Full Council

31 July 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [4]

Department: Strategy & Policy

Title | Taitara: Ratepayer Assistance Scheme

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to seek Council's support for establishment of the Ratepayer Assistance Scheme (RAS), subject to commitment from other key stakeholders, final development and due diligence, and approve Council's contribution of up to $250,000 to contribute to the final development of the scheme.

Executive Summary | Whakarāpopototaka Matua

A group of metro councils, New Zealand Local Government Funding Agency (LGFA), Local Government New Zealand (LGNZ) and Rewiring Aotearoa (collectively known as the steering group) have developed a ratepayer assistance scheme (the RAS) that is able to provide very low-cost financing to ratepayers to support:

- Existing local government policies that involve the local authority effectively lending money to ratepayers, such as rates postponement
- New, flexible funding products, such as deferred development levies
- New property improvement loans which provide public and private benefits.

Support for the RAS has previously been demonstrated by Queenstown Lakes District Council (QLDC) in the Otago Central Lakes Regional Deal proposal submitted to government in February 2025. The property improvement loans could be used to support ratepayers with the installation of solar and batteries at a far cheaper price than other loan products in the market. The proposal noted that this would have a positive impact on the energy capacity of the district, emissions profiles, cost of living and resilience.

The RAS itself and the development process is based heavily on the LGFA, taking advantage of the benefits of scale and specialisation. It would be:

- Off-balance sheet; and an operational organisation only with no discretion as to what it could lend money for (specified by territorial local authorities (TLAs) and central government); and

- A flexible platform with multiple applications possible. The focus to date has been on an initial selection of deferred development contributions (DCs) / development levies (DLs); property improvement loans (PILs) and rates postponement (RP). Additional applications potentially include postponement of other TLA charges, making upfront payments to TLAs of multi-year local government levies and Infrastructure Funding and Financing Act contributions.

Significant work has been undertaken developing the RAS by the steering group supported by Cameron Partners (project leadership and commercial advice), Russell McVeagh (legal advice on structure and operating requirements) and PwC (accounting and tax advice). While there are complex issues to address, no insurmountable 'red flags' have been raised.

The Minister of Local Government has confirmed support for the RAS and has asked officials to initiate work in August 2025.

The RAS now seeks supports from TLAs and central government for the provision of two separate tranches of funding:

- Final development - ~$2.5m through to a stop/go implementation decision

- Establishment – ~$30m equity contribution / shareholding.

Auckland, Tauranga, Hamilton and Wellington councils have committed $500k each to the final development stage, New Plymouth $300k and Hutt City $200k. The Energy Efficiency and Conservation Authority (EECA) has provided a $400k loan and decisions our still awaited from QLDC, TPalmerston North and Christchurch City.

In the event that the final development stage raises more than the ~2.5m required, the surplus funds will be held in trust on a pro-rated basis by LGNZ. These will either be returned to councils (in the event the RAS is not successful) or be subject to a decision by the funding councils as to whether to utilise as implementation funding or equity (if the RAS is successful).

This paper recommends a QLDC contribution of up to $250k to support the final development of the scheme. This will enable QLDC to:

- Contribute to the final design of the RAS, helping ensure the District's needs are reflected in the scheme (given the district is often an outlier compared to other parts of Aotearoa New Zealand).

- Demonstrate its commitment to the outcomes sought through the Regional Deal proposal.

- Demonstrate its strong general support for the scheme to central government (along with other Territorial and Local Authorities or TLAs).

- Have the option to become an investor and shareholder (subject to community consultation) at the establishment stage, with initial equity fully paid back after eight years, a dividend yield on initial investment of ~64% + in year 10 and by year 15, ~7x the initial investment would have been returned through dividends.

With appropriate support from central government and other TLAs it is estimated that the RAS could be established in approximately 12 – 18 months.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Approve** up to $250,000 funding to support final development of the RAS subject to total development funding $2.5 million being committed from other local authorities and/or central government; and direct Council officers to participate in the next phase of the RAS development;
3. **Note** that if a decision to proceed with the establishment of the RAS is made in December 2025, RAS establishment costs will be sought from participating Councils and a request for further equity contribution may be made at that time. This would be considered subject to the treatment of strategic assets under the Local Government Act 2002 and consultation requirements according to the QLDC Significance and Engagement Policy.

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Context | Horopaki

1. At a national level, Aotearoa New Zealand is facing a range of challenges. These include the cost of living crisis, an ageing demographic, an infrastructure deficit, poor quality housing stock, a lack of housing, climate change impacts, energy and fuel security challenges, a lack of resilience and the need to meet decarbonisation commitments.

2. QLDC has a role to play in helping address these challenges through the services and infrastructure it provides, the advocacy and support it demonstrates, the flexibility of payment options it offers its customers and ratepayers and the information it makes available to irs residents.

3. In order to help ameliorate some of these challenges, a group of metro councils (Auckland, Hamilton, Tauranga, Wellington and Christchurch) LGNZ , LGFA and Rewiring Aotearoa formed a steering group to develop a scheme that is able to provide low-cost financing to ratepayers (that is off-balance sheet for the TLAs) for approved purposes. This Ratepayer Assistance Scheme (RAS) would include:

    - Existing TLA policies that involve effectively lending money to ratepayers (such as rates postponement or RP);
    - Introduction of new, flexible funding products (such as enabling up-front payment of development contributions or DCs); and
    - New Property Improvement Loans (PILs).

4. TLAs cannot administer these new products individually, as they lack the scale, capability, legislative pathways and balance sheet headroom to do so.

5. In order to bring the RAS to fruition, the steering group has identified that two tranches of funding are required:

    - Final development - ~$2.5m through to a stop/go implementation decision from government
    - Establishment – ~$30m equity contribution / shareholding

6. The focus of this paper is in determining QLDC’s appetite to contribute to the final development stage, noting that contribution to the establishment stage would likely require community consultation as part of the Annual Plan process as per the Significance and Engagement Policy.

Regional Deals

7. QLDC has previously demonstrated in-principle support for the RAS in the Otago Central Lakes (OCL) Regional Deal proposal, in partnership with Central Otago District Council (CODC) and the Otago Regional Council (ORC). The proposal was submitted in February 2025 and in early July it was confirmed that OCL would proceed into the negotiation stage. QLDC is currently in the early stages of the negotiation process.

8. In the proposal submitted to government in February 2025, the RAS was identified as an exciting opportunity within the 'Electrify Otago Central Lakes' package. The package advocates for government to support both the provision of traditional infrastructure solutions to increase electricity capacity, and options for the uptake of large-scale renewable local energy generation.

9. The vision of this package is to "drive economic growth as a fully electrified sub-region, powering innovation in untapped renewable energy potential and building a home for national, economically-important pilot projects."

10. A copy of the Electrify Otago Central Lakes package is included in the Regional Deal proposal packages at Attachment 1.

11. The proposal requested that the government "supercharge Solar and Battery uptake in Otago Central Lakes as national pilot". This request did not anticipate that the RAS programme would accelerate ahead of the Regional Deals programme, nor that QLDC would have the opportunity to participate directly at this point.

12. The Regional Deal Proposal urges the government to support and participate in the scheme, providing OCL with the opportunity to join as a pilot project. Supporting the scheme directly through this recommendation would reinforce QLDC's commitment to the proposal through financial contribution.

13. The RAS PILs could be used to support ratepayers with the installation of solar and batteries at a far cheaper price than other loan products in the market. The proposal noted that this would have a positive impact on the energy capacity of the district, its emissions profile, cost of living for residents and energy resilience.

14. CODC and ORC are not proposing to invest in the RAS in the final development stage, so in the event that QLDC does decide to participate, this nuance would need to be addressed as the negotiation phase of the Regional Deal progresses but officers do not consider this will be an issue. CODC is supportive of the scheme in principle and is intending to provide a letter of support.

RAS Development to date

15. Significant work has been undertaken by the steering group supported by Cameron Partners, Russell McVeagh and PwC. The commercial, financial and legal advice from the steering group is summarised in the analysis section below.

16. This work spans a five-year period and has been highly dependent upon the level of political support from government. The current Minister for Local Government (Hon. Simon Watts - also the Minister for Energy) wrote to the steering group on 21 March to encourage them to finalise development of the scheme. At the Electrify Queenstown Event in May 2025, representatives from the National, Labour and the Green Parties expressed their support for the RAS publicly.

18. The RAS steering group has been meeting with local authorities to affirm support for the RAS and secure establishment funding for the scheme. At the request of Minister Watts the group has also been meeting with developers to test the scheme's design and secure support.

17. RAS development has been based on the establishment process for the LGFA which incorporates a number of stage gates - seeking to progressively identify key issues, confirm RAS viability and test interest from key stakeholders.

18. The most recent stage completed in 2022 has involved developing a detailed business case that confirms proposed operational arrangements and detailed financial analysis, incorporating scenario analysis with assumptions based on objective data, precedents and expert input; and legal, accounting and tax red flags review.

RAS Funding Status

19. In order to bring the RAS to fruition, the steering group has identified that two tranches of funding are required:

- Final development - ~$2.5m through to a stop/go implementation decision from government

- Establishment – ~$30m equity contribution / shareholding

20. The purpose of the final development stage is to resolve detail and shape the final design of the scheme. Councils that make financial contribution at this stage will have a voice in the design process.

21. Auckland, Tauranga, Hamilton and Wellington councils have each committed $500k to this stage, New Plymouth $300k and Hutt City $200k. The Energy Efficiency and Conservation Authority (EECA) has provided a $400k loan and decisions are still awaited from QLDC, Palmerston North and Christchurch City.

22. This could be valuable opportunity for QLDC to ensure that the scheme reflects the needs of the community, which is often an outlier demographically and economically in the Aotearoa New Zealand context. As such, this paper recommends a contribution of $250k to the final development stage of the scheme.

23. In the event that the final development stage raises more than the ~2.5m required, the surplus funds will be held in trust on a pro-rated basis by LGNZ. These will either be returned to councils

(in the event the RAS is not successful) or be subject to a decision by the funding councils as to whether to utilise surplus funds as implementation funding or equity (if the RAS is successful).

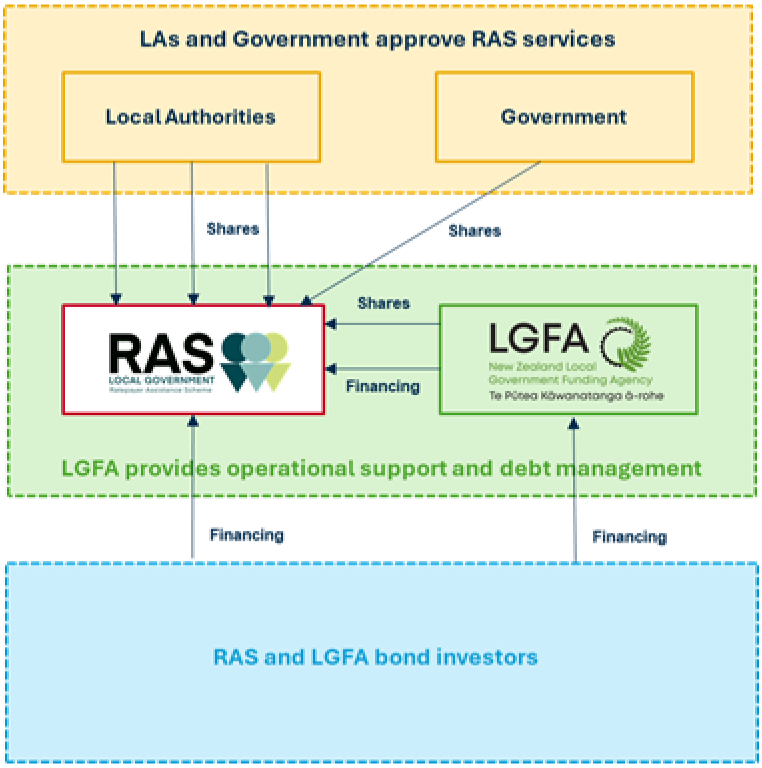
Analysis and Advice | Tatāritaka me kā Tohutohu

What is the RAS?

24. The RAS will be a national shared service available to all TLAs. There are some benefits and risks to being an early investor, which are outlined in the options analysis below.

25. The outline provided below addresses as much information as is currently available, acknowledging that further development is required. A full deck of information about the RAS is included at Attachment 2, which is information that was shared with councillors at a public workshop on 3 June 2025.

26. The RAS would be structured similarly to the LGFA to achieve benefits of scale, according to the following ownership structure:



27. The RAS would:

- Be a new entity, owned by TLAs and central government
- Have the power to impose a 'rate-like' levy/charge which would rank ahead of mortgages to ensure it gets repaid (enabling it to achieve a very high 'government' credit risk weighting- broadly in-line with the LGFA);

- Raise low-cost, long-term financing from the debt capital markets (through an out--sourcing arrangement with LGFA) and pass this on to ratepayers at interest rates expected to be 1 - 1.5 per cent below standard mortgage rates;

- Be off-balance sheet for TLAs;

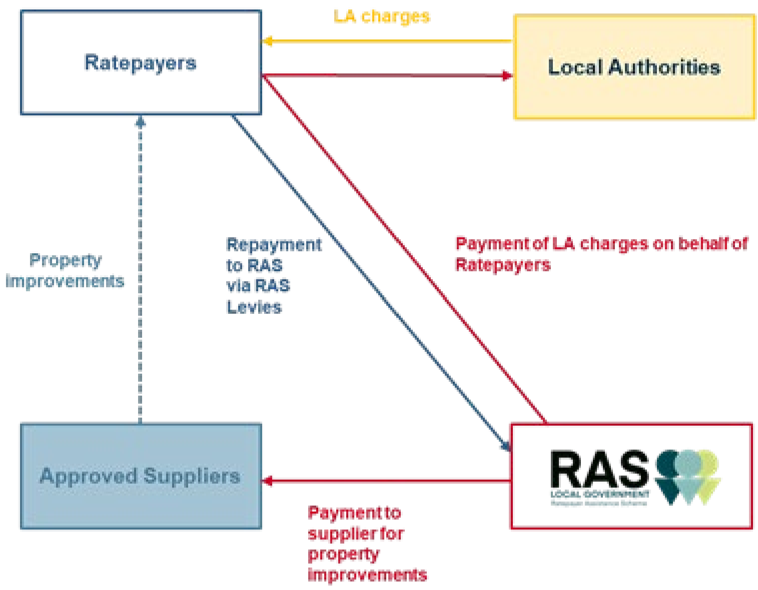
- Effectively utilise technology platforms to minimise costs and benefit from economies of scale; and

- Be an operational organisation only, with no discretion to determine what it can lend money for. The scope of the loans would be defined by TLAs and central government.

28. The use of the RAS would be optional for qualifying ratepayers. It provides an opportunity for ratepayers to choose to utilise this loan scheme as opposed to other (likely more expensive) market options. There is no obligation or requirement to participate.

29. Property Improvement Loans would be for works delivered through a panel of approved suppliers. The process for establishing such a panel has not yet been defined and would require robust procurement practice.

30. The operations and processes of the RAS would be structured so that there is a seamless interface with TLAs - ratepayers would apply for RAS loans through their TLA and the below diagram demonstrates the cashflow:



31. It is likely that TLAs would include the RAS levy as an item on their rates invoices and act as collection agent. The RAS levy would likely hold similar status to TLA rates and as such, would utilise the TLA's default/arrears processes. TLAs would likely need to cover the administrative costs associated with this.

32. As with all financing arrangements there is risk of loan defaults. Notwithstanding, full recovery of ratepayer loans is almost certain due to minimum equity requirements, property insurance requirements and the "super senior" ranking of RAS levy charges.

33. In addition, there are multiple safeguards in the RAS's proposed capital structure and guarantee and liquidity arrangements to protect the RAS from default (in a similar manner to how the LGFA operates).

34. The RAS levy would be reflected as a charge on the property title (as with a mortgage). Any charge on the title would be dealt with during the conveyancing process when a property is sold.

Potential Uses of the RAS

35. The RAS would be a flexible platform with multiple possible applications (essentially any loan to property owners that TLAs / central government decide to make).

36. However, to date the focus has been on three key applications:

    a. Rates Postponement (RP)

    b. Deferred Development Contributions / Development Levies (DCs / DLs)

    c. Property Improvement Loans (PILs).

37. In principle, the RAS could also be applied to other property related taxes and imposts including Infrastructure Funding and Financing (IFF) levies and the recently announced Development Levy System, if appropriately structured.

38. Given the level of development already completed it is thought that with appropriate support from TLAs and central government that the RAS could be established within 12 - 18 months.

39. Each of these applications are explored in turn below, with commentary in relation to both national and local application. In the event that council decides to participate in the final development of the RAS, QLDC would play a role in both the design of the full national scheme in addition to its local application.

Application A - Rates Postponement

40. Rates Postponement (RP) provides flexibility regarding the timing of payments for TLA charges and could be a valuable tool for TLAs and option for ratepayers given the increasingly ageing population on fixed incomes, rising cost of living challenges, increasing TLA rates across the country and the potential introduction of other charges (such as water and IFF levies).

41. The RAS would make the equivalent payment to TLAs upfront on behalf of the ratepayer and get repaid from the proceeds on sale of the property.

42. RP operates like a reverse mortgage but at significantly lower cost (negligible fees and interest rates ~4-5 per cent lower than market rate) and only for rates payments. There are two reverse mortgage providers in the New Zealand market the largest of which has a book of ~$1.1 billion in 2024 having grown ~22 per cent per annum since 2022. This demonstrates the scale of potential uptake if the scheme is designed well.

43. The former Productivity Commission recommended a national RP scheme1 and the steering group has informed officers that Grey Power also supports the establishment of the RAS.

44. Central government's rates rebate scheme (RRS) provides a direct subsidy of $60+ million per annum to 100,000+ ratepayers. The Steering Group advises that officials consider the scheme to be poorly targeted and that many users of the RRS could be candidates for RP, freeing the RRS for more appropriate beneficiaries. QLDC has processed 247 rates rebates for the FY 2024/25 year.

45. An example of utilisation internationally is in British Columbia, Canada (population ~5.5 million) which has had a successful Property Tax Deferral Scheme for many years - with 83,000+ users, ~$2.7 billion in loans in 2024. It has quadrupled in size from ~$670 million in 2016 and now includes ~3.9 per cent of British Columbia households.

46. In the QLDC context, RP is an infrequently used scheme that enables postponement of rates for a fixed period of time or for older ratepayers, to defer payment until the sale of their estate. QLDC currently has one ratepayer utilising this scheme, but with the change in demographics toward an ageing population this may increase over time.

Application B - Deferred Development Contributions / Development Levies (DCs / DLs)

47. There has been significant inbound inquiry to TLAs across the sector regarding alternative funding mechanisms for payment of DCs and the potential future transition to DLs. DCs in Aotearoa New Zealand are forecast to total ~ $700 million per annum in 2026 based on TLA LTPs.

48. TLAs (and QLDC) have discussed payment of DCs/DLs upfront to secure income, but this arguably increases the financial pressure on developer cashflow. The Steering Group has advised that its engagement with the development sector has been very positive in relation to the proposed RAS model.

49. The RAS could provide an option that provides upfront payment to TLAs, whilst enabling the DC/DL amount to be paid off by the developer over a longer period.

[11] Local government funding and financing

50. The RAS would make the one-off payment required to TLAs and convert it into a rate-like charge against the property. The targeted rate would then be paid off via an annual charge over (for example) 30 years or repaid on sale of the property by the seller, at the discretion of the buyer.

51. In practice, the charge would move from developer, to the first buyer and then to subsequent buyers, unless the buyer would prefer the seller (whether developer or homeowner) to settle the charge in full from the sale of the property. This will likely result in purchasers having the ability to negotiate a lower sale price to retain payment of the charge.

52. The government's proposed Development Levy approach (DL) is expected to expand the scope of new development levies to enable TLAs to more fully recover development growth costs and raise more revenue to fund growth infrastructure. The affordability of these increased charges and risk to the very developments that the charges are intended to support are critical considerations, further supporting the proposed deferred DC / DL offering.

53. The deferment of DCs and (pending future changes) DLs could benefit to QLDC. As a high growth district, the on-time, up front payment of DCs and DLs would be a considerable benefit to the organisation (as these payments would be made to QLDC from RAS) and would avoid incurring significant interest costs. For example, if $5.4M DC payments are outstanding, QLDC is currently paying approximately 4% interest costs on this per annum - $216k.

54. Furthermore, there is the potential that such a scheme would remove one of the barriers to infill development and encourage greater market participation from smaller developers.

Application C - Property Improvement Loans (PILs)

55. In principle, PILs could be utilised to support a wide range of policy goals including:

- Improving housing stock quality - e.g. insulation, heat pumps, double glazing
- Infrastructure climate adaptation and resilience - e.g. community seawalls, flood protection
- Electrification, decarbonisation and household resilience - e.g. solar panels, EV chargers, home batteries
- Environmental health, safety and emergency preparedness improvement - seismic strengthening, chimney removal, septic tank replacement, water storage tanks and waterway fencing.

56. In the QLDC context, the PIL may be of considerable interest to ratepayers, across a number of the above domains (which would be defined by QLDC later in the process).

57. QLDC has already highlighted support for the RAS in theory in the Regional Deal proposal, if made available to solar and battery installation. This could contribute to faster uptake of local renewable generation, reducing cost of up-front capital investment required and making the term of the loan

equivalent to the long-term life of the asset. 'Green loans' available in the market are typically highly constrained in terms of eligibility and loan term.

Commercial analysis

58. To provide insight, Cameron Partners (as part of the Steering Group) has developed an operating model, detailed business case and built a comprehensive financial model analysing multiple scenarios. This has been based on data and input from steering group members (in particular LGFA), the British Columbia Property Tax Deferment Scheme team, and IT service providers (to establish technology platform costs and system requirements).

59. The scenarios analysed cover various combinations of RAS products and levels of uptake by ratepayers. Note that this commercial analysis relates to the full RAS once establishment phase has been completed with equity from both central and local government.

60. Cameron Partners estimate the RAS will generate a net interest margin of ~1 per cent (i.e. it will make loans to ratepayers at ~1 per cent above what it borrows at). Its net interest will need to cover its operating costs to break even (e.g. if operating costs are $7 million per annum the RAS will require a loan book of $$700 million to break even).

61. This can be achieved across all the products that the RAS offers and various data points support this (e.g. the British Columbia scheme has ~$2.7 billion in loans (growing at ~$300 million per annum); nationwide DCs total ~$700 million per annum; RRS supports >100,000 ratepayers).

62. Based on the analysis reviewed, it is expected that the RAS will be able to generate a surplus and provide a strong return to its shareholders. The Base Case RP and deferred DC scenarios indicate break even after three years, initial equity fully paid back after eight years, dividend yield on initial investment of ~64% + in year 10 and by year 15, ~7x the initial investment would have been returned through dividends.

63. It has been assumed that ~$30 million will be required from founding shareholders at establishment phase. The proposed $30 million (which includes ~$2.5 million for the final development stage) is a "catch all" amount (covering all transaction/ establishment costs and initial operating losses before scale is achieved) on the basis that it is better to be over-capitalised rather than under-capitalised. This is based on a RP and deferred DC scenario and is considered to be conservative.

64. The steering group during the final development phase (as sponsors and original funders) will be able to set the terms of any establishment capital to compensate those TLAs providing final development funding to compensate the risk being taken and to mitigate the "free rider" risk of other TLAs delaying their commitment. For example:

- $1 of funding provided in the final development stage could equate to 2 shares at establishment whereas $1 contributed at establishment could equate to 1 share; and

- the steering group members will be able to choose the number of shares they wish to take (up to the 20 per cent maximum) and the number of shares (if any) that might be available for TLAs outside the steering group.

65. Once break-even is achieved, surplus capital could be distributed back to shareholders. Analysis also indicates that large surpluses could be achieved and used to either:

    - provide returns to shareholders (the return on investment is potentially high); and / or

    - reduce the interest rate charged to ratepayers even further.

66. The establishment capital will be provided by all shareholders at establishment. There is a constraint on the investment of any single investor at 20 per cent of total capital (otherwise there is a risk that the RAS will be on-balance sheet for that investor) - so individual shareholders can take up to $6 million of the estimated $30 million capital.

67. The actual amount invested will depend on individual appetite and level of interest from other TLAs. Below is a table of LGFA shareholders at establishment by way of example - of the $25 million LGFA establishment capital, the Crown took $5 million, nine TLAs took $2 million each and another eight TLAs split the remaining $2 million between them).

LGFA shareholders at establishment

Shareholders	Paid Shares	Unpaid shares
NZ Government subscription	$ 5,000,000	
Auckland Council	$ 2,000,000	$ 2,000,000
Bay of Plenty Regional Council	$ 2,000,000	$ 2,000,000
Christchurch City Council	$ 1,999,999	$ 2,000,000
Hamilton City Council	$ 2,000,000	$ 2,000,000
Hastings District Council	$ 400,000	$ 400,000
Masterton District Council	$ 100,000	$ 100,000
New Plymouth District Council	$ 100,000	$ 100,000
Otorohanga District Council	$ 100,000	$ 100,000
Selwyn District Council	$ 200,000	$ 200,000
South Taranaki District Council	$ 100,000	$ 100,000
Tasman District Council	$ 2,000,000	$ 2,000,000
Taupo District Council	$ 100,000	$ 100,000
Tauranga City Council	$ 2,000,000	$ 2,000,000
Waipa District Council	$ 100,000	$ 100,000
Wellington City Council	$ 2,000,000	$ 2,000,000
Wellington Regional Council	$ 2,000,000	$ 2,000,000
Western Bay of Plenty District Council	$ 2,000,000	$ 2,000,000
Whangarei District Council	$ 800,000	$ 800,000
	$ 24,999,999	$ 20,000,000

68. As with LGFA, there is merit in getting the widest shareholding spread possible to support uptake. Notwithstanding, some members of the steering group have indicated a preference to limit the shareholders given the high potential returns and the investment/ risk capital already put in by the current group warranting a preferential position.

69. In addition to share capital, the RAS will benefit from additional funding support from LGFA in the form of preference shares that are subscribed for/ repaid as the RAS balance sheet changes in size (in much the same way as borrower notes work for LGFA).

70. TLAs will also provide limited joint and several guarantees in proportion to their ratepayers' use of the RAS (based on the limited joint and several guarantee that TLAs provide to the LGFA).

Legal Analysis

71. Legislation will be required to enable the RAS to have the powers to impose a "rate-like" levy and navigate Credit Contracts and Consumer Finance Act 2003 (CCCFA) issues.

72. Russell McVeagh as part of the Steering Group has advised that there are strong precedents for the required legislation provided by the LGFA and IFF respectively and consequently this won't involve "breaking new ground". They maintain that there is a strong case for CCCFA exemptions in regard to RP and deferred DCs (which is simply changing the timing of payment of LA charges) and for PILs, following exemptions from the CCCFA for targeted rates schemes in 2024.

73. Central government's willingness to support the required legislation will be implicit in its support for the RAS in general. This is a critical stage gate at the end of the final development stage and before a decision on equity funding would be required from Council.

Accounting and Tax Advice

74. PWC as part of the Steering Group has identified accounting and tax issues that will need to be addressed / confirmed including off-balance sheet treatment, guarantees being recognised as liabilities, income tax exemption and potential technical RAS insolvency from an inability to recognise multi-year levies.

75. PWC notes that none of the issues identified are considered insurmountable and would be resolved through an iterative process in final design / development.

Next Steps

76. The current stage gate in the RAS development process involves confirmation of central government and sufficient TLA support to move to final development.

77. The immediate focus of the next stage of final development will be updating the business case / financial analysis and legal / accounting advice.

78. It is estimated that a further $2.5 million will be required to undertake the final development phase of the RAS prior to a final decision being made to proceed to full establishment.

79. To move forward requires support from TLAs and central government and funding commitment for the final development phase. Councillors are being asked to consider a contribution from QLDC of $250,000 to support and contribute to the design of this work.

80. While no firm commitment to a shareholding / investment in the establishment stage is required at this point, moving forward would be with an expectation of being keen to explore this with the community through the required consultation process.

81. Shareholding in the RAS would be deemed a strategic asset under section 5 of the Local Government Act. This consultation could be undertaken under the next Annual Plan 2026/27 so that the community can be advised of the financial costs and potential earnings. This would have been the same opportunity as being an early adopter of the LGFA.

Options

82. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002. Noting that these options relate only to the recommendation at hand and not the advantages and disadvantages beyond final stage development in full.

83. <u>Option 1</u> – Approve $250,000 funding to support final development of the RAS subject to total development funding of $2.5 million being committed from other local authorities and/or central government.

Advantages:

- QLDC demonstrates clear, early support for the RAS and its potential to enable ratepayers to access more affordable financing, over a longer term.
- QLDC demonstrates clear, early support for the RAS and its potential to increase the reliability of payment for DCs and DLs.
- QLDC is positioned as a forward-thinking and future-ready council, cognisant of the uncertainty and complexity of future funding arrangements for ratepayers and TLAs in a high growth environment.
- Outcomes of the scheme align with some of QLDC's key strategic objectives in relation to effective management of growth, improved quality of life and housing whilst reducing emissions.
- Early participation aligns with and demonstrates commitment to the aspirations and goals outlined in the Regional Deal proposal.
- QLDC demonstrates its commitment to finding alternative funding models, as outlined in the LTP.

- Early participation would provide the ability for QLDC to shape the RAS at a national and local level to ensure its suitability for the QLD context.
- Early participation provides the opportunity to become a future RAS shareholder and dividend recipient (likely from year 8) in the next stages.

Disadvantages:

- The success of the RAS is not guaranteed and subject to government approval. Whilst the outlook is politically positive, the $250,000 is at risk (proportional to expenditure).
- Early participation sets the expectation (although not guaranteed) of progressing to being a shareholder of the RAS longer term. This will require further investment which will need to be consulted on.

84. Option 2 - Do not approve funding to support final development of the RAS.

Advantages:

- QLDC would not take the risk of spending $250,000 from existing budget on the final development stages of the RAS and that could be used for alternative purposes.
- There would be no expectation of RAS shareholding longer term.
- QLDC ratepayers can likely still participate in the scheme when established.

Disadvantages:

- QLDC does not demonstrates clear, early support for the RAS and its potential to enable ratepayers to access more affordable financing, over a longer term.
- QLDC does not demonstrate clear, early support for the RAS and its potential to increase the reliability of payment for DCs and DLs.
- QLDC is arguably not positioned as a forward-thinking and future-ready council, given the uncertainty and complexity of future funding arrangements for ratepayers and TLAs in a high growth environment.
- QLDC does not demonstrate commitment to the aspirations and goals outlined in the Regional Deal proposal.

- QLDC will not take advantage of the leadership opportunity to provide early support to a scheme that aligns with some of QLDC's key strategic objectives in relation to effective management of growth, improved quality of life and housing whilst reducing emissions.

- QLDC does not demonstrate its commitment to finding alternative funding models, as outlined in the LTP.

- QLDC does not have the ability to shape the RAS at a national and local level to ensure suitability for the community within a QLD context.

- QLDC may not have the opportunity to become a future RAS shareholder and dividend recipient (likely from year 8) in the next stages.

85. This report recommends **Option 1** for addressing the matter because of the positive financial benefits for both the community and QLDC, in a manner that has a high level of strategic alignment across a number of key strategic areas. Option 1 offers potential positive financial benefit for the community, the opportunity to shape the scheme to the district's context, demonstrable strategic alignment with the Regional Deal, the potential to use PILs to work toward decarbonisation and resilience goals, the potential to improve payment and interest costs in relation to DCs and the ability to demonstrate of QLDC's commitment to finding alternative funding sources.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

86. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it is consistent with existing policy and strategy and the cost can be accounted for from existing budgets.

87. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes district community.

Māori Consultation | Iwi Rūnaka

88. Consultation with iwi has not been undertaken directly on the matter, although iwi has previously expressed its support for the Regional Deal proposal, with which this aligns.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

89. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10003 Economic impacts and prosperity within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.

90. The approval of the recommended option will allow Council to have implement additional controls for this risk. This will be achieved by providing the community with additional funding opportunities and reduce the risk of QLDC needing to accessing debt collection.

Financial Implications | Kā Riteka ā-Pūtea

91. Funding for the commitment of $250k for final development can be identified in existing budgets.

92. Funding for participation in the establishment phase would likely be subject to consultation as part of the Annual Plan process. Further funding for the establishment of the RAS is currently unbudgeted and would need to be funded from budget reprioritisation or additional debt.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

93. The following Council policies, strategies and bylaws were considered:

- Vision Beyond 2050
- The Long Term Plan
- The Annual Plan
- The Significance and Engagement Policy
- Climate and Biodiversity Plan
- Spatial Plan
- Regional Deal Proposal
- Economic Diversification Plan
- Destination Management Plan

94. The recommended option is consistent with the principles set out in the above.

95. Funding for this matter is included in the Annual Plan 2025/26.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

96. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act

97. The recommended option:
- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and

- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Regional Deal Proposal Packages
B	RAS Slidepack from public workshop 3 June 2025

Section 2

Proposed Priority Packages

Visitors and Investors

STRATEGIC VISION

The rapid increase in visitors and residents across Otago Central Lakes has stretched infrastructure networks and is putting pressure on the environment and social licence from the community. In addition, recent experiences of COVID and a prolonged domestic recession have reinforced the region's reliance on a few key industries, leaving the economy particularly vulnerable to external forces. Tourism's export demand impact is estimated is currently at over $600 million, and there is significant room to improve this. Research shows untapped potential to expand economic benefit from tourism through boosting post-

The Otago Central Lakes vision focuses on building economic resilience, capability and productivity, and prioritises increasing the yield and holistic value of tourism. These are reflected in two key spatial priorities:

✓ A sustainable tourism system

> Better coordination across the tourism system is needed to ensure visitors tread lightly and are a welcome contributor to the social, economic, cultural and environmental story of the sub-region.

> Infrastructure must support a great visitor experience and a welcoming host community.

✓ A diverse economy where everyone can thrive / A thriving and competitive local economy

> Proactive steps must be taken to diversify the economy, supported by well located space for business and resilient transport connections.

OUR PROPOSED INVESTMENT PACKAGE

Position Otago Central Lakes as NZ's investment and business 'shopfront'

With direct flights to major cities, dramatic landscapes and high living standards, the sub-region is highly attractive to expatriates, digital nomads and business executives alike, fostering a conducive business environment.

Position the sub-region as NZ's international gateway for investment and business by establishing an Invest NZ / NZTE presence. This would allow visiting investors and businesspeople to connect with agencies and businesses (including local) focused on growing NZ exports, investment and innovation.

Reallocation of funding from NZTE / Invest NZ towards targeted promotion and on-the-ground advisory function

Able to commence immediately.

Increase the total value of the visitor economy

There is potentially $3.6B in additional economic benefit that could be generated by boosting post-visit NZ export sales and attracting talent and investment

Partnership between Councils, Regional Tourism Operators, NZTE and Education NZ can increase post-visit economic benefit through:

> Enhancing marketing to leverage brand loyalty to sell more NZ exports to people who have visited the region.

> Attracting talent via study and skilled migration through targeted campaigns to visitors.

2.5% increase in tourism productivity could add $26.4M pa to the region's economy and $292M to NZ's economy

Funding from the International Visitor Levy can be used to increase the yield from tourism by:

> Supporting technologies and tourism business models that boost productivity and retain greater profits within NZ.

> Promoting NZ developed technology solutions for hospitality and tourism as an export niche.

> Using data collection and analytics to enhance marketing, visitor satisfaction, product development, and impact management.

$800k pa over 5 years from the IVL

Could commence immediately

Grow highly productive sectors

Building on the recently announced Active Investor Plus Visa, further sub-region specific regulatory conditions should be created, to make it easier for overseas investors and businesses to set up, operate and relocate people. This could be done through a Special Economic Zone.

Case Study: Accelerating growth of a regional tech sector

> Accelerated planning approvals for commercial technology precinct and university campus

> Special visas for technology sector workers / investors and their families, tied to the sub-region

> Ability for technology sector workers / investors to purchase properties (over a certain value), with a levy reinvested into sector growth in the sub-region.

> Accelerated depreciation for investment in digital enabling assets and cyber security services

> Tax deductions to NZ taxpayers on investment in Otago Central Lakes technology companies

> Corporate tax relief in early establishment

The region's tech sector could reach $1bn in 20 years without government help. Technology Queenstown believes these low-cost regulatory interventions could achieve this in half the time.

Case Study: Building the film industry

> Streamlined consenting processes to make it easier for film related infrastructure to be built.

> A 'one-stop' film permitting process across local government, LINZ, NZTA and DOC to make it easier for films to be produced here.

> Prioritise promotion of the sub-region as a location of outstanding natural landscapes, leaning into the specific brand identities of the different locations where appropriate (e.g. adventure for Queenstown, place of connection for Central Otago) and creating a film hub that attracts more international productions.

Potential costs and revenues have not yet been assessed. Able to commence immediately.

Power sustainable tourism through data driven insights

Otago Central Lakes is a high growth sub-region with NZ's strongest tourism economy, which has further potential to grow. The ability to continue to host visitors while delivering a positive visitor experience will be compromised by both decreasing community sentiment and infrastructure that is at capacity.

Otago Central Lakes councils have invested $250,000 in an "Optimal Visitation Model" to help understand potential tourism impacts and identify intervention points (including investment) for sustainable tourism. However, the lack of quality data on the visitor economy hinders tourism impact modelling. Consistent and comparable tourism data is crucial for setting strategic targets, and making decisions that benefit the community and economy at a local and national level.

There are opportunities to maximise economic growth and investment opportunities across the tourism system for NZ by investing now in:

> Rapid establishment of robust tourism data sets per MBIE's Tourism Data Leadership Group's Ara Whānui 2-year road map.

> Stage 2 of the OV model development so that the prototype can be operationalised and stage 3 of the OV model to extend for wider use.

IVL contribution of $250k to operationalise the OV Model.

Could commence immediately.

Visitors and Investors (continued)

PROPOSED REGIONAL DEAL OBJECTIVES	ALIGNMENT WITH REGIONAL DEAL STRATEGIC FRAMEWORK PRIORITY OBJECTIVES	ALIGNMENT WITH GOVERNMENT'S PRIORITIES
1. A sustainable tourism system	✓ Economic growth (Jobs and skills, Productivity)	✓ Backing economic growth, tourism
2. A diverse economy where everyone can thrive / A thriving and competitive local economy	✓ Economic growth (Jobs and skills, Standard of living, Productivity)	✓ Invest NZ establishment & NZTE refocus

THE CASE FOR CHANGE

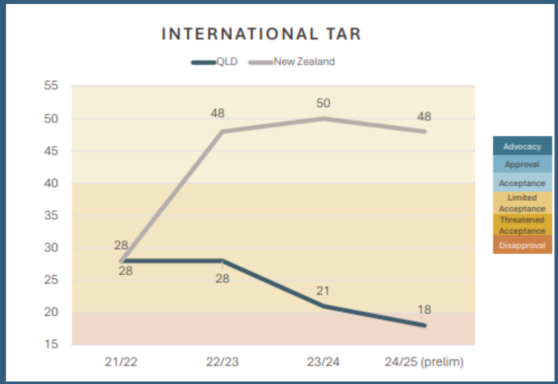
Otago Central Lakes' ability to host continued visitor growth is increasingly compromised by infrastructure capacity and community sentiment. The Otago Central Lakes vision focusses on leveraging our strengths by ensuring that growth occurs in a sustainable way so that the sub-region enjoys a thriving tourism sector for decades to come. Private investment by tourism businesses has been significant in the last five years (estimated at over $1.5bn), but there is limited appetite to continue investment if the Government doesn't invest in critical infrastructure.

Without intervention there is a significant risk that community sentiment and the condition of the natural landscape declines and that this translates into an unwelcoming and negative visitor experience.

Case Study: The "Barcelona effect"

International destinations like Barcelona have seen resident protests against tourism, garnering worldwide attention and creating a reputation of local hostility. Queenstown Lakes is one of the few destinations in NZ that has the potential for similar behaviour. The area's dispersed residential layout may be the primary reason such displays of discontent haven't yet occurred.

Negative resident sentiment to tourism significantly impacts visitor experience. Queenstown Lakes resident's approval ratings have been decreasing consistently since border restrictions were eased and significant volumes of visitors returned and are significantly lower than for the rest of NZ, particularly as it relates to international tourism.



This stark difference shows the precariousness of tourism's social license in this sub-region and highlights the urgent need to cultivate positive community attitudes by improving infrastructure and implementing effective destination management practices. This will ensure visitor satisfaction, maintain the destination's appeal, and encourage return visits.

The Otago Central Lakes vision for the visitor economy, as set out in the respective Destination Management Plans and funded through Council LTPs, aims to boost tourism business productivity while managing infrastructure, environmental, and community impacts…

Case Study: Achieving Growth Through Strategic Capacity Management

Like other leading tourism destinations, Cardrona Alpine Resort recognised that unchecked visitor growth can erode the quality of the visitor experience. The resort identified a direct link between rising visitor numbers and a declining Net Promoter Score (NPS), showing that growth without controls can undermine satisfaction.

In response, Cardrona introduced a capacity management model to regulate daily numbers and implemented dynamic pricing to influence visitor behaviour.

These measures led to a measurable improvement in NPS and increased profitability by 6–7%, demonstrating that growth can be achieved through higher-value visitation rather than simply increasing numbers.

By prioritising experience over volume, Cardrona strengthened its financial position, enabling investment in infrastructure and the expansion into Soho Basin.

This approach directly aligns with the Otago Central Lakes vision, which sets out a clear pathway for growing the visitor economy through smarter management of visitor flows, investment in high-quality experiences, and community-focused development.

Government support will ensure that the sub-region can deliver on this strategy, securing long-term economic benefits while maintaining Otago Central Lakes' reputation as a world-class destination.

…while also supporting the development of new, highly productive sectors that can attract overseas investment and new businesses.

Case Study: Establishing a Technology Sector

A dedicated technology development agency has been established to accelerate building a world-class sector in the sub-region. This was initially co-funded by QLDC and MBIE but is now fully private sector funded and is an example of how a small amount of public investment can kick-start significant economic benefits.

POTENTIAL BENEFITS:

Potential size of a thriving tech ecosystem by 2043:

~$650M to ~$1,300M
Tech Industry ($GDP)

~3,000
Total tech workers (uplift of 2,100 over 20 years)

~5,400
Jobs supported by tech-industry in upstream and down stream industries

Broader economic benefits from the tech ecosystems:

Tech workers could earn, on overage, **33%** more pa

Tech workers could generate, on average, **45%** more revenue per employee

$1 investment in R&D generates **$3.50** across the economy

* Sourced from Accenture's "Building a world-class technology sector in Queenstown Lakes District" report

Transform Transport

STRATEGIC TRANSPORT VISION

Otago Central Lakes’ vision is to establish a resilient and efficient transport network that bolsters economic growth and enhances the visitor experience. The vision emphasizes sustainable development and innovative solutions to overcome geotechnical challenges, ensuring the sub-region remains a top-rated destination for tourists and continues to grow as an economic hub. The future envisions optimized travel times using a transport network that moves people and freight in the most sustainable and efficient manner.

The vision considers transport needs relating to tourism, workforce movements and freight. Cromwell is an increasingly important hub for freight and commercial businesses serving the wider sub-region and there is a large mobile workforce that travels across the sub-region.

Efficient and resilient transport is critical to achieving three spatial priorities:

- ✓ Consolidated growth and more housing choice
- ✓ Well designed neighbourhoods
- ✓ Public transport, walking, cycling are preferred for daily travel
- ✓ A sustainable tourism system
- ✓ A diverse economy

The vision identifies the following initiatives to deliver these outcomes:

> A future offline MRT solution is anticipated as roading solutions alone will not be sufficient. Set out in NZTA’s Queenstown Business Case, ORC’s Queenstown Public Transport Business Case, QL Spatial Plan.

> A sub-regional public / on demand transport service connecting Alexandra, Cromwell, Wānaka and Queenstown, providing options for residents and visitors to travel conveniently around the sub-region. Set out in ORC’s Otago Regional Public Transport Plan, Queenstown Public Transport Business Case, QL Spatial Plan.

TRANSFORMATIONAL TRANSPORT - PROPOSED INVESTMENT PACKAGE

This proposal recommends a transformation of the transport network to unlock housing and economic growth…

The proposed Regional Deal would deliver a redesigned transport network based on innovative integration between offline Mass Rapid Transport and road based transport in Queenstown. MRT is required to maximise the limited operating capacity of the transport network. Offline MRT, such as ropeways (eg Gondola, Whoosh), helps alleviate road congestion by offering transport that bypasses traditional road networks. The Queenstown Transport Business Case clearly sets out the case for MRT in Queenstown as a long-term solution. The proposed Regional Deal would bring forward offline MRT.

The proposed Regional Deal would also deliver a bus service linking Alexandra, Cromwell, Wānaka and Queenstown. This service would efficiently move the dispersed workforce across Otago Central Lake required to support economic growth. Not only will this provide a cost-efficient and congestion-reducing solution, the easy commute to Queenstown would enable further development in Central Otago and provide greater housing choice.

…supported by resilient transport routes that cater to the growing population …

The proposed Regional Deal would review the current transport investment package to identify critical short to medium term investments that will require alternative tools (outlined below) and commitment to a contribution within appropriate timeframes through the NLTP. These projects will be needed alongside offline MRT to support growth in priority development areas and facilitate efficient transport networks (eg Frankton Flats upgrades), facilitate efficient freight movements across the sub-region (eg Kawarau Gorge upgrades), and ensure key routes are resilient to shock events (eg Arthurs Point bridge upgrades). Planning for future needs on strategic routes (eg Kawarau Gorge) and protection of future strategic corridors (eg SH6 realignment) also needs to be prioritised to ensure that the needs of today do not overshadow ensuring that economic growth can continue for the next 30 years. The proposed Regional Deal would deliver a streamlined consenting / designation pathway for critical projects and protection of future strategic corridors.

… delivered through partnership with the private sector…

A major advantage of offline MRT is that there are clear opportunities for private financing and long term operation that are not available for traditional roading projects. The local private sector has already begun investing in solutions and have indicated they are ready to immediately partner to deliver an offline MRT solution.

The Regional Deal will facilitate partnership with the private sector to develop an optimised, connected, well-planned transport network that provides connectivity between offline MRT and the roading network.

The Regional Deal would deliver a streamlined pathway to enable timely partnering with the private sector to deliver this transformation for the transport sector. The best party to lead the project will be enabled to do so.

There are a number of potential critical roading investments that could suit a Public Private Partnership approach supported by road pricing. For example the balance of the Queenstown town centre arterial road stages.

…enabled by a range of non-traditional planning, funding and financing tools.

The Regional Deal would leverage a range of non-traditional tools to fund / finance this package and to shift road usage to offline MRT:

> Private sector financing

> Road pricing (congestion charging to shift demand to offline MRT or to a different time to alleviate peak time congestion)

> Road pricing (tolls to fund infrastructure builds – bridges, arterial)

> Public Private Partnerships (to finance and deliver bridges, arterial)

> Local Visitor User Charge and/or International Visitor Levy (to part fund critical roading projects and/or offline MRT)

> IFFA (to finance bridges, offline MRT, arterial)

> Fare box recovery (to fund offline MRT, regional bus link)

> Reprioritisation, and longer-term commitment, of NLTP funding (to fund critical roading projects)

> Network augmentation charges for future greenfield developments

The Regional Deal would deliver a streamlined planning and land acquisition pathway for an offline MRT corridor so that solutions can be delivered in a timely and efficient manner, as well as changes to the public transport funding model to enable long term private sector partnering for offline MRT.

Costs have been estimated for most parts of the proposed package through business cases , but these need to be updated to ensure currency to fully reflect an agreed package. The **total package cost would likely be >$500M**

200

Costs of the proposed package will be offset by fare box revenue as well as revenue earned through potential road pricing, IFFA levies and network augmentation charges. Further work needs to be completed to fully understand the revenue opportunities of an agreed package, but it is likely the **total package revenue could exceed $40M per year.**

Could commence immediately

Many interventions included in the proposed package are well developed and could commence immediately. Private sector work is underway and delivery could likely be within 2 years.

THE CASE FOR CHANGE

Addressing transport needs across Otago Central Lakes is critical to ensure that tourism and other businesses continue to grow, that a high quality of life continues to attract residents and businesses, and a high quality visitor experience continues to attract visitors.

> Whakatipu's roading network will reach capacity with existing zoned development, before considering greenfield development or intensification. Some routes already exceed capacity 40% of the time.

> Key tourist, freight and commuter routes are susceptible to shock events due to their age, condition and reliance on a small number of key routes. Disruption to these routes would have significant economic impacts on the sub-region, and NZ's, economy.

> Visitor feedback highlights traffic congestion as the main drawback in an otherwise highly rated destination, risking visitors bypassing Otago Central Lakes leading to tourism impacts for the sub-region and NZ Inc.

> Peak hour people trips are forecast to double on key routes.

> By 2028, average travel times will match today's peak. For example, peak times between Lake Hayes Estate and Queenstown Town Centre (11km trip) are projected to regularly exceed 60 minutes.

> By 2028, Queenstown Town Centre would require an additional 3,000 car parking spaces.

Percentage of peak period travelers using alternatives to private cars must increase from approximately 26% to 60% by 2048 on key routes to prevent these impacts because additional road capacity for key routes is unfeasible due to cost and geotechnical challenges.

A model update is currently being procured; since modelling was done growth has occurred faster and investment slower than anticipated.

Modelling is being updated to consider the:

> impact of accelerated growth from proposed Fast Track consents. For example, high-level analysis suggests that by 2027/28, peak travel times between the Southern Corridor / Te Tapuae and Queenstown Town Centre will regularly exceed 60 minutes.

> changing make up of the workforce across Otago Central Lakes. Enabling commuter transport to Queenstown from other parts of the sub-region would enable greater housing choice and affordability by opening up Central Otago as a viable, commutable option for housing for people working in Queenstown.

PROPOSED REGIONAL DEAL OBJECTIVES	ALIGNMENT WITH REGIONAL DEAL STRATEGIC FRAMEWORK PRIORITY OBJECTIVES	ALIGNMENT WITH GOVERNMENT'S REFORM PRIORITIES
1. Provides more efficient and reliable access for people and goods that [source: QTBC]: - Sustainably manages growth - Enables enhanced land use *The proposal aims to ensure that residents and visitors can move easily around the sub-region, enabling productivity improvements, and continued business and housing growth across Otago Central Lakes.*	✓ Economic growth (Standard of living, Productivity) ✓ Connected and resilient infrastructure (Connected communities and businesses, Enables development including housing) ✓ Affordable, quality housing (Build ready land)	✓ Going for Housing Growth ✓ Fast-Track Consenting ✓ GPS Land Transport (Economic growth and productivity, Increased maintenance and resilience)
2. Adaptable to change and disruption [source: QTBC] *The proposal aims to ensure the resilience of critical freight, commuter and tourism routes.*	✓ Connected and resilient infrastructure (Resilient to natural hazards and climate change)	✓ GPS Land Transport (Increased maintenance and resilience)

WHAT LOCAL GOVERNMENT IS BRINGING TO THE DEAL

Financial contribution to first tranche of critical transport projects. The first tranche of critical projects is well underway. Two major transport projects from the QTBC have been completed, including major upgrades to inground assets – Queenstown town centre upgrades ($35M QLDC, $35M Government), Queenstown arterial stage 1 ($82M QLDC, $50M Government) and QLDC's strategic Lakeview development enabled the early delivery of a section of Arterial Stage 2. As a result of these projects, a multidisciplinary Alliance has been established and is now delivering Government's NZUP Queenstown Package (~$250M). The full Arterial route has also been designated in perpetuity.

Well established Tier 1 and 2 contracting market. QLDC's sustained investment in infrastructure assets and services and a secure forward pipeline of works has led to the development of a well-established contracting market.

Financial commitment to growth infrastructure. QLDC has committed $979M in the 2024 LTP to growth related infrastructure, including local share of transport projects, and this will unlock >10,000 houses. Central Otago has committed $110M for growth related infrastructure in the 2024 LTP.

Commitment to Going for Housing Growth. QLDC's HBCA shows capacity for over 64,500 additional houses and 84,800 through the proposed intensification plan change over the next 30 years. 16,000 additional homes are enabled over the next 30 years through Central Otago's District, Master and Spatial Plans.

BENEFITS:

2021 evidence shows that investment would boost productivity by attracting new businesses, residents, and high-value visitors:

> Doubling corridor capacity in the most constrained areas was estimated to unlock between $670M and $1.2B of economic growth.

> Implementing MRT and travel demand management will improve network travel times by over 20% and significantly enhance reliability.

> There is revenue potential for offline MRT. Based on previous trip modelling, even at a $5 fare for an end-to-end trip would yield $18M annually by 2028 and $37M by 2048. There is potential for higher revenue by increasing mode-share through land use intensification, redesigning bus services and parking strategy changes.

New Zealand benefits from Otago Central Lakes' visitor experience:

> International tourists visiting Otago Central Lakes spend over three times more in the rest of the South Island than those who don't.

> Visitors attracted to NZ by Otago Central Lakes contributed $1.3B to NZ's GDP and over 13,000 jobs.

Investing in sub-regional public transport will result in productivity increases by ensuring that tourism, commercial, freight and commuter travelers can move efficiently across the network and will increase accessibility of affordable housing in Central Otago. Economic analysis has not been undertaken to quantity this impact.

Electrify Otago Central Lakes

VISION: TO BE THE MOST HIGHLY ELECTRIFIED, INNOVATIVE PLACE IN NZ

Otago Central Lakes' vision is to drive economic growth as a fully electrified sub-region, powering innovation in untapped renewable energy potential and building a home for national, economically-important pilot projects.

Power supply in the sub-region has long been a challenge. Growth across Wānaka, Cromwell and Queenstown has put pressure on the capacity of the system to provide sufficient electricity, in an affordable and resilient fashion. This creates reputational risk and puts a handbrake on investment and economic growth. Access to affordable and secure energy is essential for economic growth and productivity, a premise that underpins the economic development and destination management vision for the sub-region.

If Otago Central Lakes is to retain its premier destination role, long-term secure, affordable, stable and sufficient energy supply will be essential. A step-change in capacity provision and resilience is required to shift the sub-region out of continued marginal energy capacity and reliability.

Future energy solutions will need to combine the reliability of traditional power infrastructure, with the resilience and affordability of local and household generation on a massive scale. This will be essential for economic growth, diversification, improved productivity and affordable living. Reliable supply will be essential for economic growth in the sub-region.

Visitation has bounced back in Otago Central Lakes far better than elsewhere in the country, which demonstrates the economic value of a destination brand that has been predicated on increased electrification since Covid 19. A growing tourism system with high energy demands (snow sports) requires affordable, secure and reliable supply, especially in peak season. The system has identified a unique market advantage to being highly electrified and this requires a step-change in capacity required (e.g. aviation).

ELECTRIFY OTAGO CENTRAL LAKES – PROPOSED INVESTMENT PACKAGE

Project 1: Bring power and innovation home in a Special Economic Zone

Otago Central Lakes has a long heritage of pioneering innovation in the energy sector, with the first hydro power station and transmission line in the southern hemisphere (Bullendale) and the first electric gold dredge in the world (Branches). Today, it hosts significant hydroelectric infrastructure, like the Clyde Dam.

Otago Central Lakes is poised for further growth, potentially becoming an innovation hub across various sectors. Alexandra's astro-tech sector could thrive with supportive policies, and Queenstown Airport Corporation (75% owned by QLDC) aims to transition to electric aviation. The government could amend electric aviation rules to make Otago Central Lakes a test ground for this technology, potentially attracting significant foreign direct investment (FDI). Region-specific regulatory changes could be captured through the creation of a Special Economic Zone for the sub-region.

The large-scale adoption of solar and batteries via the RAS offers a unique chance for the government to innovate the energy system. This could involve:

- Trialling a new regulatory regime for streamlined installation sign-offs.
- Increasing household electricity exports to the grid with symmetrical import/export tariffs.
- Exploring Ara Ake and FlexForum's work on flexibility deployment.
- Researching solar and battery use in agriculture, viticulture, and horticulture.
- Creating a hub for solar and electrification training

Designating the sub-region as a hub for solar and electrification training and innovation could create a new industry, enhancing economic diversification and productivity in the Otago Central Lakes sub-region, benefiting all of New Zealand

Estimated Revenue: Significant opportunity for business community

Estimated Cost: No cost to government

Timeline: Can be initiated quickly – long term programme

Benefits: Pilot location, enhanced destination brand proposition, new industry development and economic diversification.

Risks: Very low risk provided individual pilots are well designed

Central government: Provides regulatory, code and legislative relaxation / change within Otago Central Lakes.

Otago Central Lakes: Provides support through usual economic development channels, review District Plan

Private Sector: Provide projects and investment to pilot.

Project 3 – Include Queenstown as part of the interconnected National Grid

Queenstown is the largest urban area on a spur line in the country, not connected to the 'interconnected' National Grid. Consequently, local residents bear the full cost of transmission upgrades under the Electricity Code, leading to elevated energy costs.

This proposal urges the government to reconsider this legacy arrangement and implement the necessary regulatory changes to include Queenstown within the interconnected National Grid model. This would help alleviate the financial burden on local residents and ensure more equitable energy costs.

Project 2: Supercharge Solar and Battery uptake in Otago Central Lakes as national pilot

Local distributed generation provided by rooftop solar panels and batteries offer significant advantages to the electricity network . They help reduce the load on the grid by generating electricity locally and provide a more affordable and resilient supply (where pylons are vulnerable to seismic activity).

High uptake of rooftop solar and batteries could significantly reduce the load on the electricity network and could defer the need for longer term upgrades in Otago Central Lakes. However, high uptake of solar and batteries requires the removal of inefficient financial barriers: (i) lack of access to long-term finance and (i) high cost of installation through soft costs driven by inefficient/outdated regulations and standards.

Rewiring Aotearoa has been working with LGNZ and LGFA to develop a Ratepayer Assisted Scheme (RAS) for solar installation. This would remove the prohibitive initial capital outlay for businesses and households and provide instead a long-term, low interest loan that banks have been unable to offer. This proposal requests government facilitate the launch of this programme as a pilot scheme in Otago Central Lakes. The initial equity investment for the full national scheme is $30m – with 20% provided by government and the rest split between six councils. Dividends will be earned after approximately four years. This proposal is requesting government activates this scheme with Otago Central Lakes as a pilot location.

Updated regulations and standards, aligned to Australian installation reforms 15 years ago, will enable the installation process to be more efficient, lowering installation costs to the household and business. These reforms could be tested initially in the sub-region via a regulatory 'sandbox', before rolling out across the country.

Estimated Revenue: Govt dividend from RAS after Y4

Estimated Cost: Investment in RAS pilot scheme. Approx $6m

Timeline: Activated in 12 months

Benefits: Increased resilience, reduced costs affordable living, increased energy capacity, enables growth, faster process, streamlined installation process, scalable nationally, emissions reduction, trusted pilot location

Risks: Low financial risk

Central government: Invests in RAS, regulatory changes

Otago Central Lakes: Provides active support, promotion and community engagement, review District Plans and Development Contributions

Private Sector: Enjoys opportunities of large scale solar installation and costs savings for businesses

Electrify Otago Central Lakes (continued)

Project 4: Support the REDP and ask Transpower to deepen its analysis for the new transmission line

As Otago Central Lakes grows and welcomes more visitors, increasing electricity demand strains existing infrastructure. While short to medium-term upgrades are planned, long-term solutions are lacking, potentially inhibiting growth.

Otago Central Lakes supports the Regional Electricity Development Plan (REDP) by Transpower and distribution companies to increase supply capacity, focusing on an additional line into Queenstown, affecting Wanaka, Cromwell, and the proposed Santana mine.

This proposal requests the government to:

- Require Transpower and EDBs to analyze the cost burden on Otago Central Lakes households and businesses under the Transmission Pricing Methodology for each investment option.
- Include an ambitious forecast of solar and battery uptake with the RAS launch.
- Identify tipping points that would delay new line investments, such as the percentage of capacity served by solar/batteries at peak hours.

Additionally, the proposal seeks government support for a smooth consenting and land acquisition process for the new infrastructure corridor.

Estimated Revenue: N/A

Estimated Cost: No new commitment from government

Timeline: Can be included in work underway

Benefits: Increased resilience, reduced costs affordable living, increased energy capacity, enables growth, faster process

Risks: Very low risk, but faster process through Outstanding Natural Landscapes may be challenging

Central government: Directs Transpower, provide infrastructure corridor process

Otago Central Lakes: Continues to participate and shape forecast, support infrastructure corridor process

Private Sector: EDBs continue to participate

Key Benefits

- Increase capacity for economic growth, productivity increases and future electrification
- Prevent energy supply from inhibiting economic, residential and visitor growth
- Prevent energy supply from inhibiting commercial innovation and productivity
- Increase resilience for businesses and households – especially AF8
- Reduce costs for businesses and households
- Reduce bureaucracy and therefore costs for solar installation
- Unlock large-scale adoption of solar and reduce emissions
- Create a recognised and trusted pilot project location
- Develop solar and advanced electrification industry (to be quantified)
- Enhance visitor brand proposition – NZ's most electrified destination

PROPOSED REGIONAL DEAL OBJECTIVES	ALIGNMENT WITH REGIONAL DEAL STRATEGIC FRAMEWORK PRIORITY OBJECTIVES	ALIGNMENT WITH GOVERNMENT'S REFORM PRIORITIES
Energy infrastructure that allows the economy to thrive, in terms of economic growth, productivity and diversification	✓ Economic growth (Jobs and Skills, Standard of living, Productivity)	✓ Electrifying NZ ✓ Backing economic growth
Affordable and secure energy supply for businesses and households	✓ Connected and resilient infrastructure (Connected communities and businesses, Resilient to natural hazards and climate change, enables development, including housing) ✓ Economic growth (Standard of living)	✓ Going for Housing Growth ✓ Fast track consenting Bill ✓ Electrifying NZ ✓ Backing economic growth,
A highly innovative, electrified destination that provides a strong brand proposition for visitors and investors alike	✓ Economic growth (Jobs and Skills, Standard of living, Productivity)	✓ Electrifying NZ ✓ Backing economic growth

THE CASE FOR CHANGE

Project 1: Bring power and innovation home

Parts of the Otago Central Lakes have limited economic diversity and would benefit from the growth and productivity of new energy sectors. Attracting foreign direct investment (FDI) by leveraging its tourism gateway position could significantly boost New Zealand's economy. Further analysis is needed.

Project 2: Supercharge Solar and batteries

Increasing local solar generation will provide abundant, easily scalable, affordable and future-proofed capacity. It will reduce grid pressure, supporting economic, residential, and visitor growth without the risk of outages. This is crucial during the high-demand winter season, which poses reputational risks for the visitor industry.

Research by Rewiring Aotearoa shows New Zealand has reached the electrification tipping point, where households can save $4,500 annually with the right financing, such as the RAS. This also enhances resilience, preventing business disruptions during emergencies or seismic events

Project 3 – Interconnected National Grid

This inequitable legacy situation places the full cost of transmission upgrades on Queenstown residents, raising the cost of living, developing and doing business.

Project 4: REDP

The urgent case for increasing capacity has been recognised and acknowledged in establishing the REDP. Growth in Queenstown electricity demand will exceed the ~100MVA capacity of the line at some point between 2030 and 2032 under a 'BAU' growth assumption. However, more ambitious use of smart EV charging could see this investment need deferred by up to four years. Aggressive uptake of solar and batteries needs to be modelled.

IN SUMMARY

Through partnership, the Regional Deal should deliver:

Project 1 – Interconnected National Grid

Regulatory change to include Queenstown as part of the interconnected National Grid.

Project 2 – Special Economic Zone

Relaxation of code, regulation and legislation for energy innovation in the sub-region. Use Otago Central Lakes as the preferred pilot location for innovative projects and schemes (including the RAS, flexibility pricing, symmetrical import/export tariffs, electric aviation etc).

Leverage the potential of the RAS to build and train a solar and advanced electrification installation workforce from within Otago Central Lakes.

Project 3 – Supercharge Solar and Batteries

Launch the Ratepayer Assisted Scheme for rooftop solar and batteries, as devised by LGNZ, LGFA and Rewiring Aotearoa. Provide the 20% investment share from central government and create a pilot project in Otago Central Lakes.

Project 4 – REDP

Complete the existing REDP to define line requirements, with additional options analysis of cost implications per household, implications of rapid solar and battery uptake and trigger points for investment deferral. Provide streamlined planning and land acquisition pathway for a transmission corridor.

Private Investment, Public Health

STRATEGIC VISION

The vision for healthcare in Otago Central Lakes, as identified by the recently completed "Health Services and Assets Strategic Report":

A collaborative effort independently led.

Central Otago and Queenstown Lakes together;

broader than government-funded health services;

leveraging private opportunities;

to deliver what the community needs (visitors and residents)

This work supporting the strategic report is a collaborative effort involving Health New Zealand, CODC, QLDC, rural health providers, iwi, including kaupapa Māori health providers, and the community to accelerate planning and investment in health services and infrastructure in Otago Central Lakes alongside committed investment in Dunedin Hospital and wider planning for services in the southern region.

The strategic report identifies a way forward that will contribute to meeting the communities' needs and assist in delivering health services within budget and capacity constraints. It aligns with government signals around public-private partnerships and will contribute to meeting the Minister's health priorities in Otago Central Lakes.

The Strategic Report identifies opportunities to increase public health services in Otago Central Lakes by partnering with the private sector to invest in services and infrastructure that would benefit the sub-region.

While health service planning is outside the scope of council's spatial planning, the vision expressed in the strategic report is consistent with the wider vision for Otago Central Lakes.

This package does not directly result in increased revenue, however without this investment economic growth will be slowed, impacting on GDP for the sub-region and NZ.

Work could commence immediately. The next phase of work could be completed within 18 months. Delivery of facilities / services is project specific.

OUR PROPOSED INVESTMENT PACKAGE

This proposal recommends continued growth in Otago Central Lakes be supported by a partnered approach to delivering public health services …

There are opportunities to enhance publicly-funded health services by partnering with private hospitals, clinics and investors that are either in the planning process or have started building in the sub-region.

The partnering model has four core components, two of which are well tested in Australia but not used extensively in NZ:

- Public services are delivered through private operators under contract (common in NZ)
- Working with private providers to identify profitable markets that will subsidise and make affordable health services for residents.
- Public services are delivered from privately owned facilities that the public service leases and from which private services are also delivered, and
- A shared workforce is built so that both private and public services can call on the same resource pool making separately unviable private and public services viable from a clinical staffing and support service perspective.

…resulting in a significant increase in public health services for Otago Central Lakes, with limited increases in operational costs and no capital costs.

This approach aims to redeploy current public health services more efficiently, bringing services delivered outside Otago Central Lakes into the sub-region by leveraging facilities provided by the private sector and a shared workforce. Consequently, a cost redistribution, rather than increase, is expected.

A small up front investment, and commitment to the approach, is requested to develop the partnered model to a point where it can be implemented.

The next phase of this work is to deliver clinical care models, workforce models, business cases and service-level agreements for the six high-priority projects identified in the strategic report. This is broader than the public service and will complement Health NZ's clinical framework, service planning, and capital plan.

The work to prepare the strategic report cost $250k and has been philanthropically funded. For the next phase of work $450k has been philanthropically sourced and this proposal requests a further $1.5M to deliver the work required to enable the private and public sector to implement the approach. Given the pressure placed on the health system by high levels of visitation, it is suggested that this is funded from the IVL.

Commitment from Health NZ on the partnered model is also requested to ensure that this innovative approach can be accommodated alongside more traditional models, and to enable more fulsome modelling of need, costs and potential future revenue sources. Ensuring that funding reflects appropriate population projections and visitor presentations is essential to a sustainable health service.

Otago Central Lakes Hospital in Queenstown

> A hospital facility built and financed by a private investor from which public services can be delivered by Health NZ following Treasury's strategic leasing guidance. This is currently in the planning stage.

> Private services also delivered from the facility, using a shared workforce and clinical support services. Private services can decrease over time as public services grow.

Te Taumata Lakeview Clinic

> A private surgical hospital, expected to open in 2027, in Queenstown that presents opportunities to strengthen the medical workforce and provide much-needed local maternity services.

> Health NZ could contract secondary care for maternity, until public has its own facility, rather than requiring people to travel to Invercargill or Dunedin for these services.

Integrated Care Hub in Wānaka

> A private day surgery for low-risk procedures in the planning stages, with opportunities to include space for after-hours and other publicly-funded services.

> Potential for public health services to be delivered using the strategic leasing model; 10-20 bed inpatient service, expanding to Acute care / ED in time.

Aged Care Facilities in Clyde

> Aged Care Facilities under construction could be expanded to include a full suite of publicly-funded services for older people in Central Otago.

> An expanded (public) model of care for larger numbers of older people in Cromwell/Clyde; intermediate options between living at home and moving to residential care.

Wānaka Health Precinct

> Anchored by a private surgical hospital; with potential to integrate publicly-funded health services with the private surgical facilities using the strategic leasing model.

> There are plans for more than 70 beds, four operating theatres and the current design leaves open the option for 24-hour public-access emergency services.

Further Investigation in Central Otago

> Securing land and investors for future public health infrastructure in Central Otago, followed by planning services (locations depend on the progress of the other five projects).

> This sits alongside planning for support services and delivery of integrated primary care across Otago Central Lakes.

THE CASE FOR CHANGE

70% of people in NZ who live more than two hours from a base hospital live in Otago Central Lakes, and residents disproportionately bear the economic burden of this.

Patients often endure long road trips (2-4 hours each way) for simple specialist appointments, urgent helicopter flights, and face risks when flights are delayed. This extensive travel burden presents an increased cost for businesses, reduced productivity, impact on customer service and employee performance. 41% of respondents to the Queenstown Lakes Quality of Life Survey had to travel outside the district for medical treatment in the last year.

Health NZ has not planned any further investment...

Otago Central Lakes, with a population nearly as large as New Plymouth, is one of New Zealand's fastest-growing areas. Despite significant projected population increases over the next decade, Health NZ's ten-year plan includes no additional investment.

... while the private sector is planning private services

Significant private investment is planned for private hospitals and medical tourism, creating a two-tiered health system. Those who can pay will access world-class services, while others must travel long distances for public healthcare.

Without intervention the lack of adequate health services will limit economic growth

Without investment in critical foundational infrastructure, including healthcare, the sub-region will not be able to adequately support continued increases in visitor numbers or attract the businesses, people and investment needed to grow existing, and develop new, businesses.

Visitor presentations at the Queenstown Hospital are up to 66% of total presentations (17,367 in Queenstown, 1500 in Clyde), but the hospital is bulk funded based on NZ averages and is not funded for this high proportion of visitors (even those who pay). GP clinics regularly report that their urgent care centres service one third international visitors, one third domestic tourist and one third local residents. As both the resident and visitor numbers continue to grow the hospital's ability to provide adequate and safe services continues to decline.

A recent report by Accenture identified lack of adequate health services as one of the key foundational influences on whether a technology sector could be built in the sub-region.

Partnering with the private sector can boost public health services through joint investment in services and infrastructure

Collaboration with skilled commercial developers can speed up infrastructure construction and access private sector capital. Private sector services can also enhance public workforce recruitment and retention through shared workforce models and increased learning opportunities.

This unique solution leverages the growth of the emerging private health sector while it seeks to connect and contribute to the wider health system and be welcomed into the community.

PROPOSED REGIONAL DEAL OBJECTIVES	ALIGNMENT WITH REGIONAL DEAL STRATEGIC FRAMEWORK PRIORITY OBJECTIVES	ALIGNMENT WITH GOVERNMENT'S REFORM PRIORITIES
1. Otago Central Lakes has timely, fit-for-purpose, and contemporary health infrastructure that supports the district's future population, workforce, productivity and economic growth.	✓ Economic growth (Jobs and skills, Standard of living, Productivity) ✓ Connected and resilient infrastructure (Enables development, including housing)	✓ Backing Economic Growth ✓ Going for Housing Growth
2. Medical tourism contributes to both the economy and the community, increasing the availability of health services to New Zealanders while developing new economic growth from international markets.		
3. Health infrastructure is available in Otago Central Lakes to grow the local health system, making existing health services more resilient and able to treat more complex patients.		

BENEFITS:

The proposed approach is a low-cost (compared to traditional models) way to support continued growth across Otago Central Lakes and ensure much needed equitable access to healthcare. Economic modelling has not been undertaken to fully understand the impact of the proposed approach. However, it is reasonable to assume that the approach will result in lower costs and faster delivery.

> Provision of higher level of public health services for a lower cost.

Economic modelling has not been undertaken to understand the full impact of deficits in critical foundational infrastructure, like healthcare, on the future economic growth of the sub-region. However, healthcare was highlighted in the recently completed whitepaper "Building a world-class technology sector in Queenstown Lakes District" as a critical foundation if the sub-region wanted to grow significantly.

> The report notes that provision of comprehensive, high quality health services, together with other critical infrastructure, has the potential to unlock over $1B of economic growth by enabling the growth of tourism and other businesses.

There is significant opportunity to work with private health providers to build the medical tourism sector.

> The medical tourism sector has the potential significantly boost the economy. Impacts are opportunity specific; some case studies have been included below.

Leaning into provision of private services to leverage public services provides social benefits to the community outside of economic benefits:

> more equitable and efficient access across Otago

> reduced pressure on Dunedin and Invercargill hospitals

> improved health outcomes for the Otago Central Lakes population (residents and visitors)

> more health services are located in Otago Central Lakes

The critical risk is that seed funding comes too late, and the project loses momentum as a 'window of opportunity' for Health NZ to engage with the private sector closes.

There is also a risk that Health NZ's operational budget constraints limit their ability to expand services in line with population projections.

Case Study: Medical tourism enables New Zealanders to access new cancer treatments and builds economic growth through new industries

> BioOra and Malaghan Institute have partnered to offer immunotherapy treatments for non-Hodgkins lymphoma that are otherwise unavailable in NZ.

> In Phase 1 Trials, the treatment effectively cured one out of two palliative patients, reducing side effects and thus the need for hospital treatment. This CAR T-cell therapy can be made publicly available to New Zealanders when scaled up and approved, with the support of medical tourism.

> Medical tourism is foundational to the business case, with international patients spending 10 days in NZ rather than paying $3m in the USA for similar treatment. It is estimated this could result in an additional $600M to NZ's economy as well as the treatment being made available to over 200 New Zealanders per annum.

> BioOra will work with private or public hospitals in Queenstown to provide aftercare for residents and 5-star hotels for international patients.

Case Study: Maternity care for mothers and babies

> Discussions are underway with a US and NZ medical group which will be part of the Lakeview Te Taumata Clinic in Queenstown.

> The need for better maternity care is obvious with service gaps described as 'third world' by some who work in them.

> The group is looking to strike the right balance between NZ publicly funded cases (fee for service) and a fee-paying international client group. It is estimated this could result in an additional $78M to NZ's economy and services being made available to Otago Central Lakes

> They are ready to agree and document the Obstetrics model of care with local clinical leaders and work towards this vital service.

STRATEGIC GROWTH VISION

Otago Central Lakes has grown significantly due to its attractive scenery and climate, clean environment, outdoor lifestyle, economic opportunities and improved connectivity. Growth in resident and visitor numbers has brought economic benefits, such as GDP growth that is more than double the New Zealand average and low unemployment. It is anticipated that high growth will continue.

The Otago Central Lakes vision promotes a consolidated and mixed-use approach to accommodating future growth. This means the changes needed to accommodate future growth will be achieved within, and around, existing urban areas through intensification and extension of urban boundaries.

To achieve this vision, investment is needed to ensure there is sufficient infrastructure capacity in networks to support a quality visitor experience, provide for community needs and protect the environment. This investment needs to be equitable so that it doesn't continue to fall disproportionately on a small ratepayer base. Developers and visitors must pay their share of the costs of growth.

The desirability of the sub-region means there are competing demands for housing, and this has resulted in housing affordability issues; Otago Central Lakes is one of the most expensive places in New Zealand to buy or rent a home, and many residents struggle to find suitable, affordable, secure homes.

The Otago Central Lakes vision aims to capture value from growth and visitors and invest it back into critical infrastructure (including affordable housing). This will contribute to four spatial priorities:

- ✓ Consolidated growth and more housing choice
- ✓ Public transport, walking, cycling are preferred for daily travel
- ✓ A sustainable tourism system
- ✓ A diverse economy where everyone can thrive

OUR PROPOSED INVESTMENT PACKAGE

The Regional Deal would address the Otago Central Lakes' unique housing and growth challenges by capturing the value from growth and visitors and reinvesting it back into critical infrastructure and affordable housing using new tools

Local visitor user charge

Otago Central Lakes attracts a large number of tourists in contrast to its small resident base and those numbers continue to increase. In 2023 the Queenstown Lakes peak day population was 105,022 of which 54,022 (51%) were visitors and 51,000 were residents. By 2053 the peak day population is expected to exceed 213,000.

Visitor numbers in the sub-region have surpassed 2019 levels, with 2024 arrivals at Queenstown airport up 25% from 2019. Overall international and domestic arrivals have both increased by over 30%. Despite having only 1% of New Zealand's population, Queenstown Lakes hosts 11% of all guest nights and 19% of international guest nights. Visitor numbers are projected to grow at pre-Covid rates, maintaining tourism's crucial role locally and nationally.

Currently, the small ratepayer base funds the additional demand placed by visitors on infrastructure such as roads, water and waste. While the community benefits from the tourism industry, the size of the investment needed to support the tourism economy is disproportionate to the size of the ratepayer population. $756M of QLDC's 2024-34 LTP expenditure is attributable to visitors and represents a 105% increase from the 2018 LTP.

In a 2019 local referendum, 81% of voters supported a visitor user charge on short-term accommodation.

This proposal requests a visitor user charge, levied through accommodation providers, for all visitors.

Example: 5% levy on the $413M estimated to have been spent in 2023 on accommodation in QLD would generate $210M over ten years, covering 30% of costs attributed to visitors.

Direct Mining Royalties to Fund Growth Infrastructure

There is opportunity to invest royalties from mining activities back into the sub-region to enable upfront infrastructure investment, investment in water resilience to grow other areas of the economy.

This proposal requests a portion of anticipated mining royalites within the sub-region to be reinvested in wider economic and water resilience and infrastructure impacted by growth in mining activities.

Upfront Developer Contributions

Otago Central Lakes struggles to recover infrastructure costs promptly, leading to a mismatch where growth doesn't pay for itself. Current tools are inflexible to varying growth patterns, placing financial risk on councils and costs on ratepayers.

40% of the QLDC's LTP capital programme is attributed to growth, however it is only a portion of this is recovered over this period.

This proposal requests legislation that would enable bespoke arrangements to be agreed with developers to obtain upfront development contributions.

Tools to enable affordable housing

Addressing housing needs is complex and requires a partnership approach. Despite significant capacity enabled through District Plans, the market alone is unlikely to deliver affordable housing. As the sub-region already delivers the second highest number of new houses per 1,000 residents in NZ, other tools are required alongside traditional planning tools to enable the delivery of affordable housing (rental and home ownership).

Previous legislative settings through the Housing Accords and Special Housing Areas Act (HASHAA) enabled Councils to partner with developers and the Queenstown Lakes Community Housing Trust (QLCHT) to deliver a pipeline of affordable housing. The sub-region took advantage of this legislation well, providing more than $25M of land, or the equivalent land value, to the QLCHT.

Opportunities exist to leverage past work with central government and the QLCHT to establish a perpetual affordable housing pipeline for Otago Central Lakes. QLCHT is willing to collaborate with QLDC and CODC to achieve this, supporting both housing and economic growth, and potentially used to support the delivery of affordable housing via Fast Track consents (similar to the HASHAA).

This proposal requests a package of regulatory tools to enable affordable housing, complementing traditional planning solutions, which both Councils continue to prioritise.

- **Legislation to enable bespoke agreements with developers to provide land, or funding, for perpetual affordable housing through a registered Community Housing Provider.**
- **Incentives for building on land already zoned and serviced**
- **Incentives for build to rent**
- **Update to Accommodation Supplement boundary to reflect existing urban areas**
- **Mandate short-term letting providers (such as AirBnB) to provide data to Councils to enable a better understanding of the impact of short-term letting on housing affordability and availability. This is interconnected with the visitor user charge and will be required to monitor and enforce this.**

THE CASE FOR CHANGE

Despite accelerated supply of housing, the sub-region remains one of the most expensive places in NZ to buy or rent a house.

Queenstown Lakes consistently delivers the highest number of new houses per 1,000 residents in NZ (29 in 2024 compared to the NZ average of 5), and Central Otago consistently delivers the third or fourth highest (11 in 2024). QLDC has consistently enabled >1,000 new residential dwelling consents and subdivision consents per year, which is nearly double the residential population demand of approximately 650 to 700 houses per year and 2-3 times the national average. In 2024 the total number of building consents delivered was exceeded only by Auckland and Christchurch.

There is a seemingly insatiable demand for second homes, holiday homes and short term accommodation and this means that even with maintaining the region's position as a leader in housing delivery, the market is unlikely to delivery affordable housing on its own. Queenstown Lakes' Housing and Business Capacity Assessment supports this.

Housing affordability is a $1b problem in Queenstown Lakes

That is roughly how much the district's incomes would need to increase by to make its house prices and rents as affordable as the national level (which itself is not very affordable). There are approximately 1,350 households on the Queenstown Lakes Community Housing Trust Waitlist

The cost of not being able to attract and retain staff is 3-6% of Queenstown Lakes' GDP

Essential workers leave and businesses struggle to attract and retain suitable staff. It is estimated that the higher labour turnover rate is costing the local economy around $150 - $200M p.a. For each worker we can make more secure stable in their home, community and work, the economic benefit is $55,000 to $110,000 (Sense Partners, 13 July 2022).

Housing development and infrastructure planning must be coordinated and jointly funded to effectively support growth

Developers building in new areas benefit from land value increases in greenfield areas, while infrastructure providers must invest in unscheduled projects. However, there is significant untapped potential in already zoned and serviced areas, such as Remarkables Park (~3,700 dwellings) and Frankton Flats North (~3,500 dwellings) in Queenstown Lakes. Embracing both new and existing opportunities can drive balanced and sustainable growth.

PROPOSED REGIONAL DEAL OBJECTIVES	ALIGNMENT WITH REGIONAL DEAL STRATEGIC FRAMEWORK PRIORITY OBJECTIVES	ALIGNMENT WITH GOVERNMENT'S REFORM PRIORITIES
Community can easily access quality, stable, affordable housing now and into the future [source: QL JHAP]	✓ Affordable, quality housing (Affordable housing for rental and home ownership)	✓ Going for Housing Growth
Growth pays for growth	✓ Connected and resilient infrastructure (Enables development)	✓ Going for Housing Growth ✓ Fast-Track Consenting Bill
Visitors contribute their fair share of the cost of providing infrastructure and services	✓ Connected and resilient infrastructure (Enables development, including housing)	✓ Going for Housing Growth ✓ Fast-Track Consenting Bill ✓ Backing economic growth

BENEFITS:

A 5% visitor levy visitors would collect around $21M annually, with little impact on visitor numbers.

Upfront developer contributions would reduce costs to ratepayers and this would be reinvested in the local economy.

Already planned greenfield developments could provide 1,000 affordable homes, through the QLCHT. This could provide homes for 2,600 people over 30 years generating $100M in economic benefit. OECD modelling shows improved housing supply boosts labour productivity by 0.5% annually.

Partnership in Action Case Study: Tewa Banks

A total of 58 affordable homes will be delivered by 2026 and this includes 15 Public Housing units, 4 Affordable Rentals, 5 Rent Saver homes, and 44 Secure Homes.

> QLDC provided $10m worth of land

> HUD provided $20m worth of loans and investment

> QLCHT is delivering the houses

Partnership Case Study: Lake Hāwea

A range of tools were used to unlock housing in Lake Hāwea and the surrounding area:

> Longview Special Housing Area (established via the HASHAA) will deliver a mixed used area and 460 new homes with 58 sections provided to QLCHT for perpetual affordable housing.

> $24M from the Infrastructure Acceleration Fund and >$60M QLDC funding now, with a further $22M of QLDC investment over the next ten years, is delivering enabling infrastructure for the township.

> HASHAA & District Plan changes have significantly extended the urban growth boundary, enabling ~5,400 additional homes, through enabling greenfield development and increased densities through District Plan changes. Further housing capacity will be enabled by the urban intensification Plan change currently being progressed.

> Construction at Longview SHA and the broader area will create an estimated 233-419 construction jobs.

WHAT LOCAL GOVERNMENT IS BRINGING TO THE DEAL

Significant delivery of high numbers of new houses. Queenstown Lakes consistently delivers the highest number of new houses per 1,000 residents in NZ (29 in 2024 compared to the NZ average of 5), and Central Otago consistently delivers the third or fourth highest (11 in 2024). QLDC has consistently enabled >1,000 new residential dwelling consents and subdivision consents per year, which is nearly double the residential population demand of approximately 650 to 700 houses per year, and 2-3 times the national average. In 2024 the total number of building consents delivered across the sub-region was exceeded only by Auckland and Christchurch. ***Across Otago Central Lakes approximately 7,800 new dwellings, 6,350 in Queenstown Lakes, have been consented since 2019.***

Progress has been made on growth infrastructure. Two major projects from the Queenstown Transport Business Case have been completed, including major upgrades to inground assets, and QLDC's strategic Lakeview development enabled the early delivery of a section of Arterial Stage 2. The full Arterial route has also been designated in perpetuity. As a result of these projects, a multidisciplinary Alliance has been established and is now delivering Government's Queenstown Package (Transport).

Financial commitment to future growth infrastructure. New, and major upgrades to existing, water and wastewater assets are under development. QLDC has committed $979M in the 2024 LTP to growth related infrastructure, including water and local share of transport projects, and this will unlock >10,000 houses. Central Otago has committed $110M for growth related infrastructure in the 2024

Continued commitment to Going for Housing Growth. District Plans have enough zoned capacity to meet projected growth for the next 30+ years and additional capacity is anticipated in Master and Spatial Plans. District Plans also enable residential flats inline with recent government changes. QLDC's HBCA shows capacity for over 64,500 additional houses and 84,800 through the proposed intensification plan change over the next 30 years. 16,000 additional homes are enabled over the next 30 years through Central Otago's District, Master and Spatial Plans. ***Across the sub-region 80,000 - 100,000 additional houses will be enabled over the next 30 years.***

Delivering a pipeline of affordable housing. HASHAA enabled QLDC to partner with developers and the QLCHT to deliver an ongoing pipeline of affordable housing. QLDC has facilitated $49.6M worth of land and monetary contributions to the QLCHT through a value capture process, and $11M from direct land transfers from Council.

Attachment B: RAS Slidepack from public workshop 3 June 2025

RAS
LOCAL GOVERNMENT
Ratepayer Assistance Scheme

RATEPAYER ASSISTANCE SCHEME

THE OPPORTUNITY FOR LOCAL GOVERNMENT

Executive summary and contents

RAS is a local government initiative that will significantly enhance LAs' funding and financing toolbox - providing flexibility to LAs as to how they charge and ratepayers in how they pay

- The Ratepayer Assistance Scheme (RAS) supports local government funding and financing by:
  - Converting multi-year Local Authority (LA) charges to ratepayers into efficient upfront payments to LAs
  - Effectively lending to ratepayers at very low cost
- The RAS would be owned by LAs, off-balance sheet and can be used to finance Development Contributions / Levies, Property Improvement Loans and Rates Postponement
- The Minister for Local Government has confirmed that he is supportive of the RAS and has recommended that local government undertakes further, final development work
- To undertake final development requires additional funding commitment from the sector of $2.5 million (without this the RAS will not proceed) and there is the opportunity for councils to be part of the group of funding councils
- This document sets out details of the RAS opportunity and support sought from councils as follows

1. The RAS Opportunity

The RAS has been developed by LGNZ, LGFA, a group of metro councils and Cameron Partners to support councils and ratepayers to address a range of economic and social issues

- The economic and social disruption from the cost-of-living crisis, an ageing population plus the investment requirements to meet infrastructure, health & safety and environmental resilience is affecting all New Zealanders
- The local government sector is responding with policies to address these issues, but it needs additional tools to ensure these policies can be financed, administered efficiently and are effective
- Local Government New Zealand (LGNZ), along with a group of Metro councils, the New Zealand Local Government Funding Agency (LGFA), Rewiring Aotearoa (RA) and Cameron Partners have been working on an innovative financing scheme, the RAS
- The purpose of the RAS is to facilitate and enhance the effectiveness of a range of existing and prospective government and local government policies by:
  - Addressing ratepayer affordability concerns
  - Incentivising ratepayers to take advantage of, and comply with policies through providing ratepayers with flexibility to decide when to pay local government charges and/or very competitive finance terms
- The RAS is very flexible with multiple applications possible – to date the focus has been on three applications:

  1. **Deferred Development Contributions (DCs) / Development Levies (DLs)** which enables developers to convert upfront DC / DL payments into annual payments over ~30 years while ensuring local authorities still receive full payment upfront
  2. **Property Improvement Loans (PILs)** to encourage investment in properties that has both private and public benefits, for example installation of solar panels and home insulation / heating
  3. **Rates Postponement (RP)** providing relief to ratepayers by using equity in their homes to defer payment of general rates (and could in-principle include all LA charges) until their house is sold

1. The RAS Opportunity

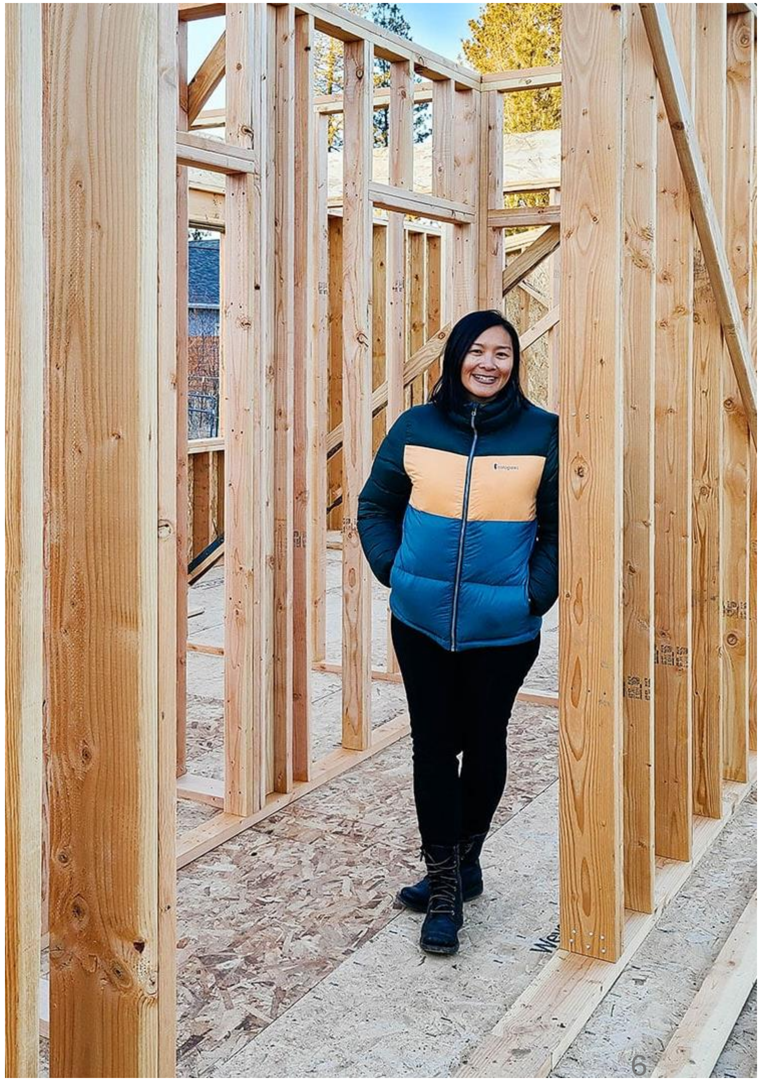
Central government has confirmed it is supportive and recommended further development – this requires local government to confirm its support and funding

- In many respects, the RAS is similar to the LGFA – it:
    - Utilises the strength of local government rates charge to provide security
    - Achieves scale by aggregating requirements across the sector in order to access very efficient and flexible financing from the capital markets
    - Is then able to pass on these financing efficiencies to ratepayers
- An important distinction between the RAS and LGFA is that the RAS will lend directly to individual ratepayers whereas the LGFA lends to local authorities
- The RAS would be a new entity owned by LAs, providing a national shared service available to all LAs – it would:
    - Undertake all administrative functions in regard to the services it provides (in many cases removing this from councils)
    - Importantly, be off-balance sheet for LAs so that there is no impact on council financing capacity
- The Minister for Local Government has confirmed that he is supportive of the RAS, has instructed his officials to commence policy work on the RAS in August 2025 and has recommended that local government undertakes further detailed development work to enable a final stop / go decision in late 2025
- To move forward, the local government sector needs to confirm its support for the RAS and sufficient funding commitment to fund final development
- The opportunity is for councils to be part of the funding group that supports final development of the RAS and ultimately establishment of the RAS – without further funding support the RAS will not proceed

2. Deferred DCs / DLs

Deferred DCs / DLs will spread the cost over say, 30 years, supporting development. It will be easier for LAs to charge the full allowable cost and receive payment upfront

- LAs charge ratepayers / developers DCs for new developments to contribute to the costs of supporting infrastructure
    - DC costs are significant (one-off charges are on average ~$20k to $30k per property but can be $60k+)
    - 2026 annual plans forecast over $700 million revenue to be raised from DCs nationally
- The proposed Development Levy System (DLS) is expected to expand the scope of DLs to enable LAs to fully recover development growth costs and raise more revenue to fund growth infrastructure
- BUT the DLS combined with supply chain issues and inflation pressures means developers will need to pay more – the affordability of these increased charges and risk to the very developments that the charges are intended to support are critical considerations
- The RAS will be able to effectively convert upfront DCs / DLs into series of annual payments over say 30 years
- Under a Deferred DC / DL scheme, LAs would continue to do what they do now and invoice DCs / DLs at appropriate milestones (e.g. issue of 224c certificate or Code of Compliance) but developers would have the option to either:
    - Pay DCs / DLs in full; or
    - Choose to defer DCs / DLs through the RAS
- In the case of deferred DCs / DLs, the RAS would pay the upfront DC / DL to the LA and the current and future owners of the properties, would repay these upfront DCs / DLs (+ interest) as annual RAS levies:
    - Importantly, future owners would expect to pay less for properties with deferred DCs / DLs to reflect the RAS levies that will be charged in future on an annual basis
    - In any event, the purchaser of a property will have the option to require the outstanding RAS levies to be repaid by the seller of the property prior to them taking ownership (although new purchasers may decide that they prefer to pay less upfront for the property and take advantage of the attractive financing rates applied by the RAS)



2. Deferred DCs / DLs

The new DLS will facilitate increased LA charges to property developers to more fully fund the costs of growth-related infrastructure

- DCs are a substantial revenue source for LAs (~$700 million nationally) and this is expected to increase considerably under the DLS
- The increased costs will drive demand for alternative payment arrangements such as deferred DCs / DLs, underpinning the ability for RAS to achieve a breakeven financial position in a reasonable timeframe
- Auckland Council estimates 50% of its DC revenue is from small developments (under four houses), including a significant number of 'mum and dad' developers undertaking developments such as subdividing their existing property

Average DC

$20k – 30k

Some DCs are much larger

$60k+

Under the DLS charges are expected to be larger individually and in aggregate

- Some developers highlight DCs as a factor that impedes development and encourages land banking and in response, some LAs end up discounting DCs
- A range of private and public sector options are available for property developers and LAs - these options typically do not support:
  - Development; and/or
  - LAs recovering the full allowable DC charge

Don't develop

DCs / DLs can inhibit development

Development Finance

Development loans are expensive

Fully charge DCs / DLs

Affordability, risk to development

LA Deferred DCs / DLs

Admin and impact on LA debt capacity

Stan and Jess, with their children Rebecca and Josh, have a home with a large backyard in Auckland

Stan and Jess are considering building an additional house on their section to initially provide accommodation for Jess' parents and then, in time their children. At some point they are likely to sell the property to help fund their own retirement. The DC that would be triggered by their development is a barrier to them developing the property

Stan and Jess would opt in to use the RAS's Deferred DC / DL product:

- *The Deferred DC / DL removes any potential disincentive of the material upfront DC / DL cost to undertake the development*
- *The RAS would convert the DC into an annual levy payment secured against the property*
- *The LA would receive the full DC / DL payment upfront*
- *Stan and Jess would pay their 'share' of the DC / DL while they own the property (and other owners in due course)*

LAs wish to encourage development but must provide the necessary infrastructure to support this

Some LAs continually face strong developer opposition to paying DCs

We understand that some developers point to LA DCs as an impediment to development

A Deferred DC / DL offering would be a very attractive option for developers:

- *Providing flexible payment terms*
- *Spreading the costs of the infrastructure over a 30-year term*
- *Providing LAs with a constructive response to developers' DC / DL cost concerns*
- *Providing the full DC / DL payment to the LA upfront*

3. Property Improvement Loans

LAs can currently adopt policies to provide financing to ratepayers that can be repaid via voluntary targeted rates – these arrangements can be financed and administered by RAS

- Current legislation enables LAs to adopt policies to provide financing to ratepayers that can be repaid over a fixed period via a voluntary targeted rate secured against a rateable property

- These policies typically relate to supporting and incentivising ratepayers to invest in their properties to achieve desirable private and public benefits. For example, various councils provide retrofit home insulation loans to ratepayers with loans repaid on a table mortgage basis

- Current PILs usage across most LAs (and therefore private and public benefits) is relatively low:
  - Similar to RP, LAs have been reluctant to offer and promote PILs as they must be financed out of LAs' existing financing capacity
  - In some cases, the interest cost charged to ratepayers has not been sufficiently attractive relative to ratepayers' financing alternatives
  - LAs have encountered operational and regulatory challenges

- RAS could provide PILs for individual and community projects (e.g. home insulation, heat pumps, double glazing windows, earthquake strengthening, solar panels, water tanks, septic tanks, EV chargers, stock exclusion fencing, sea walls) that:
  - Facilitate the growth of safer, healthier, more resilient and environmentally sustainable homes and communities
  - Are voluntary / 'opt-in' for ratepayers
  - Provide ratepayers with competitive financing options (~1% – 1.5% below standard mortgage rates)
  - May reduce or delay LAs' required investment in infrastructure (e.g. private water tanks could reduce the need for additional LA water storage capacity)
  - Are 'off-balance sheet' for LAs, removing the financing impediment for LAs

3. Property Improvement Loans

PILs support uptake of individual and community property improvements with significant public benefits, furthering LA and government's policy goals

- Private property improvements can have significant private and public benefits (e.g. safer, healthier and more environmentally friendly communities)
- Current legislation enables LAs to offer PILs (repaid via voluntary targeted rates) to further policy objectives, but use by LAs is not widespread – largely due to operational, cost and compliance issues
- Achievement of certain policy objectives / public benefits are limited by the one-off costs that property owners need to pay for the improvements

- A range of private and public sector options are available for property owners and LAs / government
- LAs / government can directly subsidise private property improvements, but these have limited efficiency
- Recent examples of LA provided PILs highlight the administrative and financing challenges

Don't improve	Bank loan	Govt subsidies	LA schemes
Reduced social benefits and policy objectives achieved	*Expense and availability?*	*Public sector vs private sector costs*	*Admin burden and uses LA financing capacity*

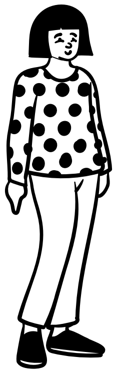
Josh, Sophie and baby live in City "X" in an old villa purchased five years ago. They are required under council regulations to either reinforce or remove the two existing chimneys in their home

Josh and Sophie currently heat their home with open fires but have decided it will be best long-term to remove the fireplaces. However, each fireplace costs $8k to remove and they will need to invest in a heat pump costing $2k

Council "X" decides to offer RAS PILs for chimney removal and insulation / heating

Josh and Sophie opt to use the chimney removal and heating PILs:

- *Accessing cheaper finance than the current alternatives*
- *Improving the safety and healthiness of their home*
- *Council "X" moves closer to achieving its seismic resilience targets*



June is looking to buy a new car and is interested in an EV to reduce her emissions and save fuel costs. She is also nervous about power outages

June can just afford the slightly higher purchase price of an EV. However, she is currently unable to also afford the cost of a home Vehicle to Grid (V2G) charger

June opts to use the RAS PILs product as this:

- *Improves the affordability of purchasing an EV*
- *Is cheaper finance than available alternatives*
- *Reduces her emissions while increasing her energy resilience*
- *Unlocks savings in fuel costs and maintenance*
- *Enables her to charge her EV when prices are low, use the car as a battery when prices are high and even sell a few kwh a day to reduce her power bill*

Just 30% of households with vehicles plugged in and exporting is the equivalent power output capacity of every power plant in NZ combined. More than enough to deal with higher daily peaks as our economy electrifies and avoid some costly system upgrades

3. Property Improvement Loans

PILs are very flexible and can deliver significant cost of living and quality of life benefits for ratepayers – it is up to central government and local government to decide what PILs could be applied to

- In indicating support for further development of the RAS, the Minister has asked that particular consideration for how PILs could be used to support the uptake of renewable, lower-cost energy
- While originally envisioned for residential properties, there is no reason government and councils could not extend PILs to other rateable properties – e.g. financing install of medium-sized solar and water-way fencing on farms
- In principle, RAS PILs could also be used to avoid LA capital expenditure

Ngaio and Rick have just had a big shock as their electricity daily charge and unit prices increased by 20% from 1 April

They have looked into solar and want to install a 9kw solar system to reduce their power bills and not fear the seemingly inevitable increases coming next April. But the $18k upfront cost is a big ask for the household with three young kids. They elect to take out a PIL through the RAS as it is cheaper and easier to access than other options available to them

Once installed, they are able to save ~75% of their power bills

After they've fully paid off the solar system through the RAS over the 30 year warranty period of the solar panels, they have saved over $40k

Their decision to install solar has also:

- *Encouraged them to swap out their gas heating for electric*
- *Improved the energy resilience of their community*
- *Helped NZ keep more water in the hydro lakes in dry years, due to the 11% "sunlight premium" of solar in dry years*
- *Increased NZ's electricity generation (if 80% of homes had a 9kw system, it would be about 40% more electricity generation)*
- *Supported the wider electrification of the NZ economy*

The ten property owners at beach "X" are concerned about erosion and the impact of climate change which potentially puts their properties at risk in an extreme weather event

They have collectively engaged engineering advisors and a construction company to scope a seawall to protect their properties and they have received a firm quote of $180k

All of the property owners are willing to contribute to the seawall but some are retired and do not have access to financing and do not wish to use their small savings which they use for living expenses

Seven of the ten property owners at "X" beach opt to use a RAS PIL to finance their contribution to the seawall at cheaper finance than current alternatives (the other three owners pay direct)

Of the seven who use the PIL:

- *Three repay the PIL over ten years via annual RAS levies*
- *Four choose to postpone payment of the voluntary targeted rate using RP*

The seawall is built and the following year, Cyclone Ada causes widespread damage but Beach "X" is unscathed because of the protection provided by the seawall

Council "Y" is aware it has a large number of ratepayers that have septic tanks that are deteriorating and starting to cause environmental issues (leaching into streams and the harbour)

The geography makes it difficult to provide reticulated wastewater services to most of the properties and in any event Council "Y" has insufficient financial capacity to undertake the necessary investment for a new wastewater network

Instead, Council "Y" is imposing new septic tank regulations and commencing an inspections process. It anticipates virtually all septic tanks (installed over 50 years ago) will require replacement at an average cost of $20k

Council "Y" intends to offer a RAS PIL to ratepayers who are required to replace their tanks with a payment term of 20 years:

- *Many affected property owners comply with the new council regulation and choose to take advantage of Council "Y"'s septic tank PIL*
- *Property owners who take up the PIL are able to repay the loan over a 20-year period at $1,000 p.a. + interest (PIL interest rate is lower than alternative options)*
- *The council achieves its environmental policy objectives*
- *The council avoids a significant investment in a reticulated wastewater network that it can ill afford*

4. Rates Postponement

RP allows qualifying ratepayers to defer rates and pay on sale of their property – in principle all LA charges could be deferred in the same way

- RP provides flexibility to ratepayers (like a reverse equity mortgage) to decide to pay LA charges at some time in the future, partially mitigating:
  - Affordability issues – the impost on property owners will only increase as New Zealand seeks to address underinvestment in infrastructure
  - Demographic changes – e.g. an aging population and a growing cohort of fixed income / elderly home owners
  - General cost of living challenges

- Many LAs already provide RP schemes although these have limited uptake, due to:
  - Demand side factors - e.g. limited awareness; challenging application processes
  - Supply side factors - e.g. restrictive and varying eligibility criteria; LAs' reluctance to promote RP due to the impact on their short-term cashflows and financing capacity

- RAS RP is an opportunity for a standardised, highly efficient national RP scheme that provides RP benefits to a larger proportion of NZ ratepayers at very competitive financing rates (~1% – 1.5% below standard mortgage rates; ~4% to 5% below reverse mortgage rates)

- Eligible ratepayers will have the opportunity to defer general rates payments and the RAS could also offer ratepayers the option to postpone other RAS or LA related levies such as Deferred DCs / DLs and PILs

- British Columbia, Canada (population ~5 million) has a property tax regime similar to New Zealand's rating system:
  - It has had a property tax deferral scheme in place for many years providing a strong precedent and insights
  - In 2024 the British Columbia Property Tax Deferral Scheme had 83,000+ users, ~$2.7 billion in loans (it has quadrupled in size from ~$670 million in 2016) and includes ~3.9% of British Columbia households

4. Rates Postponement

A nationwide RP scheme would be a highly efficient solution that assists older home owners avoid financial hardship by offering them the ability to postpone their rates

- Living costs in NZ during retirement can be significant
- Superannuation payments are unlikely to cover all living costs for many low-income ratepayers
- Without savings or other sources of income, retirees can experience financial hardship
- LA rates are a significant expense and are expected to increase above inflation for the foreseeable future

'No frills retirement for a couple'
$54k p.a. in the regions
$47k p.a. in main centres

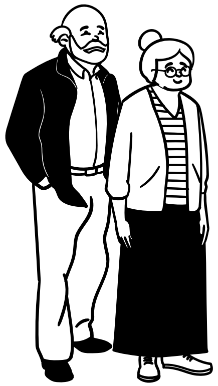
'Choices retirement for a couple'
$63k p.a. in the regions
$91k p.a. in main centres

NZ Super payments $42k p.a. (post tax) for a couple where both qualify
And $27k p.a. (post tax) for an individual living alone

NZ average 2024 residential rates $3,200 p.a. and rising steeply

- A range of private and public sector options are available
- These are limited in their effectiveness and efficiency and not always available
- They do not always align with ratepayers' objectives – most ratepayers do not want to be forced to sell their home

Reverse mortgage	Sell home	Rates rebate	Existing LA RP
Reverse mortgages are very expensive	*Downsize, move to a retirement village or more affordable region*	*Eligible ratepayers can receive up to ~$790 p.a.*	*Not widely marketed, inefficient and expensive*



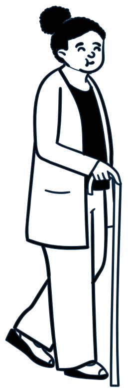
John and Jane (both 65) have retired, live in City "X" and expect to live to 90. They are fixed income / elderly homeowners and despite having $1.4 million of assets (home $1.2 million and KiwiSaver $200k), they are struggling to make ends meet. They intend to utilise their savings to meet living costs and the occasional extravagance

They pay ~$4,000 p.a. of LA rates (~8% of their post tax pension income) and are concerned about the forecast rates increases of up to 10% p.a. for the next three years

RP:

- *Increases their annual cashflow by ~$4,000 and insulates them from future rates increases – they eat out once a week at the local byo*
- *Enables them to stay in their home for the next 10 years*

Ten years later, their home's value has increased to $1.5 million. They sell it, repay the ~$60k RP debt and realise $1.44 million from the sale



Diane (70) has retired, lives alone in City "Y" and expects to live to 90. She owns a small unit worth $600k and otherwise has no investments or savings. Her only income is NZ Super so she is forced to live very frugally and she struggles to afford to travel to Auckland to visit her grandchildren

She pays ~$3,200 p.a. of LA rates (12% of her post tax pension income) and is very concerned about the forecast rates increase of ~10% p.a. for the next three years and whether that will impact her ability to see her family.

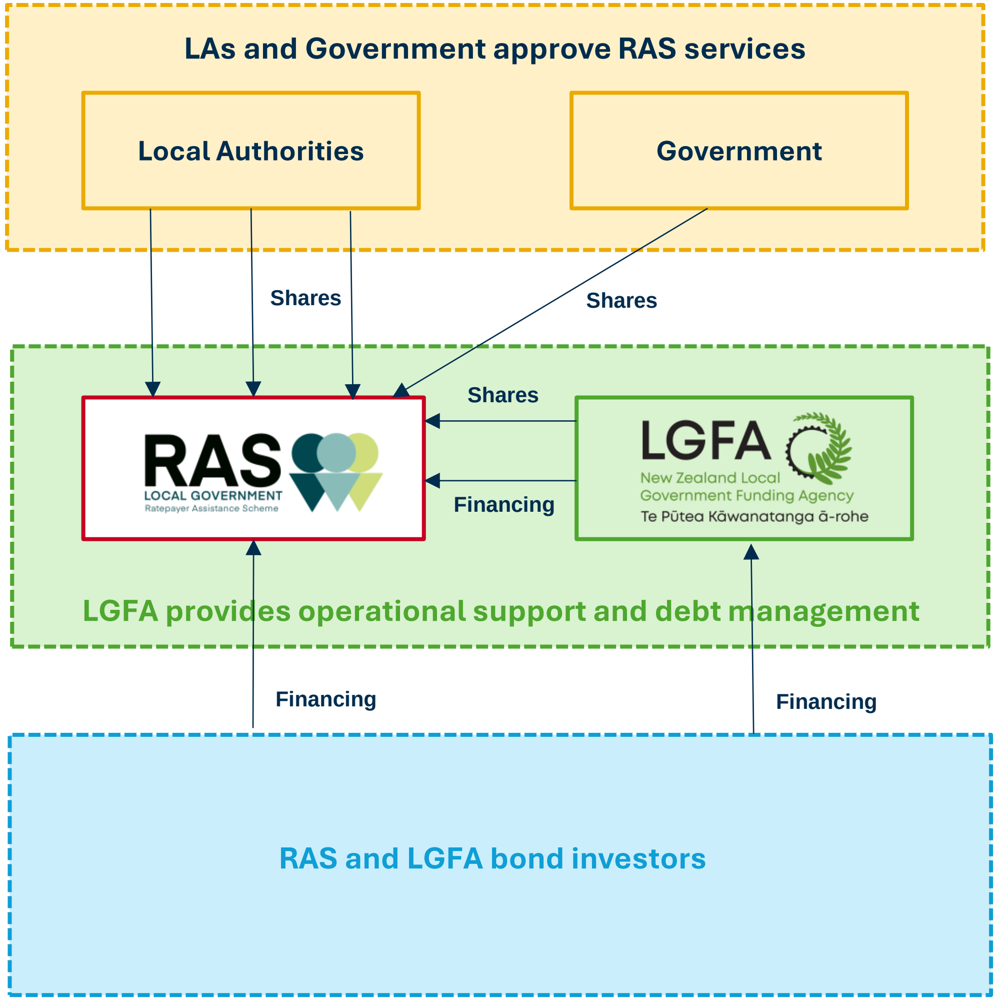
RP:

- *Increases her annual cashflow by ~$3,200, insulates her from future rates increases and enables her to visit her family three times a year*
- *Enables her stay in her unit for the remainder of her life*

When she passes away at 90, her unit sells for $900k and her $150k RP debt is repaid

5. What it is and how it works

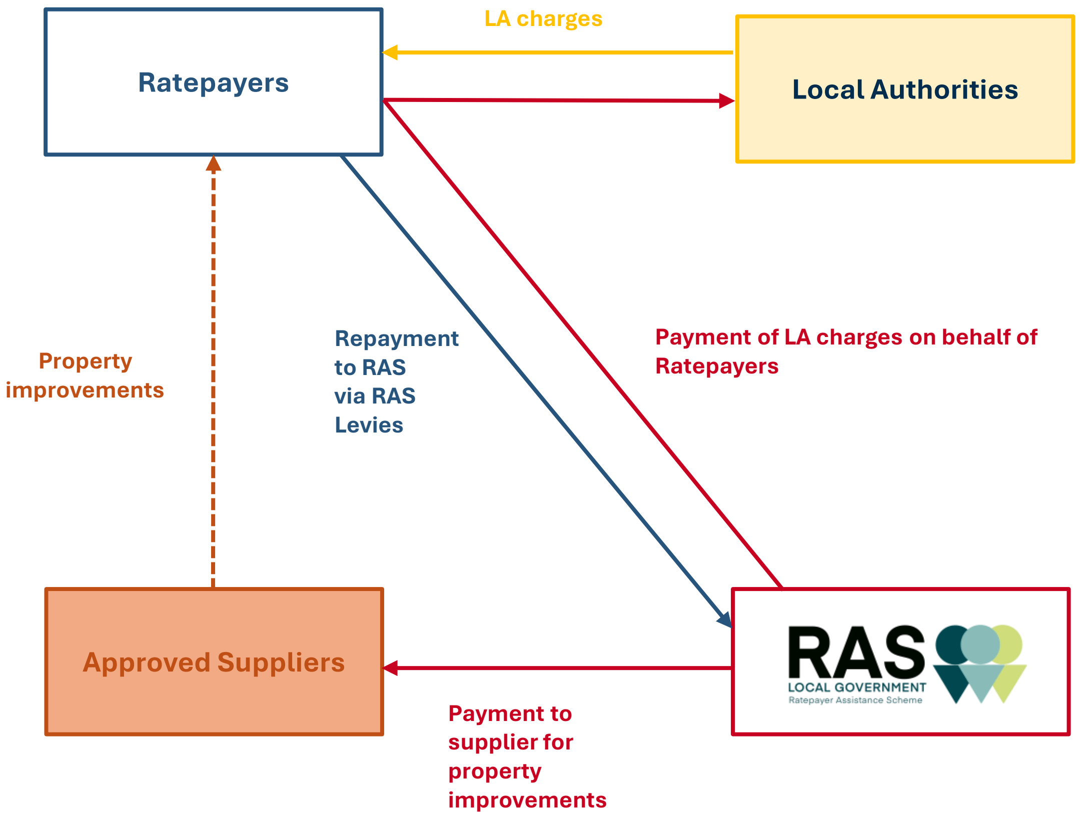
Structurally the RAS has many similarities to the LGFA – it will be owned by LAs, LGFA and government, providing services to LAs and their ratepayers



- The RAS would be a new entity (a CCO), owned by LAs, LGFA and central government
- The RAS would have no discretion to whom and for what it could lend money – all the services it provides would need to be approved by LAs and central government
- To ensure the RAS is off-balance sheet, the maximum individual stake is less than 20%
- All LAs will be able to use the services of the RAS (regardless of whether they are a shareholder or not), subject to meeting RAS's membership requirements – e.g. IT interface, invoicing, collections, security requirements
- LGFA has a critical role in regard to RAS – providing financial and operational support to the RAS (on a commercial contractual basis), using LGFAs existing capabilities, avoiding duplication and maximising efficiency
- The LGFA board has provided in principle approval (subject to LGFA shareholder approval) for the following
    1. **Ownership** up to the maximum allowable (~20% of RAS shares)
    2. **Debt facility** to enable RAS to "warehouse" its loans to ratepayers before issuing its own RAS bonds to the capital markets
    3. **Preference shares investment** (potentially $100 million + over time) to ensure RAS maintains an appropriate equity ratio as its loan book grows
    4. **Shared services arrangements** across many corporate functions such as financial, HR and IT services
    5. **Management of the RAS bond programme** – using LGFAs existing skills, and networks (it is expected that there will be significant crossover between RAS and LGFA bond investors)

5. What it is and how it works

The RAS effectively does what LAs can and already do, but does it more efficiently and effectively, taking on the administrative burden and risk of providing the services while being off-balance sheet so that there is no impact on LAs' financing capacity



- The RAS structure is based on the LGFA structure
- Importantly, given the RAS is providing services on behalf of LAs, the RAS would have the power to impose a levy charge equivalent to a rate to ensure it gets repaid
- The RAS structure and its ability to impose a 'rate-like' levy would enable it to achieve a very high credit rating
- With this very high credit rating, the RAS would raise very low-cost, long-term financing from the capital markets and pass this on to ratepayers (ratepayer financing will be between ~1-1.5% <u>lower</u> than standard mortgage rates)
- LAs will opt-in as to whether they wish to allow their ratepayers to use the RAS's services
- Ratepayers will also opt-in to use the RAS's services
- The interface between LAs, RAS and ratepayers will be as seamless as possible – for example in the case of RP or deferred DCs / DLs:
    - Ratepayers would "apply" through their LA via a web-based portal on the LA's website
    - The application would go directly to RAS for processing
    - Once approved, payment of the rate charge or DC / DL is made to the LA by the RAS
    - At the appropriate time the RAS will levy the ratepayer to obtain repayment
    - The RAS levy will be separately itemised on the LA's rates invoice, collected by the LA and then distributed to RAS
- In the case of PILs the process would be the same except that RAS would make payment to the approved supplier of the property improvement

6. RAS financial business case

In addition to the provision of valuable services for LAs and ratepayers, business case analysis indicates that very strong commercial returns may be available to shareholders

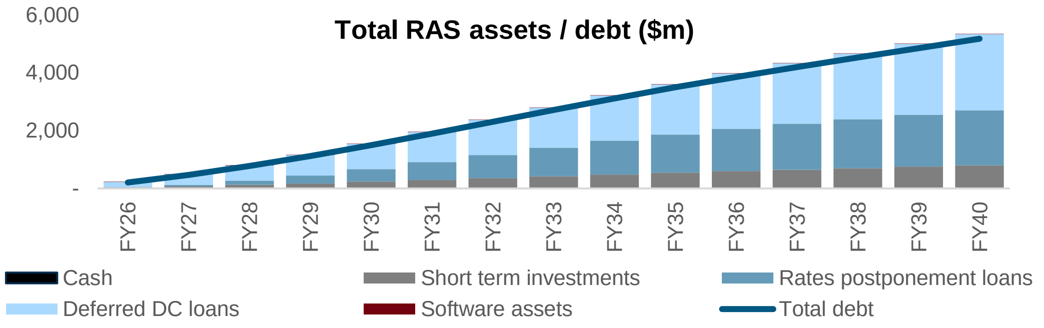
- A comprehensive business case analysis has been undertaken on a “desktop” basis by Cameron Partners with input from LGFA and IT service providers (to assist with scoping and quantification of the core IT system which is critical to the effective and efficient operation of the RAS)

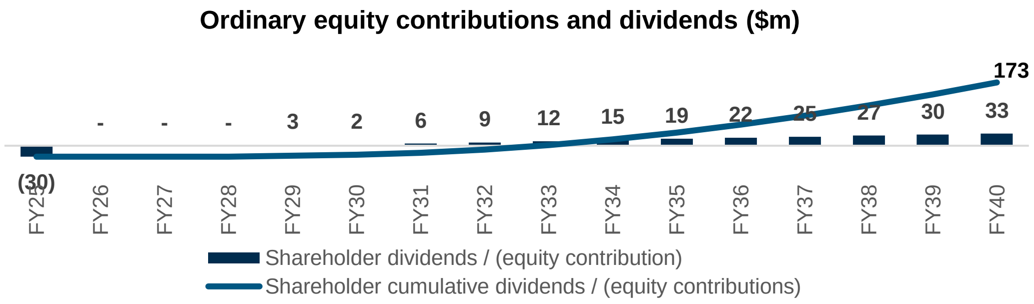
- Multiple scenarios have been developed and the base case scenario is considered conservative – it assumes:
  - Deferred DC / DLs uptake of 25% of new DCs from FY26
  - No PILs have been assumed in the current base case (this assumption will be revisited during final development)
  - RP uptake of 3.0% is achieved by FY34 with significant uptake occurring in years two to five. By FY31, ~52k households use RP

- The next stage of development will firm up these assumptions, including engagement with market providers including IT system service providers

- The economics of RAS rely on it achieving scale so that it can cover its operating costs:
  - The financial modelling assumption is that the RAS net margin is 1% (ie for every $100 million of loans it will generate $1 million to cover its operating costs)
  - Once RAS has achieved breakeven, surplus cashflow is available to distribute to shareholders

- The base case scenario indicates:
  - Equity of ~$30 million is required to cover establishment costs and operating deficits until RAS achieves breakeven
  - Breakeven is achieved in year 4 (based on assumed annual operating costs ~$7m)
  - Full “payback” of initial investment in year 8
  - An annual dividend yield of over 100% by year 15





7. Development to date and next steps

Development of the RAS has occurred over a number of years, overseen and funded by a Steering Group – final detailed development is now required to facilitate a “stop-go” decision to proceed with RAS establishment

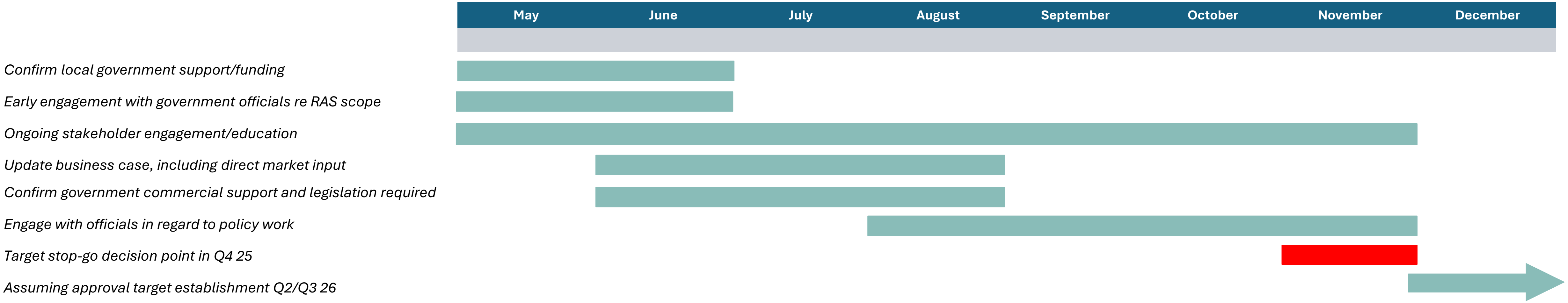
- The RAS Steering Group has comprised LGNZ, Auckland Council, Hamilton City Council, Tauranga City Council, Wellington City Council, Christchurch City Council, LGFA and RA

- The Steering Group has been supported by a suite of advisors who have each undertaken significant work to date, including:
  - Cameron Partners which has led development / business case analysis indicating that a break-even position could be reached in a short timeframe and commercial returns could be strong
  - Russell McVeagh which envisages the RAS being implemented through its own legislation (using similar principles and mechanics to the LGFA and IFFA)
  - PWC (accounting and tax) and S&P who have reviewed the RAS structure and raised no red flags regarding ‘off-balance sheet’ / ‘off-credit’ treatment for LAs

- Given the significant development already undertaken, with the requisite local government support it is anticipated that the RAS could be established within a 12-18 month timeframe

- In outlining his support, the Minister for Local Government has recommended that, to enable his officials to move quickly in August 2025, the Steering Group undertakes significant further development

- The proposed workstreams through the remainder of 2025 are as follows:

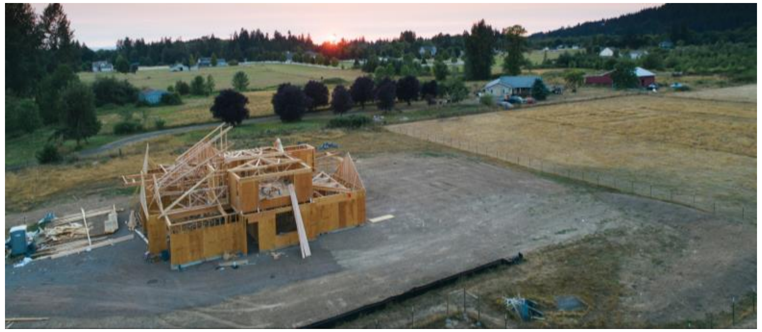


8. Support and funding commitment required

RAS LOCAL GOVERNMENT Ratepayer Assistance Scheme | LGFA New Zealand Local Government Funding Agency Te Pūtea Kāwanatanga ā-rohe | Kō tātou. LGNZ.

In order to undertake final development in conjunction with government officials, support and additional funding commitment from local government is required

- As outlined, RAS would be a national service available to all LAs and ratepayers, providing services that will enhance LA funding and financing options and delivery of a range of desirable policy outcomes for ratepayers. In addition, analysis indicates RAS could provide very strong commercial returns to its shareholders
- $2.5 million (incl. 20% contingency) in "at risk" development funding is estimated through until a "stop/go" decision in Q4 25
- Assuming a "go" decision – it is estimated ~$30 million in total equity will be required (including the $2.5m in development funding), covering commercial, legal, accounting, tax, IT and recruitment advice during the development and establishment phase (~$10m) + the IT system and allowance to cover operating deficits while RAS reaches scale and financial breakeven (~$20m). This equity requirement will be confirmed during final development
- All development funding will qualify as equity and is included in the estimated total equity requirement



- The opportunity for councils is to be part of the group of funding councils:
  - Sufficient funding is required to move forward, without it the RAS will not proceed, but no funding will be spent until commitments from councils are received for the total estimated funding costs
  - A number of councils are intending to put the RAS proposal to their elected members in May / June 2025 seeking a decision regarding support and funding commitment – Auckland Council has already confirmed its support to provide $600k of the required development funding
  - It is intended that funding councils will make meaningful funding contributions and provide an in-principle indication of their willingness to use RAS and subscribe for equity at its establishment

- To encourage early participation and to minimise free-riding, governance arrangements have been proposed outlining decision rights for the funding councils – the "RAS Governance Group" (see Appendix). The RAS Governance Group may receive advantageous subscription terms based on the timing of funding provided – e.g.:
  - All funds provided by members of the RAS Governance Group during the development and establishment stages will be recognised in their RAS shareholding when the entity is established (including any funding already provided to enable the RAS development to date)
  - An incentive arrangement may be applied for the funding provided at earlier stages of the process – e.g. 2 shares for every $1 early funding provided

9. What to do next if you are interested

Timing is critical, local government funding needs to be confirmed by the end of June in order to undertake the development work to be ready to engage with officials in August – without funding, the RAS will not proceed

- If you are interested in understanding more about the RAS and deciding whether your council wishes to support RAS and potentially provide funding, please contact:

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- The RAS team is available to work with you as required, including presenting to elected members and executives

- In addition, significant development work has already been completed, and extensive analysis and materials are available including the original comprehensive business case completed in late 2022 (which will be updated during the next stage) and a generic council paper outlining the RAS opportunity

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Appendix – Proposed governance during development

1. Members of the RAS Governance Group will comprise:
    - Local Government New Zealand (LGNZ)
    - Local Government Funding Agency (LGFA)
    - Rewiring Aotearoa (RA)
    - Local Authorities (LAs) who are funding the development of the RAS

2. It is possible that the Governance Group may expand overtime - eg:
    - Additional LAs may wish to join as funding LAs (the LGFA establishment process commenced with five funding LAs and at establishment this had increased to 18 LAs + central government)
    - Central government provides funding
    - Potentially other stakeholders may provide funding

3. It is expected that LGFA and LA members of the RAS Governance Group will form some or all of the shareholders of the RAS at its establishment (central government and other LAs that are not members of the RAS Governance Group may also be invited to be shareholders)

4. To encourage early participation in the RAS Governance Group and to minimise free-riding, members of the RAS Governance Group may receive advantageous subscription terms based on the timing of funding provided. For example:
    - All funds provided by members of the RAS Governance Group during the development and establishment stages will be recognised in their RAS shareholding when the entity is established (including any funding already provided to enable the RAS development to date)
    - An incentive arrangement may be applied for the funding provided at earlier stages of the process

5. A subset of the RAS Governance Group will be known as the Steering Group

6. The rationale for the Steering Group is to ensure a small group of Governance Group members are able to make day-to-day decisions required to ensure the process can advance in an efficient manner

7. The Governance Group will:
    - Work together to make strategic decisions relating to the development, establishment and ongoing operations of the RAS and the policies and policy criteria that the RAS will support (for example the economic and decision rights attached to RAS shareholdings and the qualifying criteria for various RAS products such as rates postponement)
    - Collectively make stop-go decisions (although individual members may also decide not to proceed)
    - Delegate authority to the Steering Group to make day-to-day decisions including committing to costs to be borne by the RAS Governance Group within a pre-agreed budget
    - Make decisions by way of a simple majority

8. The Steering Group will comprise a smaller group of personnel appointed by the Governance Group and will:
    - Have responsibility for day-to-day oversight of the development and establishment process
    - Meet on a regular basis (e.g. weekly) and as required with Cameron Partners (the Lead Advisor) and other advisors to make day-to-day decisions
    - Update the Governance Group and other stakeholders, such as central government (e.g. the minister and / or officials) on a regular basis (e.g. every 4 to 6 weeks) and more often as appropriate
    - Seek decisions on strategic matters from the Governance Group
    - In the first instance, represent the RAS Governance Group in its engagement with other parties
    - Comprise representatives from no more than two LAs, LGNZ, LGFA and RA

9. At this stage, in order to progress the establishment of the RAS Governance Group a Steering Group has been formed comprising LGNZ, LGFA and RA

RAS

LOCAL GOVERNMENT

Ratepayer Assistance Scheme