| OCTOBER 2026

IFF ILLUSTRATIVE CASE STUDY
Paying for transport projects

ILLUSTRATIVE ONLY – THIS IS NOT A PROPOSAL

This case study is a worked example of how an Infrastructure Funding and Financing (IFF) levy could operate. The projects, costs, timings, benefit shares and resulting bills are **assumptions chosen to show the mechanics**. They are not Council proposals, have not been assessed or endorsed, and must not be relied on as an estimate of any future cost or charge to ratepayers.

Aeira

Purpose of this session

When and why would you use IFF

A discussion on the application and use of the tool; how thinking might progress via the City and Regional Deal

Case study examples

A hypothetical case study to test how IFF might be applied

Understanding the pro's and con's; how discussions on alternative funding can progress

What IFF means from a ratepayer and Council perspective; how it compares to other options

Alternative commercial options

High level view of the portfolio

Today's session focuses on the use of IFF in supporting a programme of infrastructure, in line with the Regional Deal expectations.

IFF can also be used to support greenfield developments. This will be the subject of a separate session, alongside the Alpine Waters team.

IFF can enable earlier investment when borrowing is constrained

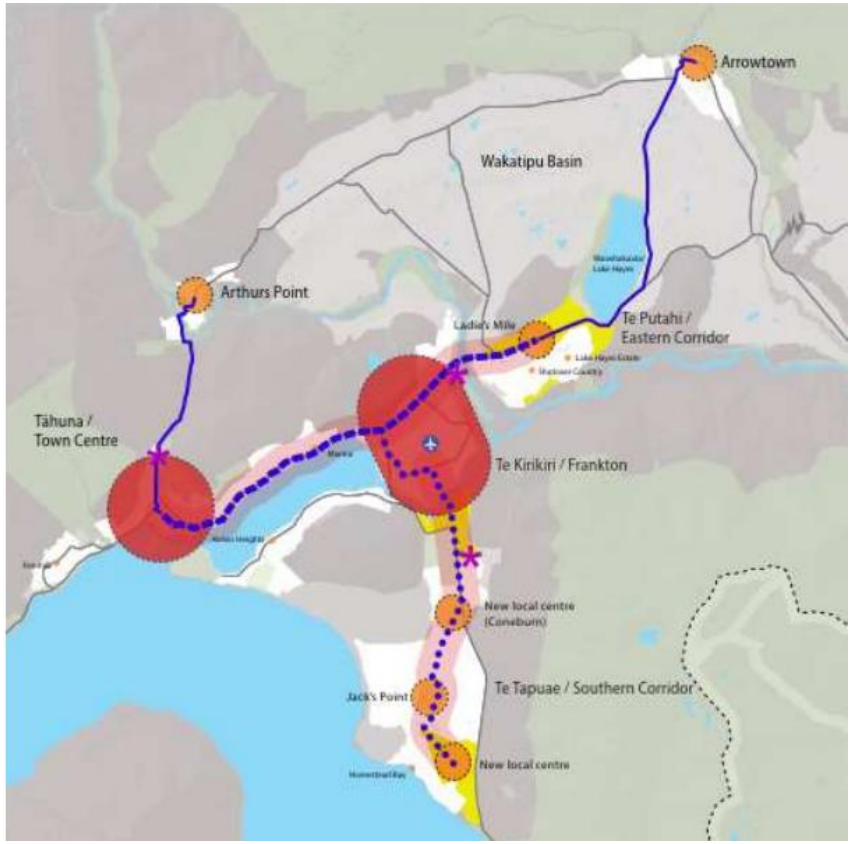
On the face of it, IFF is more expensive that borrowing via rates. This higher financing cost needs to be weighed against the cost and consequences of delaying, staging or displacing priority infrastructure. It is also comparable (and slightly cheaper) that commercial procurement constructs such as a PPP.

Brings forward investment when there are funding or financing constraints	A contribution from beneficiaries	The value of earlier delivery
• Where Council and Crown borrowing capacity limits investment, the practical alternative may be a later or smaller programme. • IFF can provide finance outside Council's balance sheet, enabling infrastructure acceleration and preserving capacity for other priorities.	• An IFF levy charges benefiting properties and spreads payments across successive owners. User charges, such as fares or tolls, can complement it. • IFF would usually sit alongside Crown/NZTA funding, Council funding and developer contributions in an agreed funding package. *It is unlikely an IFF is the sole funding tool.*	• Earlier delivery may avoid some construction escalation and bring transport, housing and wider economic and social benefits forward. • There will be a need to test whether those gains outweigh the additional financing cost. Lower whole-of-life cost or a better present-value outcome must be demonstrated.

When bringing an IFF proposal to Council, it will need outline: what confirmed programme and partner funding would IFF enable, how much sooner, and is the combined rates and levy bill affordable?

The example: a transport package funded through one levy

An illustrative transport funding package based on the OCL Transport Network Plan and QLDC transport priorities – amounts and projects are indicative and illustrative only. It is important to note that IFF is unlikely to be the sole funding tool in any package approach.



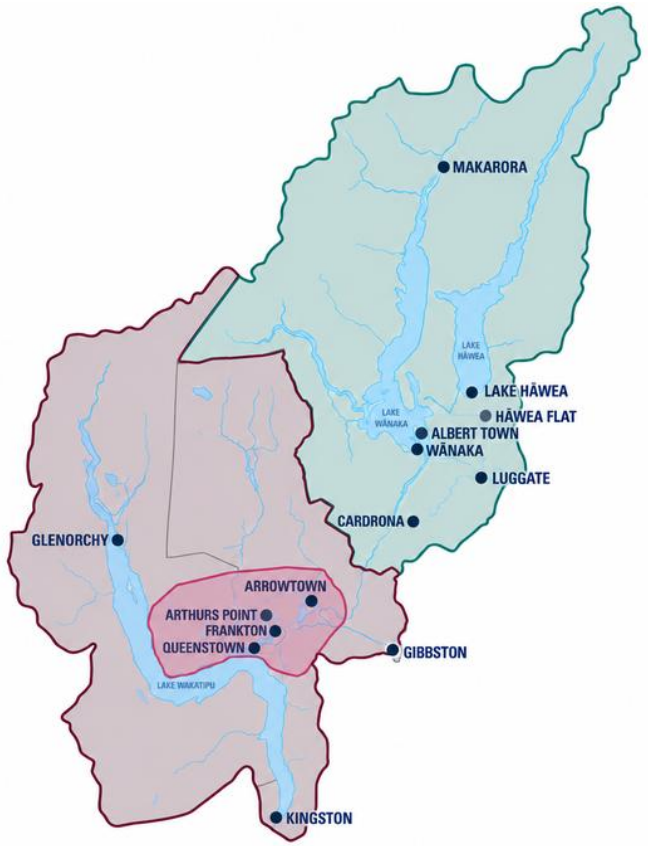
Project	Total Cost (2026 $m)	NZTA share	Council's share (2026 $m)
Wānaka core package	49.2	0%	49.2
Arthurs Point bridge	79.9	51%	39.2
Offline transit (offline MRT) share	Total project cost TBD	0%	20.0
PT Hub / Interchange	51.5	0%	51.5
Total	**200.6**		**159.9**
Inflation adjusted amount	**–**		**186.7**

Council's share to fund: $186.7m once construction inflation is added ($159.9m in today's dollars).

1 Otago Central Lakes Transport Network Plan, 6 Oct 2026 (pp. 12, 43, 51). Its cost bands match the LTP estimates used here (bridge and PT interchange $50m to $100m; offline network $250m+, Council share only modelled).

Who pays: IFF levies can be shaped to reflect the benefit received

Share of the 30-year total by ward, and average yearly bills incl. GST



	Share of cost same for levy and rates	IFF levy median home, per year	Council rates median home, per year
Queenstown-Whakatipu Queenstown, Frankton. Shares the bridge, offline MRT and PT Hub.	**34%** of the total	**$177** Commercial: $281	**$151** Commercial: $240
Arrowtown-Kawarau Arrowtown, Lake Hayes, Gibbston, Arthurs Point. Shares bridge, offline MRT and PT Hub.	**30%** of the total	**$170** Commercial: $334	**$145** Commercial: $285
Wānaka-Upper Clutha Wānaka, Hāwea, Cardrona. The whole Wānaka package plus a small share.	**36%** of the total	**$194** Commercial: $337	**$166** Commercial: $288

Why Wānaka's share is highest: each project's cost is allocated to the wards that benefit (the Wānaka package is 100% Wānaka; the bridge is split between the two Whakatipu wards; the offline MRT and PT Hub are shared across all three wards, weighted to Queenstown). The % shown is the weighted result across the whole package – see the project-by-ward table in the Appendix.

Bills incl. GST; commercial figures are for the median commercial property in each ward.

Single projects can also be considered, however >$50m is optimal to optimise establishment costs

Two examples using the same projects, costs and timing as the full package, funded on their own: the Arthurs Point bridge and the PT Hub. The only change is how the levy is split between wards

Arthurs Point bridge on its own

$39.2m IFF capex (50% local share), $124m levy over 30 years

How the split works: In the package the bridge is shared 50/50 between the two Whakatipu wards. On its own, the levy is split pro-rata to rateable capital value instead. Wānaka pays nothing either way.

	Share of levy Package → alone	Median home $/yr Package → alone	Change
Queenstown-Whakatipu	50% → **47%**	$68 → **$64**	**–$4**
Arrowtown-Kawarau	50% → **53%**	$73 → **$77**	**+$4**
Wānaka-Upper Clutha	0% → **0%**	$0 → **$0**	**–**

PT Hub on its own

$51.5m IFF capex (100% IFF-funded), $147m levy over 30 years

How the split works: In the package Wānaka carries 10% of the PT Hub. On its own, that share is removed and the two Whakatipu wards carry the full cost.

	Share of levy Package → alone	Median home $/yr Package → alone	Change
Queenstown-Whakatipu	50% → **56%**	$80 → **$89**	**+$9**
Arrowtown-Kawarau	40% → **44%**	$69 → **$77**	**+$8**
Wānaka-Upper Clutha	10% → **0%**	$17 → **$0**	**–$17**

What stays the same: total cost, private finance raised and the 30-year levy are the same under either split; only who pays moves. Both keep the 30-year term from FY2028, the 3-year phase-in, a uniform capital-value rate and no land-use differential.

Commercial bills move the same way: bridge Queenstown $107 → $101, Arrowtown $144 → $152; PT Hub Queenstown $127 → $141, Arrowtown $136 → $151, Wānaka $29 → $0 (median commercial property, $/yr). All bills are 30-year average yearly bills incl. GST, the same basis as the previous slide. Source: IFF Case Study Model, 19 Oct 2026.

There are two ways to pay for Council's (illustrative) share

In both, the ultimate funders are local property owners. What changes is who borrows, what it costs and how other investments may occur concurrently. Note, this analysis does not consider the amount that might be paid under development contributions given the high-level nature of the case study.

Option A

Council borrowing, repaid through rates

Council borrows

Council raises the $186.7m itself, via Local Government Funding Agency (LGFA) financing.

Council builds the projects

The debt counts against Council's borrowing limits until it is repaid.

Ratepayers repay it

A rate on the benefiting properties repays the loan and interest over 30 years. Some portion may be funded by development contributions, depending on the growth allocation.

Option B

IFF levy

A separate company borrows

A special purpose vehicle (SPV), set up under the IFF Act, raises money from lenders and investors.

The SPV contracts to build the projects

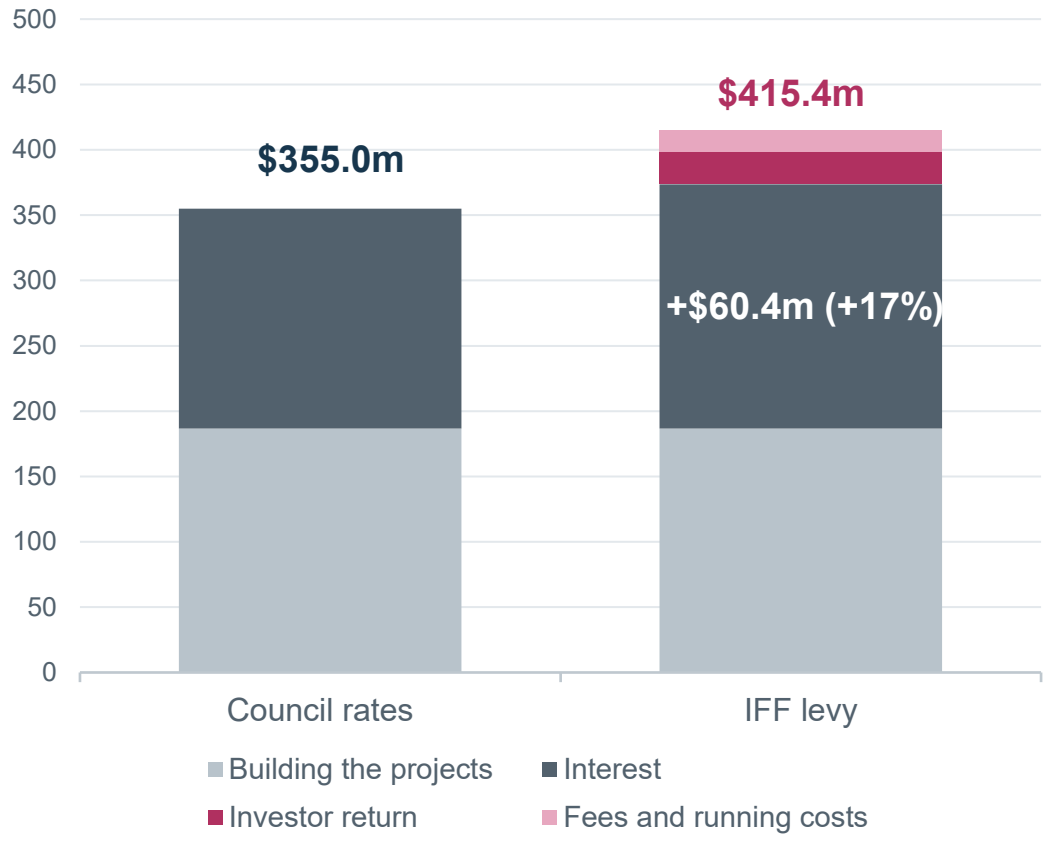
The SPV pays for the works. Its debt does not count as Council debt.

Property owners pay a levy

The levy appears on the rates bill. Council collects it and passes it to the SPV, which uses it to repay the financing (P&I).

The two options have different cash flow and risk profiles for ratepayers

Total collected from property owners, FY2028 to FY2057, $m (nominal, excluding GST)



Where the money goes ($m)	Rates	IFF levy
Building the projects	186.7	186.7
Interest	168.3	186.8
Return to SPV investors	–	25.2
Finance fees	–	12.4
SPV running costs and bad debts	–	4.2
Total collected	**355.0**	**415.4**
Difference		**60.4 (+17%)**

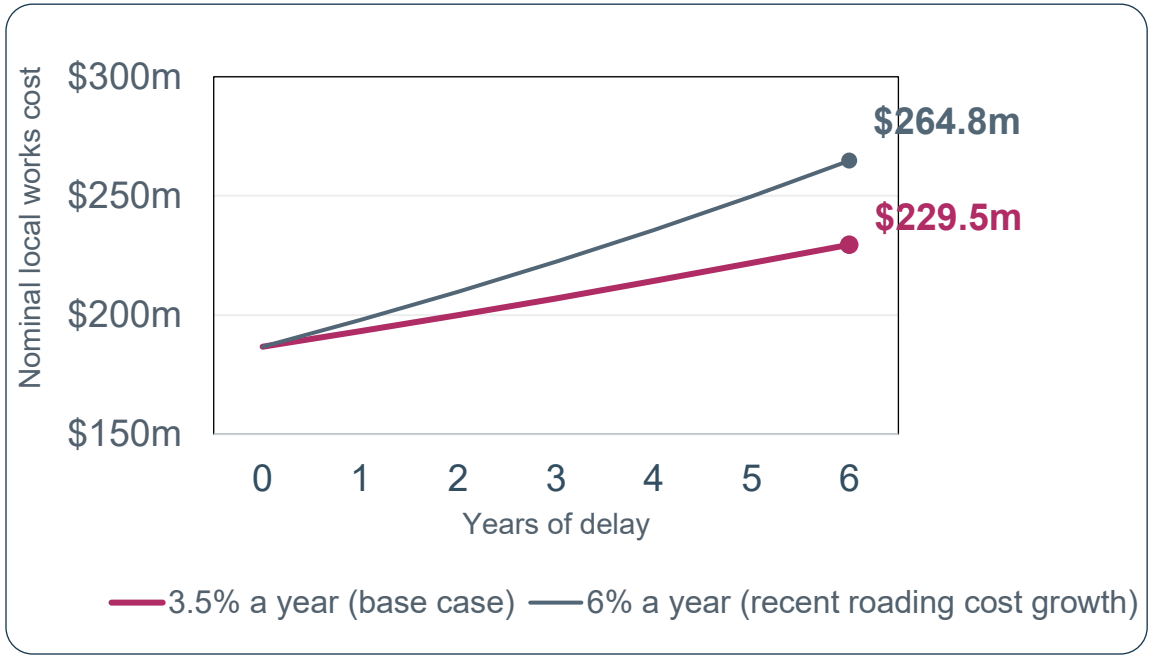
Why IFF costs more

- Investors in the SPV expect a return, the SPV pays set-up and lending fees, and its borrowing costs are assumed to be higher than LGFA lending. The levy total is the gross amount billed; it includes a 1% allowance for unpaid levies and SPV running costs ($4.2m).
- In return, the Crown provides a support package covering risks neither the SPV nor Council can manage: a legal challenge to the levy, a law change, Crown termination of the levy order, or levy-payers not paying. Ratepayers would otherwise carry these for 30 years. Construction cost overruns are not covered.
- Council interest rates are based on today's rates. This doesn't allow for future rate fluctuations. IFF finance costs are locked in for the ratepayer.

Delay scenario: A six-year delay increases construction prices by ~23%

Earlier delivery helps minimise escalation costs, which currently exceed the cost of finance. It also brings benefits forward.

$42.8m additional local works cost - Nominal spending: $186.7m rises to $229.5m



Same scope and funding shares. 6% a year annualises the ~20% three-year rise in roading costs reported in the Transport Network Plan (CODC estimate).

SNP: Doing nothing has a measurable economic cost

-$100m
annual GDP losses by 2056

-0.5%
long term international visitor growth

- **Investment has lagged growth:** shortfalls, ageing assets, deferred maintenance.
- **Growth arrives first:** 11,000+ fast-tracked homes consented; late infrastructure locks in car dependence; productivity impact.
- **Waiting costs more:** roading costs have increased 20–28% in three years; longer safety and seismic exposure; funding increasingly challenging.
- **Congestion is hurting the visitor economy:** 0.5% slower international growth costs $3–5m a year now, $100m+ a year by 2056.

Source: Otago Central Lakes Transport Network Plan

The financing premium is about $2m p.a. In the above 6-year scenario, avoided escalation is worth $43m, before any of the economic losses above are counted.

Illustrative only. Escalation excludes financing and operating costs. Economic benefits are not cash available to repay the levy.

Exploring the benefits of IFF

IFF could help QLDC deliver priority transport infrastructure while preserving Council borrowing capacity for other needs. In this illustrative case, it requires higher payments from property owners than Council borrowing. The decision is whether the benefits of earlier delivery and additional investment capacity justify that premium, and whether the combined household bill is affordable.

Potential advantage	Implications
Preserve Council borrowing capacity	Finance eligible transport investment while retaining capacity for other infrastructure and services (~$150m in peak years).
Deliver more under a rates cap	The levy is expected to sit outside the 2–4% rates cap from 2029, so it can fund projects Council could not rate for this spend within the proposed cap, and it avoids the cap's drag on revenue and debt headroom.
Bring investment forward	Projects start now instead of waiting for borrowing headroom to free up. Commitment is likely to support earlier Crown investment (in line with Regional Deal).
Lock in a committed programme	Once the levy order is made the projects are committed for the full term: delivered and paid for regardless of future political cycles or LTP re-prioritisation.
Allocate costs transparently to beneficiaries	Make the funded projects, charging area and distribution of costs explicit.
Spread payments across successive owners	Match contributions to the period over which the infrastructure provides benefits.
Shape the payment profile	Test phase-ins and longer terms to manage early bills and spread costs over time.
Removes non-payment and growth timing risk	These risks sit with the SPV, while ratepayers benefit from any upside via an annual rebate mechanism.

Rates or levy: the trade-offs

The below table outlines how the two tools compare on a set of measures. However, the wider strategic questions around beneficiary/user pays, economic development and growth also need to be considered.

	Council borrowing and rates	IFF levy
Total cost	Lower: total ~$355m over 30 years. However, finance cost risk stays with ratepayers, so this doesn't accurately reflect interest rate risk.	Higher: ~$415m, because of investor returns, fees and a higher interest cost. However, rebates may occur if there is upside to the assumed finance cost or growth profile.
Council debt	Adds about $154m to Council debt at the peak, consuming borrowing room needed for other projects	Debt sits with the SPV
Flexibility	Can be changed through each LTP or annual plan; debt can be refinanced or repaid early	Fixed by Order in Council for the whole term; hard to change later
Funding certainty	Can be reprioritised or deferred in later plans	Ring-fenced for the projects for the life of the levy
Targeting and administration	Targeting possible through targeted rates, but Council is simplifying its rating model and reducing these	A separate charge for 30 years, collected by Council; can be district-wide (simplest) or split by ward. Adds one fixed charge rather than many discretionary ones
Repayment period	Usually 20 to 30 years	Up to 50 years (modelled at 30, the same as rates); a longer term lowers yearly bills but raises the total
Set-up time and cost	Uses existing systems; can move quickly	Needs Government approval; fixed set-up costs make it suited to larger projects
Rates cap (2–4% a year from 2029)	Rate increases count towards the cap	Expected to sit outside the cap
How ratepayers see it	Familiar, but every rise is a visible Council decision	Will look the same as a targeted rate to ratepayers

Council’s choices: how each setting works under rates and a levy

Both tools let Council choose who pays, when, for how long and how much. The difference is how fixed those choices are.

	Council borrowing and rates	IFF levy
Who pays The charging area	A general rate across the district, or targeted rates by area or property type, with differentials. Set through Council’s funding policy.	The levy area, groups and each group’s share are set in the levy order. Options include the whole district, the Wakatipu only, nearby properties only, targeted/one off, or a mix weighted by benefit.
When it starts The payment profile	Usually from the start, because interest is paid from day one. Increases can be phased, but that adds interest and still counts towards the rates cap.	Full levy from day one, a three- or five-year phase-in, or half the levy until construction ends.
How long it runs The repayment period	Set by Council’s borrowing policy, usually 20 to 30 years. However, investment and financing costs will vary over time and are subject to political and economic cycles.	Up to 50 years (recent precedents 30 to 35). Longer means lower bills but a higher total.
How much is funded The funding mix	All or part of Council’s share, alongside NZTA, development contributions or other funding.	All or part of the eligible cost, with the rest from rates or other sources. Fixed set-up costs may mean it’s more suitable for larger packages.
Can it change later? Flexibility	Yes. Council can revisit the rate settings in each long-term plan or annual plan.	Only by amending the levy order, which is difficult. The settings are effectively locked in for the term.

Regional transport projects – potential for alternative funding/delivery

TNP 'high priority' projects and other large QLDC transport projects have been considered for potential for alternative funding/delivery models. A limited number of initiatives appear suitable. Further work would be required to consider a cross-stakeholder package of projects.

Project	Likelihood	Owner	Potential tool / funding / delivery
Frankton Flats bus priority and active mode upgrades	Low	NZTA	
Frankton Flats intersection and capacity upgrades	Low	NZTA	
CODC resilience upgrades – Hawksburn & Thompsons Roads	Low	CODC	
Whakatipu Basin Public Transport upgrades (Stage 2)	Low	ORC	
Arthurs Point Bridge	**Medium**	QLDC	IFF
Time of use charging – Whakatipu Basin	**High**	QLDC	TOUC revenue.
SH6A intersection upgrades (inc. bus priority)	Low-**Medium**	NZTA	
Parking management – Whakatipu Basin	**Medium**	QLDC	Potential parking revenue
Parking management – Upper Clutha	**Medium**	QLDC	Potential parking revenue
Investigate park and ride requirements	n/a	QLDC	Refer Whakatipu Park & Ride initiative
Whakatipu Basin Public Transport upgrades (Stage 3)	Low	ORC	
Ladies Mile bus priority and active mode upgrades	Low	NZTA	
Southern Corridor intersection upgrades & bus priority	**Medium**	NZTA	Developer negotiation
Queenstown town centre arterial (Stage 2&3)	**High**	QLDC	IFF

DCs have not been considered as alternative funding.

Project	Likelihood	Owner	Potential tool / funding / delivery
Stanley & Shotover Street Improvements (inc. Bus Hub)	Low-**Medium**	NZTA	Consider if any property/commercial integration
Ladies Mile intersection upgrades	**Medium**	NZTA	Developer negotiation
Shepherds Hut Creek improvements	Low	QLDC	
Queenstown public transport interchange	**Medium**-High	QLDC	IFF. Potential property/commercial integration
Offline Public Transport network	**High**	NZTA, ORC, QLDC	Private debt/equity. IFF. Private development/operation.
CODC Bridge strategy (Stage 1)	Low	CODC	Potential private sector package approach
Time of use charging – Upper Clutha	High	QLDC	TOUC revenue.
ITS Strategy and implementation	Low	QLDC	
Parking buildings study	**High**	QLDC	Parking revenue-backed private finance / concession / integrated development. *Note TNP is for study only not the actual building.*
SH6 Albert Town Bridge Upgrade	Low	NZTA	Potential private sector package approach
Regional Deal: RONs consideration – Cromwell to Ladies Mile	TBD	QLDC, CODC	a
WNOP (whole programme)*	**Medium**	QLDC	IFF
Whakatipu Park & Ride (TR) – Stage 1*	Low	QLDC	Potential parking revenue
Minor Improvements – Whakatipu (TR)*	Low	QLDC	

**From QLDC LTP. Not in the TNP*

Regional Deal & alternative funding tools: relationship with the LTP

The detailed development of a potential Regional Deal transport funding package will progress separately from the LTP timetable. However, the LTP consultation provides an opportunity to seek community feedback on the principles that should guide this work. The proposed messaging via the consultation process is below:

- Council previously raised IFF and other alternative funding approaches through the 2024–34 LTP process. Since then, the Otago Central Lakes Regional Deal has been signed, creating an opportunity to work with the Crown, NZTA, ORC and other partners on a coordinated programme of investment.

- Considerable transport investment is required. Council would like to understand the community's appetite for investigating alternative funding and financing tools, including IFF, where these could help deliver priority projects earlier and preserve Council borrowing capacity for other needs.

- An IFF levy could form part of a wider funding package alongside Crown/NZTA funding, Council funding and developer contributions. It could allocate costs to benefiting properties and spread payments across current and future owners. It would also create a separate charge for affected properties and could involve higher financing costs than Council borrowing.

- IFF could also be considered for infrastructure serving new developments, including greenfield areas, with the charging arrangements assessed separately for each proposal.

- At this stage, Council would be seeking direction to investigate options and negotiate with funding partners. Any specific proposal would require further work on the projects, partner contributions, beneficiaries, indicative charges and affordability, together with the relevant engagement and approval processes. The LTP would clearly distinguish its proposed funding assumptions from opportunities still being explored.

- Community feedback would help Council determine whether to progress this work and the conditions that should guide negotiations.

Next steps

Separate case study to follow on IFF for water

Alpine Water and QLDC joint investigation

Regional Deal working group

To investigate the potential for a funded package of transport investment and the governance, ownership and funding tools that might support this.

Regular updates to Councillors

Update papers/briefing sessions as work progresses

Appendix

Who pays: each project has its own area of benefit

Council share of each project, $m (real FY26), and the assumed share of benefit by ward (to be validated with transport modelling)

Project	Council share	Queenstown-Whakatipu	Arrowtown-Kawarau	Wānaka-Upper Clutha
Wānaka / Upper Clutha roading package Benefits Wānaka and Upper Clutha only	$49.2m	—	—	100%
Arthurs Point bridge (local share) Links the Queenstown and Arrowtown sides	$39.2m	50%	50%	—
Offline transit (offline MRT) contribution District-wide benefit, weighted to Queenstown	$20.0m	45%	40%	15%
PT Hub / Interchange District-wide benefit, weighted to Queenstown	$51.5m	50%	40%	10%
Weighted total and share of levy Each ward's allocated cost ÷ $159.9m	**$159.9m**	**34%** $54.3m	**30%** $48.2m	**36%** $57.4m

How the shares are built

Each project's Council share goes to the wards that benefit: the Wānaka package to Wānaka only; the bridge to the two Whakatipu wards; the offline transit and PT Hub contributions across all three, weighted to Queenstown. Adding them up gives each ward's share of the levy.

Within each ward

A uniform rate on capital value, with no land-use differential. The offline transit and PT Hub splits are assumptions for Council to confirm.

Disclaimer / Limitation: *Group boundaries and benefit shares are illustrative and would need a proper beneficiary assessment*