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Office of the Minister of Housing and Associate Minister of Finance
Cabinet Business Committee

Infrastructure Funding and Financing Act 2020 – Te Awa Lakes Levy Proposal

Proposal

- 1 This paper seeks Cabinet agreement to the use of a levy under the Infrastructure Funding and Financing Act 2020 (IFF Act) to enable Te Awa Lakes Limited (TAL) (on behalf of Te Awa Lakes Joint Venture (TALJV)) to fund eligible costs relating to the Te Awa Lakes urban development project.

Relation to government priorities

- 2 This is a routine operational matter that requires Cabinet approval.

Executive Summary

- 3 I am recommending an IFF Act levy is established to fund water and transport infrastructure projects to enable the ‘Te Awa Lakes’ urban development project. Te Awa Lakes is expected to deliver approximately 2,500 new homes, and various commercial and recreational facilities northwest of Hamilton City.
- 4 The proposed levy would enable a special purpose vehicle (SPV) to provide up to \$50 million towards the construction costs of the proposed infrastructure projects. Financing would be raised by the SPV on the strength of a 30-year levy charged to levy payers across most of the first phase of Te Awa Lakes.
- 5 If authorised, it would be the first application of the IFF Greenfield Model I announced earlier this year. This model aims to accelerate housing supply by providing concessional financing, through National Infrastructure Funding and Financing Limited (NIFF), during the often-riskier development phase.
- 6 I have assessed the levy proposal against all the required matters under the IFF Act, and I am satisfied that authorising the proposed levy is appropriate as the levy:
 - 6.1 Is consistent with the purpose of the IFF Act.
 - 6.2 Appropriately allocates the cost of infrastructure both across time and location to the beneficiaries of the proposed infrastructure projects.
 - 6.3 Is in the long-term interests of the levy payers and likely to be affordable for them across the entire levy period.
- 7 A key feature of the proposed levy is eventual owners of properties would effectively opt-in or consent to the levy when they purchase property in the levy area. As the proposed levy would be disclosed prior to purchase, it would be factored into

affordability considerations, such as a mortgage assessment. I think it is reasonable to expect that eventual owners would only purchase property if they, and their bank, considered the levy affordable.

- 8 Under the IFF Act, the use of a levy to fund eligible costs relating to eligible infrastructure requires an Order in Council (Levy Order), made by the Governor-General, on recommendation of the responsible Minister. This paper seeks Cabinet's agreement to my recommendation that the proposed levy is authorised.
- 9 Should Cabinet agree to my recommendation, the decision will not be communicated publicly until a Levy Order is authorised by the Executive Council and gazetted. This is due to certain commercial sensitivities while financial agreements are finalised post Cabinet's agreement.

Background

- 10 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.¹
- 11 Te Awa Lakes Limited (TAL) has submitted a levy proposal under the Infrastructure Funding and Financing Act 2020 (IFF Act) for water and transport projects necessary to enable Te Awa Lakes.² **Annex A** contains a description of these projects.
- 12 If authorised, the levy would:
 - 12.1 Enable a special purpose vehicle (SPV), owned by NIFF, to raise debt, financed on the strength of a 30-year levy (i.e., 1 July 2027 to 30 June 2057) charged to the majority of property owners in the first phase of Te Awa Lakes (approximately 1,500 properties).
 - 12.2 Enable the SPV to provide TAL with up to \$50 million towards the construction of the infrastructure projects.
 - 12.3 Be collected by Hamilton City Council (HCC) and provided to the SPV. The maximum levy revenue (MLR) that could be collected and used for eligible costs would be approximately s 9(2)(b)(ii) (plus GST, if any).³
- 13 I understand NIFF expects to invest \$1 million of equity into the SPV and that the SPV's debt finance would be a mixture of s 9(2)(b)(ii) of primary private financier debt and s 9(2)(b)(ii) of secondary NIFF debt.⁴ NIFF has advised their secondary debt will be provided on concessional terms during the development period and is likely to be refinanced later, consistent with the IFF Greenfield Model.⁵

¹ The final infrastructure project is expected to be completed late 2030.

² TAL submitted the proposal on behalf of Te Awa Lakes Joint Venture (TALJV). TAL is a bare trustee established by TALJV to submit the proposal and be party to certain agreements (e.g., vesting agreement).

³ As financial close occurs post-gazette of a Levy Order, the actual MLR could be less (but no more) than this.

⁴ Primary and secondary are intended to illustrate that private financier debt would have priority for repayments should the SPV seek to recover funding through land sales for example.

⁵ A total of \$60 million of finance is needed to provide \$50 million towards the costs of the proposed infrastructure projects because of capitalised interest during the construction period

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- 14 The private financier's offer is subject to certain financial conditions being met (i.e., relating to wholesale interest rates and the amount of levy charged per property), and if those conditions are not met they will not participate in this transaction. In this scenario, NIFF will provide all of the debt finance, on concessional terms with the aim of refinancing upon completion of the development. I understand the most likely outcome is that the private financier will participate in the transaction.
- 15 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 proposed Levy Order (Order in Council).
- 16 The proposed GSP will primarily cover losses to external financiers should the following events occur and result in the reduction of the amount of Levy revenue that can be charged by the SPV:
- 16.1 amendment or termination of the proposed Levy Order; or
 - 16.2 successful judicial review proceedings.
- 17 If granted, the GSP would be an indemnity issued by the Minister of Finance under section 65ZD of the Public Finance Act 1989. If Cabinet agrees to the levy, Treasury officials will provide the Minister of Finance with advice on the GSP following the Cabinet Legislation Committee's consideration of the Levy Order, once it is drafted, in early 2026.

Analysis

- 18 As the responsible Minister, I may only recommend a levy order be authorised under section 27(1) of the IFF Act if "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)."⁶
- 19 The matters I am required to consider broadly cover whether the levy:
- 19.1 is consistent with the IFF Act's purpose;
 - 19.2 appropriately allocates costs across the beneficiaries of the infrastructure; and
 - 19.3 is affordable for levy payers and in their long-term interests.
- 20 A levy under the IFF Act can only be charged if authorised by an Order in Council (a Levy Order) made by the Governor-General on the recommendation of the Minister responsible for the IFF Act.
- 21 I have assessed the Te Awa Lakes levy proposal against all of the matters set out in section 27(4) and I am satisfied that authorising the proposed levy is appropriate for the following reasons.

⁶ 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).

Subsection 27(4) of the IFF Act

- 22 I am satisfied the proposed levy is consistent with the purpose of the IFF Act as it:
- 22.1 **Provides a funding and financing model for the provision of infrastructure for urban development** – Te Awa Lakes development is a greenfield urban development project expected to deliver new residential dwellings and various commercial and recreational facilities.
 - 22.2 **Supports the functioning of urban land markets** – The proposed levy would enable the delivery of up to 2,500 new properties, a significant addition of new housing stock and at an accelerated pace for Hamilton City.⁷
 - 22.3 **Reduces the impact of local authority funding and financing constraints** – HCC is not required to contribute any funding or financing. TAL/TALJV are responsible for additional funding and delivering the infrastructure projects.
 - 22.4 **Supports community needs in Hamilton** – TALJV has committed to providing at least 10 per cent quality integrated market affordable housing within the overall Te Awa Lakes development, however, they aim for 20 per cent.
 - 22.5 **Appropriately allocates the costs of the infrastructure** – I have set out why the levy does this below.
- 23 I am satisfied the proposed levy appropriately allocates the cost of infrastructure both to those who most benefit and across time because:
- 23.1 The main beneficiaries⁸ of the proposed infrastructure projects would be the eventual owners and/or occupants of Te Awa Lakes properties that are enabled to purchase (or occupy) property and receive ongoing services.
 - 23.2 Properties within the levy area would gain approximately \$5.4 million more in benefits than they ‘contribute’ through the IFF funding.⁹
 - 23.3 Most of the remaining costs would apply to other Te Awa Lakes properties (i.e., those already sold or to be developed later) and only a marginal amount would apply to properties outside of the development perimeter.
 - 23.4 The 30-year levy period broadly aligns with the expected useful life of the proposed infrastructure projects (anticipated to be 25-35 years before requiring additional capital expenditure).
- 24 I am satisfied the proposed levy is in the long-term interests of the levy payers and is likely to be affordable for most across the levy period:

⁷ An average of 1,336 new residential dwelling consents were issued per year over the last ten years in Hamilton: <https://qem.infometrics.co.nz/hamilton-city/housing/residential-consents>

⁸ Using infrastructure costs and catchment areas as an appropriate proxy for quantifying benefit.

⁹ Approximately \$55.4 million of infrastructure cost is attributable to the levy area.

- 24.1 **Long-term interest of levy payers** – The levy enables prospective buyers to purchase properties sooner than an alternative funding approach.
- 24.2 **Affordability for ‘undeveloped’ land¹⁰** – TALJV, as the initial landowner and therefore levy payer, has effectively consented to the levy through the proposal. TALJV would be incentivised to develop and sell properties as soon as possible to lower their total levy costs.
- 24.3 **Affordability for residential and commercial levy payers** – Eventual property owners would effectively opt-in or consent to the levy by purchasing property within the levy area. Eventual property owners would only opt-in if they, and generally their bank if mortgaged, are satisfied the proposed levy is affordable when considered against income and expenses, and the planned use of the property (i.e., for lease).
- 25 The proposed levy would be calculated differently based on the size and rating categorisation of the land and applied annually first to ‘developed’ residential and commercial properties at a levy rate per square metre. In some years it may be necessary to charge a levy to ‘undeveloped’ land to cover the full annual levy.¹¹
- 26 Table 1 below illustrates the expected annual levy at five year intervals.¹²

Table 1: Indicative levy per for developed properties per \$1 million of CV

Levy year ending 30 June	2028	2032	2037	2042	2047	2052	2057
Residential	\$2,320	\$2,611	\$3,027	\$3,509	\$4,068	\$4,716	\$5,467
Commercial	\$3,016	\$3,394	\$3,935	\$4,562	\$5,288	\$6,131	\$7,107

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

- 27 Commercial properties and their customers would be expected to place a greater demand on the proposed infrastructure and have a greater ability to pay, therefore would be charged at a rate 1.3 times higher than residential properties.
- 28 I consider the design of the proposed levy has balanced equity with practicality and efficiency considerations because:
- 28.1 extending the levy to other development areas would be impractical due to timing uncertainties and administratively complex due to some future development phases being beyond HCC’s boundaries; and
- 28.2 applying the levy to properties already sold or subject to sale and purchase agreements could create affordability and equity concerns.

¹⁰ For the purpose of the Te Awa Lakes levy proposal ‘undeveloped’ properties would be properties that are greater than 700 square metres and ‘developed’ properties would be properties equal to or less than 700 square metres and categorised as residential or commercial (or the equivalent) on HCC’s rating database.

¹¹ The Levy Order will set out key information including the levy payer categories (i.e., developed and undeveloped), intended annual levy and levy rate per square metre.

¹² The annual levy for undeveloped properties levy year ending 30 June 2028 would be approximately \$1,289 per 1,000 square metres (the actual levy allocation would depend on the speed of development).

- 29 I also consider the proposed debt and equity arrangements would result in outcomes broadly consistent with what would be expected in a competitive market. While NIFF's concessional financing offers more beneficial outcomes for levy payers than those available from competitive markets, it is consistent with the Greenfield Model.

Alternative funding approach

- 30 If a levy order is not authorised, TAL (and TALJV) would either:
- 30.1 downsize the development to reduce costs and deliver infrastructure as pre-sales allowed for sufficient borrowing (if feasible); or
 - 30.2 be reliant on HCC agreeing to fund the necessary infrastructure even though HCC have confirmed there is no funding provision for Te Awa Lakes regardless of whether the proposed levy is authorised.

I consider the proposed levy is appropriate

- 31 As responsible Minister for the IFF Act, I am satisfied that authorising the proposed Te Awa Lakes levy is appropriate.

Cost-of-living Implications

- 32 There are no general cost-of-living implications on New Zealanders' ability to maintain their standards of living. The proposed levy is likely to be affordable for those who would be subject to the levy as it would only apply to ratepayers who choose to purchase or occupy property in the proposed levy area.

Financial Implications

- 33 If authorised, the levy, the SPV's borrowing, NIFF's lending to the SPV, and the grant of the GSP will have the following respective impacts:
- 33.1 The levy is fiscally neutral as a levy income is recognised at the same time the SPV pays grant funding to TAL to meet its construction costs, and for similar amounts;
 - 33.2 The SPV's debt does not impact net core Crown Debt as NIFF is a Schedule 4A Company and is not included in this fiscal indicator. The SPV's debt, expected to peak at \$60 million in 2031, will increase the Government's total borrowings;
 - 33.3 NIFF's lending to the SPV on concessional terms during the development period requires it to recognise an upfront expense of ~~§ 9(2)(b)(ii)~~ from charging a lower interest rate than what a competitive market would have done; and
 - 33.4 The GSP will be recorded as a contingent liability in the Financial Statements of the Government of New Zealand.
- 34 The upfront expense recognised by NIFF for its moderately concessional lending will depend on whether, as expected, the private debt financier is involved in the transaction or whether NIFF provides all the debt finance itself. If the private debt

financier is involved in the transaction the upfront expense will not exceed s 9(2)(b)(ii) If NIFF provides all the debt finance, then the upfront expense will not exceed s 9(2)(b)(ii)

- 35 A \$10 million appropriation for expenses arising from NIFFs concessional lending to IFF Act SPVs was established in Budget 2025 and a corresponding OBEGALx impact for the 2027/28 financial year was recognised.
- 36 I seek Cabinet approval for the Minister of Finance and me (in my capacity as Associate Minister of Finance) to jointly agree the transfer of up to s 9(2)(b)(ii) of funding from the 2027/28 financial year to the 2025/26 financial year to meet the interest concession arising from the proposed Te Awa Lakes transaction, depending on the final financing arrangements for it.
- 37 This transfer will be fiscally neutral over the forecast period. Overall, the proposed Te Awa Lakes transaction is fiscally neutral and has no impact on OBEGALx or net core Crown debt over the forecast period.

Legislative Implications

- 38 A Levy Order under section 29 of the IFF Act is required to authorise the use of the proposed levy. The Levy Order will identify the levy area, describe the eligible infrastructure, specify the eligible costs and the levy period, in addition to a number of other matters that must be included in the Order. A Levy Order is made by the Governor-General on the recommendation of the responsible Minister for the IFF Act. If Cabinet agrees to the proposed levy, once the Levy Order is drafted, I will seek authorisation from the Cabinet Legislation Committee to submit the draft Levy Order to the Executive Council for approval.

Impact Analysis

- 39 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement (RIS) on the grounds that it would substantively duplicate the recommendation report. This exemption is granted on the condition that the document contains all the requirements that would otherwise be included in the RIS.
- 40 An internal Regulatory Impact Analysis panel at the Ministry for Housing and Urban Development (the Quality Assurance Panel) has reviewed the recommendation report and confirmed that it contains these requirements. The Quality Assurance Panel notes that the report addresses matters that may be considered for decisions under the Act.
- 41 The IFF Act requires that the recommendation report to the Minister consider a set of criteria that does not include consultation. The agreed approach to meeting this requirement for quality assurance is for the consultation process to be addressed in the Cabinet paper accompanying further decisions on this proposal.
- 42 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Human Rights and Population Implications

- 43 The proposed levy and Levy Order is not expected to be inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.
- 44 Section 24 of the IFF Act requires consent to include protected Māori land. No protected Māori land was identified within the proposed levy area and therefore no consent was sought. The levy would not apply to any protected Māori land within the proposed levy area meaning owners of this land will not be required to pay the levy.

Use of external Resources

- 45 In assessing TAL's levy proposal and providing advice to the Minister of Housing, the Ministry of Housing and Urban Development (the Ministry) did not engage any external resources such as contractors or consultants.
- 46 In assisting TAL to develop the levy proposal, NIFF did engage external resources including, KPMG and MAFIC as joint lead financial advisors and Bell Gully and Hugh Kettle as external legal advisors for analysis and collateral production where NIFF does not have the required technical expertise and/or capacity in house.
- 47 The Treasury also obtained external legal advice from Simpson Grierson to assist in negotiation of the GSP and other contractual agreements. Simpson Grierson provided specialist commercial contract, debt capital markets and local authority legal expertise that was not available within the Treasury's internal legal team.

Consultation

- 48 I have consulted the Ministers of Finance, Commerce and Consumer Affairs, and Local Government in advance of lodgement of this paper, in accordance with the requirements of section 28 of the IFF Act.
- 49 The Ministry consulted the Treasury, Ministry of Business, Innovation and Employment, and Department of Internal Affairs (as the agencies responsible for the above Acts) in the preparation of the recommendation report.
- 50 In preparing this paper, the Ministry has consulted with the Treasury, Ministry of Business, Innovation and Employment, and the Department of Internal Affairs.

Communications

- 51 I do not intend to communicate this proposal or Cabinet's decision in relation to the levy until a Levy Order is made. If Cabinet does not agree to the use of the proposed levy, I will write to TAL to inform them of the decision.

Proactive Release

- 52 I do not intend to proactively release Cabinet material until such time as the proposed Levy Order is authorised by the Executive Council given the commercial sensitivities of the proposed levy to TAL.

- 53 If Cabinet does not agree to the use of the proposed levy, the Cabinet material will be released within 30 days of final decisions being confirmed by Cabinet, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

I recommend that the Cabinet Business Committee:

- 1 **Note** that on 5 September 2025, Te Awa Lakes Limited, on behalf of Te Awa Lakes Joint Venture, submitted a levy proposal to use the funding and financing model enabled by the Infrastructure Funding and Financing Act 2020 for water and transport infrastructure necessary to enable its Te Awa Lakes urban development project.
- 2 **Note** that the proposed Te Awa Lakes levy would:
 - 2.1 Apply from 1 July 2027 to 30 June 2057 to all properties within the proposed levy area; and
 - 2.2 Allow a maximum of s 9(2)(b)(ii) (plus GST, if any) of levy revenue to be collected over the entire levy period.
- 3 **Note** that a special purpose vehicle would raise finance on the strength of the levy and that this finance would enable a special purpose vehicle to provide up to \$50 million towards the construction costs of eligible water and transport infrastructure.
- 4 **Note** that a Levy Order under the Infrastructure Funding and Financing Act 2020 would be required to authorise the charging of the levy referred to in recommendation 3 above.
- 5 **Note** that section 27 of the Infrastructure Funding and Financing Act 2020 requires that the responsible Minister may only recommend the authorisation of a levy order if:
 - 5.1 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).
 - 5.2 The responsible Minister has received a recommendation report that includes all endorsements and consents under sections 20, 21 and 24.
 - 5.3 The levy is being recommended on terms set out in the recommendation report.
- 6 **Note** that section 28 of the Infrastructure Funding and Financing Act 2020 requires that, before recommending the authorisation of a levy order, the responsible Minister first consult the Ministers responsible for the following Acts:
 - 6.1 the Commerce Act 1986
 - 6.2 the Credit Contracts and Consumer Finance Act 2003
 - 6.3 the Local Government Act 2002

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- 6.4 the Local Government (Rating) Act 2002
- 6.5 the Public Finance Act 1989.
- 7 **Note** that I consider that the requirements referred to in recommendation 6 and 7 have been satisfied.
- 8 **Agree** to the use of the proposed 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 project.
- 9 **Invite** the responsible Minister to instruct the Parliamentary Counsel Office to draft an Order in Council to authorise the use of the Te Awa Lakes levy.
- 10 **Note** that the Order in Council will be drafted on the terms set out in the recommendation report prepared under section 26 of the Infrastructure Funding and Financing Act 2020.
- 11 **Note** that the debt financing the levy supports will include concessional lending from NIFF that requires an upfront expense of between ~~s 9(2)(b)(ii)~~ to ~~s 9(2)(b)(ii)~~ to be recognised. An existing Vote Finance appropriation of \$10 million “Greenfield Model Lending – Interest Concessions” already exists for this purpose.
- 12 **Agree** to delegate the authority to the Minister of Finance and I (in my capacity as Associate Minister of Finance), to jointly agree the transfer of up to \$5 million of funding from the 2027/28 financial year to the 2025/26 financial year from the above appropriation.
- 13 **Note** that the above transfer will be fiscally neutral over the forecast period and have no impact on OBEGALx or net core Crown debt.

[Authorised for lodgement]

Hon Chris Bishop

Minister of Housing

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Appendix A

Table 2: Proposed Te Awa Lakes infrastructure projects

Infrastructure project	Description
Large Stormwater Lake including wetlands	Construction of a large stormwater treatment lake, providing both water quality management and recreational/ visual amenity for residents. Includes wetland areas for natural filtration.
Outfall to Awa	Final stage of stormwater treatment, where cleaned water is released into the Waikato Awa via landscaped wetlands.
Main Road (Road 1) including Bridge/ culvert over Stormwater Lake	Primary spine road through Zones 1–4 of the Te Awa Lakes development, connecting to Hutchinson Road. Includes a bridge or culvert crossing the stormwater lake.
Hutchinson Road upgrade (main entrance) including Roundabout – Service Centre	Upgrade of Hutchinson Road, the main entrance to Te Awa Lakes, linking to Te Rapa Road and the Service Centre. Includes a new roundabout.
Pump Station to service HEN and HES	Wastewater pump station to serve residential and employment zones (HEN and HES).
Waste Water Rising Main	Pressurised pipeline system to transport wastewater from the pump station to the main sewer network.
Three Waters (combined Zone 1 + Zone 2)	Provision of water supply, wastewater, and stormwater infrastructure for Zones 1 and 2 (outside of super lot).