

Submission

By

**THE
NEW ZEALAND
INITIATIVE**

To the

Finance and Expenditure Committee

on the

Infrastructure Funding and Financing Amendment Bill 2025

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1. INTRODUCTION

- 1.1 This submission on the Infrastructure Funding and Financing Amendment Bill 2025 (the **Bill**) is made by The New Zealand Initiative (the **Initiative**), a Wellington-based think tank supported primarily by major New Zealand businesses. In combination, our members employ more than 150,000 people. The Initiative undertakes research contributing to the development of sound public policies in New Zealand.
- 1.2 The Initiative undertakes research that contributes to the development of sound public policies in New Zealand, advocating for a competitive, open, and dynamic economy and a free, prosperous, fair, and cohesive society.
- 1.3 The Initiative's members span the breadth of the New Zealand economy. The views expressed in this submission are those of the author rather than the Initiative's members.
- 1.4 This submission should be read alongside the Initiative's forthcoming research report *Infrastructure Finance Reform: The Institutional Pathway Toward Elastic Infrastructure Supply*, which will be provided as supplementary evidence. That report provides the analytical and evidential foundation for the recommendations made here.
- 1.5 The Initiative supports the Bill. Its changes are directionally correct and should enable greater uptake of the Infrastructure Funding and Financing (IFF) model. However, the Bill optimises the current model without setting a path toward the institutional architecture that competitive urban land markets ultimately require. With modest additions, the Bill can become the foundation for a genuine transition strategy rather than a terminal reform.

2. SUMMARY OF POSITION

- 2.1 We support the Bill's core changes: narrowing council endorsement to technical matters, waiving affordability tests for consenting developers, extending eligibility to NZTA, KiwiRail and water entities, enabling accelerated recovery for failed developments, and removing mandatory consultation in favour of transparency.
- 2.2 We are concerned, however, that the Bill does not address several structural constraints that will limit the IFF model's ability to support competitive urban land markets at scale. These include the retention of Cabinet approval for every levy, the unchanged Government Support Package (GSP) mechanism, the one-off Special Purpose Vehicle (SPV)-per-project architecture, the absence of democratic consent mechanisms for brownfield areas, and the lack of an institutional development strategy.
- 2.3 Our recommendations fall into two categories: immediate additions to the Bill that can be made during the select committee process, and signals that the Government should give about the direction of subsequent reform.

3. HIGH-LEVEL COMMENT

The Bill addresses a real problem

- 3.1 New Zealand's housing affordability crisis is fundamentally a crisis of land supply. While planning restrictions receive substantial attention, a deeper constraint operates through infrastructure finance. Councils constrained by debt ceilings rationally ration the supply of serviced land. This creates artificial scarcity, elevates land prices above competitive levels, and transfers wealth from homebuyers to incumbent landowners.

3.2 The Competitive Urban Land Markets (CLM) framework identifies three interlocking conditions for affordable housing: *regulatory elasticity* (the right to develop, constrained only by demonstrable harm); *capital elasticity* (infrastructure finance available on demand rather than rationed by council balance sheets); and *governance* (the capacity for collective action through special purpose arrangements that enable communities and developers to assemble, finance, and deliver infrastructure when councils will not or cannot). Former Minister Twyford called the first two the “evil twins” of unaffordability. The third, governance, remains the least developed. None can be defeated alone. The Bill primarily addresses the infrastructure finance constraint. Planning reform under the *Going for Housing Growth* programme addresses regulatory elasticity. The governance dimension, enabling bottom-up coordination among willing landowners through entities with the autonomy to act, is addressed in the recommendations below and developed in the appended report.

The IFF Act was the right concept; its limited uptake was structurally unavoidable

3.3 The IFF Act 2020 produced only two levies in five years: the Tauranga Transport System Plan and the Wellington Sludge Minimisation Facility. Both were council-led brownfield projects, the opposite of the developer-led greenfield projects the Act was designed to enable. To date, no developer has successfully used the model. The Government’s Greenfield Model represents a meaningful change from those earlier cases. Where the first two levies were council-sponsored, with councils bearing delivery risk and using IFF to move debt off their balance sheets, the Greenfield Model reverses the sequence: a private developer sponsors the project, bears the risk if costs escalate or timelines slip, and the council’s role is limited to levy collection. The first greenfield transaction, a levy for water and transport infrastructure to enable a significant new residential development, is now progressing. This is a welcome and important step that moves infrastructure delivery outside the traditional council capital programme.

3.4 That said, the model’s limited uptake to date was not a failure of execution but a consequence of structural constraints that informed its design. These include the absence of democratic consent mechanisms for levy-payers, requiring Cabinet approval as a constitutional substitute; the coordination problem between planning and infrastructure reform, where developers face planning uncertainty before financing uncertainty; the institutional void left by the abolition of 453 special-purpose infrastructure entities in 1989; and New Zealand’s political and cultural inability to tolerate infrastructure project failure, which prevents credible non-recourse financing.

3.5 The two completed projects and the emerging Greenfield Model are genuine achievements. They demonstrate that the basic model works: levies can be collected, SPVs established, and debt raised off council balance sheets. The Greenfield Model promises to go further by placing delivery risk with the developer and building market familiarity with levy-backed finance.

3.6 However, even under the Greenfield Model, National Infrastructure Funding and Financing Ltd (NIFFCo) provides a majority of early-stage capital, substituting for private risk capital that would otherwise be priced far higher. And the GSP remains necessary, not because of project risk (which sits with the developer), but because the levy revenue that repays lenders is authorised by Order in Council, a political instrument that Cabinet can amend and courts can review.

3.7 The GSP protects financiers against the perceived instability of the levy regime itself: the risk that courts or the Crown’s own actions change the rules on lenders after they have committed their money, causing them loss. So long as New Zealand’s institutional

architecture does not protect levy-backed revenue streams against political and legal interference, this protection will be required.

3.8 The Greenfield Model should therefore be understood as a transitional catalyst: a genuine advance in how New Zealand finances growth infrastructure, but not yet the destination and not a substitute for the broader institutional reforms this submission recommends.

The Bill's changes are welcome and well-targeted

3.9 The Bill's most significant change is converting council endorsement from a political veto to a technical certification. This fundamentally alters the nature of the decision. Councils lose the power to oppose a project by refusing to endorse its funding. Their discretion is restricted to the narrow question of whether levy collection would compromise their own rating systems. The developer ownership option in new section 20(5) provides a credible bypass where councils refuse to accept assets or impose unreasonable standards.

3.10 Waiving affordability tests for developer-led proposals where all landowners consent establishes an important precedent: where landowners agree, government does not need to second-guess their judgement. This principle points toward a future where consent mechanisms could progressively replace Cabinet approval.

3.11 Extending eligibility to New Zealand Transport Agency (NZTA), KiwiRail and water entities, and enabling water organisations to collect levies directly, creates meaningful new pathways for growth infrastructure that councils do not control.

But the Bill does not constitute a transition strategy

3.12 The Bill retains Cabinet approval for every levy. If the model succeeds in generating the uptake the Government intends, Cabinet will become the bottleneck. The model can manage occasional large projects. It cannot support infrastructure delivery that responds to demand as it arises.

3.13 The GSP mechanism remains unchanged. Crown support remains necessary for debt to stay off council books. Treasury involvement remains mandatory for every transaction. The Bill creates no pathway toward reducing GSP dependence as the broader institutional conditions for credible non-recourse finance mature.

3.14 The one-off SPV-per-project architecture is retained. Each project continues to require its own SPV with bespoke governance, establishment and administrative costs. There is no mandate or pathway for standing platform institutions that could hold multiple levies, issue bonds, and reduce transaction costs through portfolio-level diversification.

3.15 No democratic consent mechanisms are introduced for brownfield areas. For existing residents who would be compelled to pay levies they did not agree to, the legitimacy gap remains unaddressed.

3.16 Perhaps most significantly, the Bill contains no strategy for building toward a more mature system. It assumes the current architecture will continue indefinitely. The appended report argues this is a missed opportunity: with modest additional scaffolding, the Bill can become the foundation for a genuine transition from the current constrained model toward CLM-aligned infrastructure finance over a 10–15 year horizon.

4. RECOMMENDATIONS

4.1 The recommendations below are drawn from Part 7 of the appended draft report *Infrastructure Finance Reform* and are organised by what can be achieved within the current Bill process and what should be signalled for subsequent reform.

Immediate additions to the Bill

4.2 **Anti-gold-plating provision.** The Bill narrows council endorsement grounds but does not prevent councils using engineering standards as an indirect veto. The Bill should link transport infrastructure requirements to NZTA national standards and water infrastructure requirements to national standards under water services legislation, subject to oversight by the Commerce Commission. This prevents councils from inventing local requirements as a blocking mechanism. (*Recommendation 1 of the appended report*)

4.3 **Deemed endorsement deadline.** The Bill requires councils to endorse but sets no deadline. A hostile council could delay indefinitely. The Bill should set a 40-working-day deadline, after which endorsement is deemed given if the council has not refused on valid grounds. (*Recommendation 2*)

4.4 **Platform feasibility study mandate.** The Bill cannot establish a platform institution, but it can require work to begin. The Bill should require NIFFCo, with The Treasury and the Ministry of Housing and Urban Development (HUD), to report to Ministers within 12 months on options for a National Infrastructure Finance Platform: governance, capital needs, GSP implications, and any legislation required. (*Recommendation 3*)

4.5 **Statutory consent mechanism (beneficiary poll).** The Bill should introduce a statutory process for polling beneficiaries (ratepayers), using a Double Majority test requiring both a majority by number of eligible voters and a majority by land value. This approach is already used for Business Improvement Districts in Wellington and Auckland. The poll need not be binding at this stage (Cabinet retains the prerogative to approve) but it provides evidence the Minister can rely on and paves the way for progressive devolution. (*Recommendation 4*)

Near-term administrative actions (no legislation required)

4.6 **Standardised GSP template.** The Treasury should develop a standardised GSP architecture for greenfield projects, covering Crown indemnity mechanics, trigger events, caps, and reporting obligations. While beneficiary analysis will remain project-specific, standardising the Crown risk backstop would reduce negotiation time and lower transaction costs. (*Recommendation 5*)

4.7 **Documentation standardisation.** NIFFCo should publish model documentation: SPV constitution templates, standard levy order provisions, and model funding proposals. (*Recommendation 6*)

4.8 **Track record publication.** HUD should publish an annual report on IFF scheme performance: financial results, levy collection rates, construction progress, and any problems encountered. Transparent reporting builds the track record investors and rating agencies need. (*Recommendation 7*)

Signals the Government should give about subsequent reform

- 4.9 **National Infrastructure Finance Platform.** Within 3–5 years, legislation should establish a standing entity that holds multiple levies, issues bonds, and provides continuity across projects. Transaction costs would be spread across a portfolio while levy revenues remain project specific. The platform could evolve from NIFFCo or be established anew. (*Recommendation 8*)
- 4.10 **Programmatic GSP framework.** Treasury should develop a framework that standardises Crown risk support across qualifying projects, rather than negotiating terms project by project. The Crown would commit to a total exposure limit, with projects meeting predefined criteria accessing standard terms by default. (*Recommendation 9*)
- 4.11 **Developer risk framework.** IFF schemes should be required to meet minimum value-to-debt ratios (e.g., 3:1) before bond issuance, ensuring developers bear project risk and bonds finance proven assets rather than speculation. (*Recommendation 10*)
- 4.12 **Democratic consent mechanisms.** As track record matures, legislation should enable Infrastructure Improvement Districts formed by double majority consent of affected landowners, with powers to levy charges, issue debt, and govern their own infrastructure. This completes the progression from informing Cabinet, to providing a safe harbour, to authorising bottom-up action. (*Recommendation 11*)
- 4.13 **Statutory administration regime.** Legislation should establish a dedicated framework for infrastructure entity distress, decoupling financial failure from service continuity. Creditors cannot seize essential assets. Bondholders bear losses. This is essential for credible non-recourse financing in later phases. (*Recommendation 12*)
- 4.14 **Autonomous levy authorisation.** Eventually, Cabinet approval should be replaced by rules-based approval through an independent body. This institutional shift is necessary to enable the volume and speed of infrastructure delivery that competitive land markets require: so long as every levy needs Cabinet sign-off, the system cannot support threat of entry at scale. However, relocating levy authority is necessary but would not on its own eliminate the need for Crown backstop protection. The levy itself remains vulnerable to legislative amendment and judicial review regardless of who authorises it. What ultimately makes Crown support unnecessary is the full institutional bundle: hardened revenue protection, a credible distress regime, and enough market experience that investors accept loss as a realistic outcome. Implementation should be contingent on the prior establishment of alternative democratic legitimacy mechanisms (*Recommendation 11*) and a credible distress regime (*Recommendation 12*). Government should signal this end-state early, while deferring legislative change until sufficient track record and institutional maturity have been achieved. (*Recommendation 13*)
- 4.15 **Review of the continued necessity of the GSP.** Following implementation of the longer-term structural reforms described above, Government should undertake a formal review of the continued necessity of the GSP for new levy-backed transactions, with a view to eventual withdrawal once market credibility is demonstrably established. The review should assess whether the system conditions (administrative, legislative, institutional and systemic) for credible non-recourse finance have been met. Withdrawal of the GSP should follow demonstrated institutional maturity, not a predetermined schedule. (*Recommendation 14*)
- 4.16 **Statutory deeming of infrastructure capacity.** As planning reform proceeds under Pillar 1 of *Going for Housing Growth*, legislation should link IFF levy authorisation to planning

certainty. Where a levy is authorised, infrastructure capacity should be deemed to exist. Councils could not refuse consent on infrastructure grounds when funding has been secured. (*Recommendation 15*)

4.17 **Development levies integration.** The new development levies system should be designed with explicit IFF interface provisions: clear criteria for which mechanism applies, no double-charging, and coordinated administration where both mechanisms operate in the same area. (*Recommendation 16*)

5. CONCLUSION

5.1 The Initiative supports the Bill. It removes real friction, establishes important precedents, and should enable materially greater uptake of the IFF model.

5.2 But New Zealand's challenge is not merely to improve an existing financing tool. It is to build, over time, the institutional architecture that allows infrastructure supply to respond to demand, so that housing affordability is determined by construction costs rather than artificial scarcity. The Bill is a necessary step. It should not be the last.

5.3 New Zealand once possessed, and deliberately dismantled, institutional conditions that made high-leverage, project-specific infrastructure finance legitimate and manageable. The reform task is reconstruction, not invention. The appended report documents this history and charts a realistic transition path.

5.4 With the modest additions recommended above, the Bill can become the foundation for a genuine transition strategy. Without them, it optimises the status quo without building toward something better.

5.5 We would welcome the opportunity to appear before the Committee to elaborate on these points.

ENDS

Supplementary evidence (research report, forthcoming): *Infrastructure Finance Reform: The Institutional Pathway Toward Elastic Infrastructure Supply.*