater works unique to Te Kauwhata, whereas Tranche B (to be confirmed in the mid-Waikato servicing strategy) will focus on strategic water and wastewater treatment options which may service a broader catchment of geographical catchment. Tranche B works, if built to service multiple townships, would likely exceed the original detailed business case as well as require an accelerated drawdown to keep the interest-free aspect of the HIF intact.

The impact of COVID-19 on the timing of development in Te Kauwhata is not yet understood and as such capital works changes and assumed timing delays in development have been updated. Council has erred on the side of caution reducing the overall per annum numbers of consents to be uplifted.

Council intends to repay the HIF loan via development contributions and maintain infrastructure through rates generated from the housing provided by the Lakeside development, other Te Kauwhata structure plan development and, where required, district wide rating growth.

The total infrastructure programme specifically for Te Kauwhata will remain capped at \$72.2 million (\$58.4 million excluding roading), with any difference in ultimate solution costs being addressed outside the HIF.

The table below compares the detailed business case with the updated programme and excludes roading:

HIF detailed business case			Update as at 6 May 2020			
Project	Total Cost	Costs sought from HIF	Tranche	Project	Total Cost	Costs sought from HIF
<b>Wastewater Treatment Plant</b> MBR plant in Te Kauwhata	\$39.1 million	\$21.5 million	<b>B</b>	<b>Wastewater Treatment</b> Mid-Waikato servicing strategy (TK related portion)	\$25.6 million (cost will exceed this, but TK contribution has been capped)	\$21.5 million No change
<b>Wastewater pump station and conveyance</b> Te Kauwhata with discharge to land / river			<b>A</b>	<b>Wastewater Treatment Consent pump station and conveyance</b> Te Kauwhata with discharge to land / river	\$13.5 million	
<b>Water treatment plant upgrade &amp; reservoirs</b>	\$19.3 million	\$16.5 million	<b>A</b>	<b>Water treatment plant upgrade to 4.5MLD</b>	\$1.2 million	\$16.5 million No change
				<b>Reservoir 1 &amp; trunk main construction</b>	\$5.7 million	

HIF detailed business case			Update as at 6 May 2020			
Project	Total Cost	Costs sought from HIF	Tranche	Project	Total Cost	Costs sought from HIF
			<b>A</b>	<b>Reservoir 2</b>	\$2.3 million	
			<b>B</b>	<b>Water treatment plant</b> Mid-Waikato servicing strategy (TK related portion)	\$10.1 million (cost may exceed this, but TK contribution has been capped)	
<b>Total cost</b>	\$58.4 million	\$38 million		<b>Total cost</b>	\$58.4 million	\$38 million

Changes to the drawdown schedule proposed in the detailed business case are as follows:

	HIF detailed business case	Update as at 6 May 2020
Total Funding Requested:	\$38 million	\$38 million
Estimated drawdown of funding	2019: \$7.4 million 2020: \$14.5 million 2021: \$16.1 million	<b>Tranche A:</b> 2018/19: Nil 2019/20: \$663,000 2020/21: \$3.6 million 2021/22: \$5.3 million 2022/23: \$2.9 million 2023/24: \$569,000 2024/25: \$64,000 2025/26: \$1.5 million 2026/27: \$116,000 <b>Tranche A total: \$14.7million</b>  <b>Tranche B:</b> 2022/23: \$1.8 million 2023/24: \$6.8 million 2024/25: \$7.6 million 2025/26: \$7.2 million <b>Tranche B total: \$23.4 million</b>  <b>Total \$38.1 (rounding)</b>
Estimated repayment period	WDC will make repayments equal to development contributions received from 2022 (year 4) onwards with balance paid in	WDC will make repayments from 2022 of at least \$1 million per annum. *

	HIF detailed business case	Update as at 6 May 2020
	2029.	June 22 – June 26 \$1 million p.a. June 27 – June 30 \$1.5 million p.a. June 31 – June 34 \$2 million p.a. June 35 – June 36 \$3 million p.a. June 37 remaining \$13 million
No. of dwellings to be constructed	2,790 Total (100 additional)  2,338 Excluding consented/lodged	<b>No change</b> 2,790 Total  2,338 Excluding consented/lodged
HIF per dwelling constructed	\$13,620	\$13,620

\*This does not tie directly to the financial business case which is based on anticipated DC income. The intention is to have a regular payment schedule with Treasury that allows the loan to remain interest free