

Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 – Additional Information

Background on IFF Act

- The IFF Act introduced a new funding and financing model for the provision of new and upgraded infrastructure for housing and urban development. The Act enables infrastructure projects to be delivered free of local authorities' financing constraints or from charging high upfront costs to developers.
- The new model enables special purpose vehicles (SPVs) to fund infrastructure projects that support housing and urban development. SPVs will repay any finance raised by charging a levy to those who benefit from the infrastructure (for example, landowners in the area serviced by the new infrastructure).

Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022

- The Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 is the first Order in Council (Levy Order) established under the IFF Act.
- The Levy Order authorises TSP Finance LP, a special purpose vehicle (SPV) wholly owned by Crown Infrastructure Partners (CIP), to charge a levy to most properties in Tauranga City Council's (TCC) rating area for 30 years from 1 July 2024.
- The SPV will provide approximately \$175 million towards the construction costs of some or all of 13 projects that have been selected from the Transport System Plan (TSP).
- The CIP SPV has raised funds from CIP, Westpac New Zealand Limited, and Bank of New Zealand. This funding has been raised on the strength of the levy and the revenue stream it provides.
- The TSP levy will partially replace a targeted rate TCC is charging to fund its transport activity.
 - Levypayers' total rates bills are not expected to change materially with the inclusion of the levy and the reduction in the targeted rate.
 - Use of the levy frees up debt headroom for TCC, creating capacity for additional infrastructure investments that will benefit Tauranga residents.
- The transport projects will be delivered by either Tauranga City Council, Waka Kotahi, or by both.

Eligible Transport System Plan Projects

- The Transport System Plan is made up of 72 individual transport projects designed to better connect the region and enable Tauranga City to become a more liveable and carbon-efficient city (for example, advancing projects designed to increase use of public transport and/or cycling lanes).

The TSP levy can be applied towards eligible costs of 13 projects selected from the TSP. The levy would enable the SPV to provide approximately \$175 million of funding towards the construction costs of some or all of the 13 selected TSP projects.

- The 13 eligible TSP projects are:
 - **Hewletts Road sub access area** – Transport infrastructure works in the Hewletts Road project area to improve access to the Port of Tauranga and Mount Maunganui.
 - **Connecting the People Fifteenth Avenue to Welcome Bay** – Transport Infrastructure works on the route between City Centre fringe and Fifteenth Avenue, Turret Road and Welcome Bay to improve access to and from Te Papa Peninsula and City Centre.
 - **Tauriko West enabling works package** – Transport infrastructure works to support new urban development and housing in Tauriko West, while also supporting the inter-regional freight movement function of SH29.
 - **Cameron Road multi-modal upgrade stage 1** – Transport works (including public transport, cycling and walking) on Cameron Road between Harington Street and Tauranga Hospital.
 - **Cameron Road multi-modal upgrade Stage 2** – Transport infrastructure works (including public transport, cycling and walking) on Cameron Road between 15th Avenue Tauranga Hospital area and through Barkes Corner to integrate with Pyes Pa Road.
 - **Cameron Road corridor connections** – Transport infrastructure works to improve access to Cameron Road to support the use of bus, walking and cycling facilities delivered in the stage 1 and 2 upgrade works.
 - **Primary cycle route facilities (Accessible Streets Area A)** – Improvements to walking, cycling and public transport facilities in Mount Maunganui, Papamoa and the CBD.
 - **Primary cycle route facilities (Accessible Streets Area B)** – Improvements to walking, cycling and public transport facilities in Otumoetai, Bellevue, and Brookfield.
 - **Tauranga Crossing bus facility improvements** – Transport infrastructure, including a public transport hub, to support multi-modal access to and from the Tauriko commercial area in and around Tauranga Crossing.
 - **City Centre transport hub** – Transport infrastructure, including a public transport hub and support for active transport modes, to support multi-modal access to and from the city centre.
 - **Barkes Corner to Tauranga Crossing multi-modal (local road component)** – Transport infrastructure works to improve public transport connections between

some local roads and SH36 on the corridor between Cameron Road and the Tauriko commercial centre in and around Tauranga crossing.

- **SH2 revocation (Cameron Road to Bethlehem)** – Transport infrastructure works to support improvements to local roading networks to integrate with the revocation of the existing SH2.
- **Maunganui road future proofing** – Infrastructure upgrades to roading, cycling and pedestrian facilities to improve safety and speed management. Enables improved connections and parking amenities to Blake Park & Mt Maunganui College.

Leviable properties

- The levy would apply to all properties within TCC's rating area, excluding any protected Māori land (as defined by section 11 of the IFF Act). Properties subject to TCC's rates remission policy will also not be charged the levy.

Collecting the levy

- Over the entire 30-year period in which the levy may be charged, the maximum amount of levy revenue that may be collected is approximately \$525 million (plus GST, if any).
- Fifty per cent of the proposed levy would be charged to residential rating units in the levy area and fifty per cent will be charged to commercial rating units.
- The capital value (CV) of a rating unit will be used for assessing the annual levy liability of that rating unit:
 - It is estimated that a median CV residential rating unit would be charged a levy of \$68 in the first levy year (2024/25), increasing to \$80 in 2029/30 and \$95 in 2034/35.
 - It is estimated that a median CV commercial property would be charged a levy of \$521 in the first levy year, increasing to \$618 in 2029/30 and \$730 in 2034/35.
- The annual levy will appear as an additional line item on rates bills and will be collected by TCC. TCC will then pass all levy revenue collected on to the SPV.

Eligible costs

- The SPV may apply the levy revenue it receives towards the following eligible costs:
 - Costs of constructing the eligible infrastructure, including establishment costs.
 - Financing costs such as interest and fees, debt repayment and equity returns.
 - The cost of administering the levy.
 - General operating costs of the SPV.
 - Any further costs of the SPV in complying with the IFF Act or the Levy Order.