

**In Confidence required**

Office of the Minister of Housing  
Chair, Cabinet Legislation Committee

**Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026**

**Proposal**

- 1 This paper seeks authorisation for submission to the Executive Council of the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026.

**Executive Summary**

- 2 I am seeking authorisation for submission to Executive Council of an Order in Council authorising a levy under the Infrastructure Funding and Financing Act 2020 (IFF Act). The levy will fund eligible infrastructure to enable the ‘Te Awa Lakes’ greenfield urban development project, northwest of Hamilton.
- 3 The Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 will enable \$50 million of debt finance to be raised on the strength of a 30-year levy to pay for necessary water and transport infrastructure. The levy will be charged to approximately 1,500 of the 2,500 new Te Awa Lakes properties that benefit the most from the infrastructure.
- 4 As responsible Minister, Cabinet agreed to my recommendation that the levy is established [CAB-25-MIN-0428]. Prior to making my recommendation I considered the levy against mandatory criteria set out under 27(4)-(6) of the Infrastructure Funding and Financing Act 2020 (IFF Act). These matters broadly cover whether the levy is consistent with the IFF Act’s purpose, whether the levy appropriately allocates costs across the beneficiaries of the infrastructure, and whether the levy is affordable for levy payers and in their long-term interests.
- 5 Since recommending the levy be established, technical and minor changes to the terms of the recommendation report that the levy order is drafted on have been identified. These changes primarily result from more favourable financing conditions that benefit eventual levy payers. I have agreed to these changes to the recommendation report to ensure they are reflected in the levy order.
- 6 If Cabinet agrees, the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 will be submitted to Executive Council on 23 March 2026, published in the Gazette on 24 March 2026 and come into effect on 21 April 2026; however, the 30-year levy period will commence on 1 July 2027.

## Policy

- 7 I am seeking authorisation for submission to Executive Council of the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 (Levy Order). This will give effect to Cabinet’s agreement to the use of a levy under the Infrastructure Funding and Financing Act 2020 (IFF Act) to enable the funding of eligible infrastructure relating to the Te Awa Lakes urban development project [CAB-25-MIN-0428].
- 8 Note, since Cabinet’s agreement I have approved technical and minor changes to the terms of the *Te Awa Lakes Joint Venture IFF Act Recommendation Report* (Recommendation Report) that sets out the terms that the Levy Order is drafted on.

## Background

- 9 ‘Te Awa Lakes’ is a greenfield urban development project anticipated to deliver approximately 2,500 new residential dwellings, as well as various commercial and recreational facilities, across three development phases northwest of Hamilton City.<sup>1</sup>
- 10 The IFF Act enables a funding and financing model for the provision of infrastructure for housing and urban development, free of local authorities’ funding and financing constraints. The Levy Order will enable a special purpose vehicle (SPV), owned by National Infrastructure Funding and Financing Limited (NIFF), to provide up to \$50 million towards the construction costs of eligible water and roading infrastructure projects necessary to enable Te Awa Lakes.
- 11 The SPV will raise finance on the strength of a 30-year levy charged to approximately 1,500 of the anticipated 2,500 new properties within the development that stand to benefit the most from the relevant infrastructure projects. Approximately \$143.38 million<sup>2</sup> of levy revenue can be collected from these properties over the 30-year levy period to repay finance and other eligible costs.<sup>3</sup> Hamilton City Council will be responsible for collecting the levy revenue, which will then be provided to the SPV.
- 12 As the responsible Minister, I may only recommend a levy order be authorised under section 27(1) of the IFF Act if I am “satisfied that authorising the proposed levy is appropriate having regard to the matters set out in subsection (4) and in accordance with subsections (5) and (6).”<sup>4</sup>
- 13 The matters set out in subsection (4) are:
- 13.1 whether the levy proposal is consistent with the purpose of the IFF Act
  - 13.2 the extent of expected benefits outside the levy area compared with expected benefits within the levy area

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<sup>1</sup> The final enabling infrastructure project is expected to be completed late 2030.

<sup>2</sup> The maximum levy revenue that can be collected is exactly \$143,381,327 (excluding GST).

<sup>3</sup> Section 9 of the IFF Act 2020 sets out the meaning of eligible costs.

<sup>4</sup> Subsections 27(5) and (6) are not relevant to my consideration as the proposed levy does not seek to apply sections 99 or 142 of the IFF Act (the power to construct eligible infrastructure on private land, and the limit on usual rules for transactions and dispositions at under value respectively).

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- 13.3 the distribution of expected benefits in the levy area as a whole or any identifiable part of the levy area, and to persons in the levy area
  - 13.4 the extent to which the actions or inaction of particular persons or a group contribute to the need to undertake the construction work
  - 13.5 the period over which benefits are expected to occur
  - 13.6 the long-term interests of levy payers over the levy period
  - 13.7 the affordability of the levy for levy payers and the sustainability of its payment by them over the levy period
  - 13.8 all other matters of practicality, efficiency, and equity that the responsible Minister considers relevant, including whether the expected returns on the capital provided by holders of debt or equity are consistent with outcomes produced in workably competitive markets.
- 14 I assessed the levy proposal against all the required matters above, based on the analysis in the Recommendation Report, and was satisfied that authorising the proposed levy is appropriate.
- 15 A key feature of this IFF levy is that owners of properties will effectively opt-in or consent to the levy when they purchase property in the levy area.<sup>5</sup> The levy will be disclosed prior to purchase and factor into affordability considerations, such as mortgage assessments. Table 1 illustrates indicative annual levies at five-year intervals:<sup>6</sup>

*Table 1: Indicative levy for developed properties per \$1million of Capital Value<sup>7</sup>*

<b>Levy year ending 30 June</b>	<b>2028</b>	<b>2032</b>	<b>2037</b>	<b>2042</b>	<b>2047</b>	<b>2052</b>	<b>2057</b>
<b>Residential</b>	\$2,100	\$2,364	\$2,740	\$3,177	\$3,683	\$4,269	\$4,949
<b>Commercial</b>	\$2,730	\$3,073	\$3,562	\$4,130	\$4,788	\$5,550	\$6,434

*NB: Sums have been rounded and are plus GST, if any.*

- 16 Cabinet agreed with my recommendation that a Levy Order be established [CBC-25-MIN-0063].

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<sup>5</sup> The two established IFF levies to date are city-wide levies proposed by the relevant territorial authorities. Residents within these territorial authorities' boundaries did not choose to opt-in to the levy.

<sup>6</sup> The Levy Order will be in effect for 30 years, from 1 July 2027 to 30 June 2057.

<sup>7</sup> The forecast excess levy mechanism provides for adjustments to the levy when specified conditions are met and actual levies charged will be determined by a number of factors, for example, a properties' capital value and the mix of residential and commercial land.

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### *Technical and minor updates*

- 17 Section 27(3)(b) requires that if I recommend a levy be authorised, I may only do so on the terms set out in the Recommendation Report.
- 18 Since the Recommendation Report was submitted and Cabinet agreed to authorise the Levy Order, beneficial technical or minor changes have been identified, primarily as the result of more favourable financing conditions. I have agreed to the following changes to the Recommendation Report:
- 18.1 to update certain interest rate assumptions when undertaking specified forecast excess levy calculations resulting from a refinancing of debt from 1.90 percent and 1.60 percent to 1.70 percent and 1.45 percent respectively
- 18.2 to clarify that the SPV must complete forecast excess levy assessments as at 31 December, unless otherwise indicated
- 18.3 to a reduction of the maximum levy revenue from s 9(2)(b)(ii) to \$143,381,327.00 and all associated levy components and financial figures in the levy to reflect lower financing costs from lower-than-expected wholesale interest rates and NIFF's application of the IFF Greenfield Model – the model enables concessional lending during riskier project periods e.g., construction.
- 19 I consider these updates do not change the intent or function of the levy model, rather they improve clarity and reflect more beneficial financial conditions for levy payers.

### *Government Support Package*

- 20 SPVs established under the IFF Act require a Government Support Package (GSP) to provide their external financiers with protection from residual revenue collection risks arising from changes or challenges to the Levy Order.
- 21 The GSP will be an indemnity issued by the Minister of Finance under section 65ZD of the Public Finance Act 1986. Treasury officials intend to provide the Minister of Finance with advice on the GSP to aid her consideration of it concurrent with this Committee's consideration of the Levy Order.

### **Timing and 28-day rule**

- 22 If Cabinet authorises submission of the Levy Order to Executive Council, I propose delaying submission by one week to 23 March 2026 to allow time for the Minister of Finance to consider advice on the GSP.
- 23 I propose the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 comes into effect on 21 April 2026, 28-days after its notification in the New Zealand Gazette. The 30-year levy period will commence 1 July 2027.

### **Financial implications**

- 24 The SPV's borrowing, NIFF's lending to the SPV and the grant of the GSP will have the following respective impacts:

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- 24.1 The levy is fiscally neutral as levy income is recognised at the same time the SPV pays grant funding to Te Awa Lakes to meet its construction costs, and for similar accounts;
- 24.2 The SPV's debt does not impact on net core Crown Debt as NIFF is a Schedule 4A Company and is not included in this financial indicator. The SPV's debt, expected to peak at \$60 million in 2031, will increase the Government's total borrowings;
- 24.3 NIFF's lending to the SPV on concessional terms during the development period requires recognition of an upfront expense from charging a lower interest rate than what the competitive market would have done; and
- 24.4 The GSP will be recorded as a contingent liability in the Financial Statements of the Government of New Zealand.

### Compliance

- 25 This Levy Order complies with:
  - 25.1 the principles of the Treaty of Waitangi
  - 25.2 advice from the Treaty Provisions Officials Group on any Treaty of Waitangi provisions
  - 25.3 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or Human Rights Act 1993
  - 25.4 the principles and guidelines set out in the Privacy Act 2020
  - 25.5 relevant international standards and obligations
  - 25.6 the Legislation Design and Advisory Committee *Legislation Guidelines* (2021).

### Regulations Review Committee

- 26 There are no anticipated grounds for the Regulations Review Committee to draw the secondary legislation to the attention of the House of Representatives under Standing Order 327.

### Certification by Parliamentary Counsel

- 27 The draft Levy Order has been certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.

### Impact Analysis

- 28 The Ministry for Regulation determined that the proposal was exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it would substantively duplicate the Report. The Report formed the basis for Cabinet's agreement to establish the Levy Order.

**Publicity**

- 29 I intend to publish a press release once the Levy Order has been notified in the New Zealand Gazette.
- 30 Once notified, the Ministry of Housing and Urban Development (HUD) will publish a news item and information about the Levy Order on its website. HUD will publish a copy of the Recommendation Report, as required by the IFF Act. Te Awa Lakes Joint Venture, NIFF and Hamilton City Council will also publish relevant information about the levy.

**Proactive release**

- 31 I intend to proactively release this paper, and other related materials with relevant redactions, within 30 business days of final decisions being taken by Cabinet.

**Consultation**

- 32 In considering the Report I consulted with the Ministers of Finance, Commerce and Consumer Affairs and Local Government before seeking policy agreement and in accordance with the requirements of section 28 of the IFF Act.
- 33 In preparing the draft Levy Order, HUD consulted Treasury and NIFF and their advisors, and NIFF facilitated consultation with Te Awa Lakes Joint Venture and their advisors, Bank of New Zealand and Hamilton City Council.
- 34 In preparing this paper, HUD consulted with the Treasury, the Ministry of Business, Innovation and Employment, the Department of Internal Affairs, the Ministry of Justice and the Parliamentary Counsel Office.

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### Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 Note that on 24 November the Cabinet Business Committee agreed to the use of the Te Awa Lakes levy under the Infrastructure Funding and Financing Act 2020 to enable Te Awa Lakes Limited (on behalf of Te Awa Lakes Joint Venture) to fund eligible costs relating to the Te Awa Lakes urban development [CBC-25-MIN-0063];
- 2 Note that since Cabinet's agreement, I have agreed to updates to the terms of *Te Awa Lakes Joint Venture IFF Act Recommendation Report*;
- 3 Note that the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 will give effect to the decision referred to in paragraph 1 above, and includes the updates referred to in paragraph 2;
- 4 Note that section 27(1) of the Infrastructure Funding and Financing Act 2020 requires that the responsible Minister be satisfied that authorising the proposed levy is appropriate having regard to the matters set out in subsection (4) and in accordance with subsections (5) and (6) before recommending the making of an Order in Council by the Governor-General under section 29;
- 5 Note my advice that this requirement has been met;
- 6 Authorise the submission to the Executive Council of the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026;
- 7 Agree to submit to the Executive Council the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 on 23 March 2026 to enable the Minister of Finance sufficient time to consider the Government Support Package.
- 8 Note that the Infrastructure Funding and Financing (Te Awa Lakes Project Levy) Order 2026 will come into force on 21 April 2026, however, levies will not begin to be charged until 1 July 2027.

Authorised for lodgement

Hon Chris Bishop

Minister of Housing

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