Whare Ora Loans Scheme and the Ratepayer Assistance Scheme

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

Opening karakia

Kia uru uru mai a hau-ora
A hau-kaha, a hau-maia,
Ki runga, ki raro, ki roto, ki waho,
Rire rire hau Paimārire!

To join this way the vitality of wellness, of strength, of courage
Bind it spiritual above, physical below,
Spiritual inside and physical outside
By our breath of Goodness and Peace

Agenda

- Whare Ora Loans Scheme (15 mins)
- Ratepayer Assistance Scheme (1hr 30m)
- Next steps (15 mins)

Reminder that no decisions are made in workshops,

and to leave the debate for the Council meeting

Executive summary

- The Whare Ora Loans Scheme is a popular re-establishment for a VTR scheme, but comes with risks for Council and is not an ideal product
- Pivoting to investing in the Ratepayer Assistance Scheme is recommended instead
- So long as the RAS is established, it would:

Be a better household sustainability loan scheme

Have lower risk for NPDC

Provide returns on investment

Have other beneficial uses for deferring development contributions and rates postponements

Whare Ora Loans Scheme

History

2013-2020	2020-2021	2021	2024	2025
NPDC piloted and established a Home Energy VTR Scheme - funding insulation, clean heating and heat pump or solar water heating.	Existing VTR Scheme was expanded under the 'Get Us Back On Our Feet' Plan, including an interest free period.	Due to non-compliance with CCCFA the Scheme was paused and NPDC repaid $900K of interest charges.	The Government issued an exemption to CCCFA for local government loans. Council committed to establishing a VTR scheme again.	Council decision was made to consult with the community on establishing a VTR scheme again. Consultation is now complete.

Consultation summary

53 Supportive | 3 Neutral | 7 Unsupportive

Broad benefits for the community
(health, wellbeing, economic, affordability, climate)

Concerns eligibility is too strict

Council is not a lending institution

Overcome upfront cost barrier

Too much risk to provide the scheme

Key risks for the Whare Ora Loans Scheme

- Changes in law that we are not looking out for as we are not a commercial lending institution
- High interest rate leading to low uptake, resulting in increasing the interest rate to recover costs and then spiralling down
- Operational risks (e.g. eligibility, supplier disputes)

The Ratepayer Assistance Scheme

The Mayor and CE were approached about the RAS following consultation closing on the Whare Ora Loans Scheme and we have then explored this opportunity

The RAS has been in formation for several years, and now has central government interest to move forward quickly

This is an opportunity to be part of a nationwide scheme

It requires upfront investment to finalise the business case, and then, if it proceeds, for starting capital

This models the approach of the LGFA model

Council was an establishment shareholder in the LGFA

The LGFA has proven successful to reduce interest rates and provide annual dividends, and therefore reduces our rates requirement

Potential NPDC uses of the RAS

The RAS could be used as an alternative back-end for the Whare Ora Loans Scheme

Deferring development contributions would lower the costs and risks of development, and aligns to feedback from the Ngāmotu Growth Advisory Panel

The rates postponement option could benefit our ageing population struggling with cost of living pressures (including rates)

These all align to issues our community has been raising with us and therefore provide us with an opportunity to address these concerns

Ratepayer Assistance Scheme

- Scott Necklen LGNZ
- Hugo Ellis Cameron Partners

RAS

LOCAL GOVERNMENT

Ratepayer Assistance Scheme

RATEPAYER ASSISTANCE SCHEME

THE OPPORTUNITY FOR LOCAL GOVERNMENT

1. The RAS Opportunity

RAS has been developed to address a range of economic and social issues

- NZ is experiencing a cost-of-living crisis, an ageing population and must invest to meet infrastructure, H&S and environmental requirements
- Local government is responding but it needs additional tools to ensure its policies can be financed, administered efficiently and are effective
- The RAS:
  - Addresses ratepayer affordability
  - Provides ratepayers with flexibility to decide when to pay LA charges
  - Provides very competitive finance terms
- Multiple applications are possible:
  1. **Deferred Development Contributions / Development Levies**
  2. **Property Improvement Loans (PILs)**
  3. **Rates Postponement (RP)**

1. The RAS Opportunity

Government is supportive and has recommended further development

- The RAS is similar to the LGFA – it:
  - Utilises the strength of a LA rates charge to provide security
  - Achieves scale across the sector
  - Accesses very low cost financing and passes this on to ratepayers
- RAS lends directly to ratepayers (whereas the LGFA lends to LAs)
- The RAS would be a new entity owned by LAs, providing a national shared service available to all LAs – it would:
  - Undertake administration of ratepayer loans
  - Be off-balance sheet for LAs
- The Minister for Local Government is supportive of the RAS and has instructed officials to commence policy work on the RAS in August 2025
- A final stop / go decision in late 2025 is being targeted
- The sector needs to confirm its support and funding for final development

2. Deferred DCs / DLs

Deferred DCs / DLs would spread the cost over say, 30 years, supporting development

- DC costs are significant, 2026 annual plans indicate $700 million nationally
- The DLS is expected to enable LAs to raise more revenue to fund growth
- BUT the DLS, supply chain issues and inflation pressures means developers would need to pay more → affordability concerns and risk to developments
- The RAS would be able to effectively convert upfront DCs / DLs into series of annual payments over say 30 years (paying the upfront DC / DL to the LA and charging the property owner principal and interest annually to get repaid)
- Developers would have the option to pay in full or defer
- Future owners would expect to pay less for properties with deferred DCs / DLs to reflect the RAS levies that would be charged in future
- A property purchaser would have the option to require the outstanding RAS levies to be repaid by the seller prior to them taking ownership

3. Property Improvement Loans

The RAS can finance and administer loans to ratepayers for property improvements

- Current legislation enables LAs to provide financing to ratepayers that can be repaid via a voluntary targeted rate
- PILs support ratepayers to invest in their properties to achieve desirable private and public benefits
- Potential examples, include home insulation, heat pumps, double glazing, earthquake strengthening, solar panels, water tanks, septic tanks, EV chargers, stock exclusion fencing, sea walls
- Current PILs usage across most LAs is low:
  - PILs must be financed out of LAs' existing financing capacity
  - LAs have encountered operational and regulatory challenges
- RAS :
  - Can undertake all administration of loans
  - would be 'off-balance sheet' for LAs
  - Provide competitive financing options (~1% – 1.5% below standard mortgage rates)

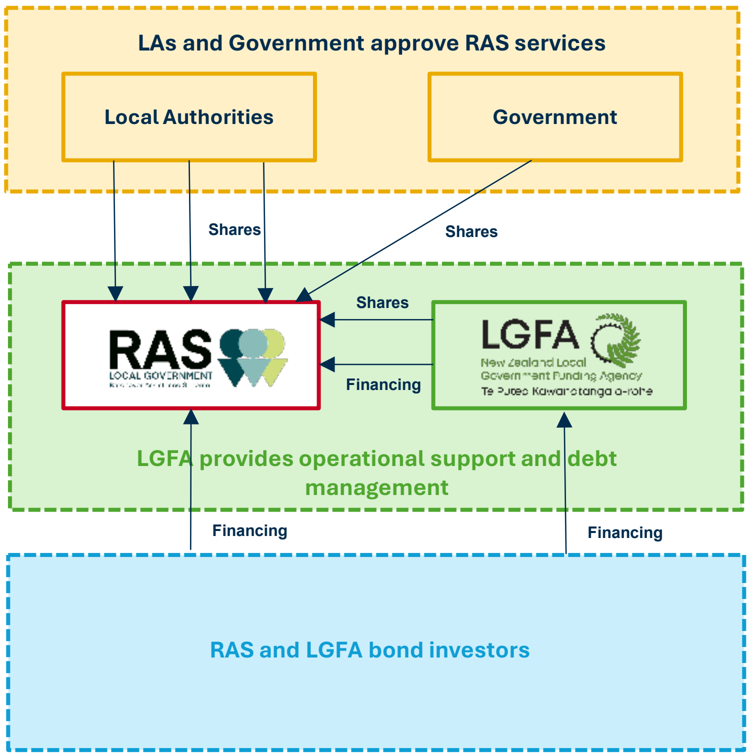
4. Rates Postponement

RP allows qualifying ratepayers to defer rates and pay on sale of their property

- 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
  - Demographic changes
  - General cost of living challenges
- In principle all LA charges could be deferred in the same way
- RAS RP is an opportunity for a standardised, highly efficient national RP scheme at very competitive financing rates (~1% – 1.5% below standard mortgage rates; ~4% to 5% below reverse mortgage rates)
- British Columbia, Canada (population ~5 million) has a property tax regime similar to New Zealand's rating system providing strong insights – in 2024:
  - 83,000+ users
  - ~C$2.7 billion in loans (4x growth from ~C$670 million in 2016)
  - ~3.9% of British Columbia households

5. What it is and how it works

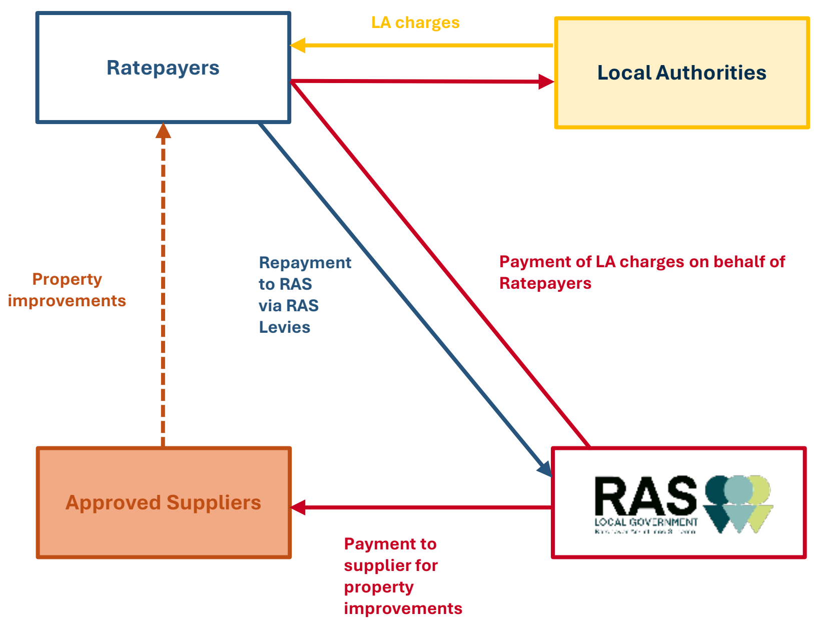
Structurally the RAS has many similarities to the LGFA – it would be owned by LAs, LGFA and government, providing services to LAs and their ratepayers



- The RAS would be a new entity (a CCO)
- It would have no discretion – all its services would be approved by LAs and central government
- All LAs would be able to use the services of the RAS, subject to meeting RAS's membership requirements – e.g. IT interface, invoicing, collections, security requirements
- <u>LGFA would have a critical role with RAS</u>, providing financial and operational support (on a commercial contractual basis)
- LGFA board has approved (subject to LGFA shareholder approval)
    1. Ownership (up to ~20% of RAS shares)
    2. Debt facility
    3. Preference shares investment
    4. Shared services arrangements
    5. Management of the RAS bond programme

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 while being off-balance sheet

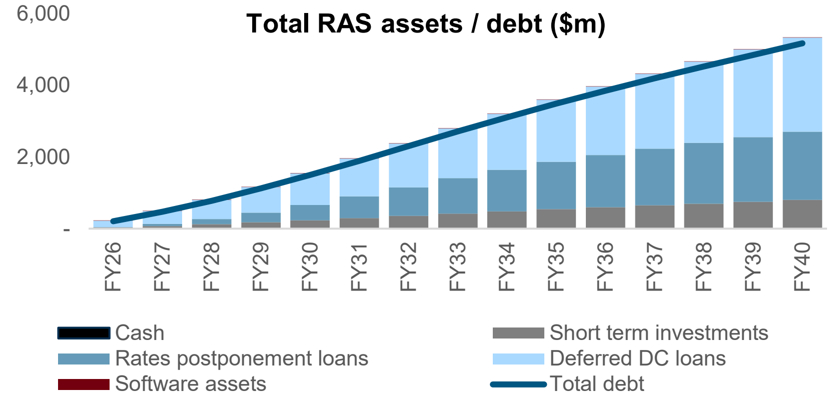


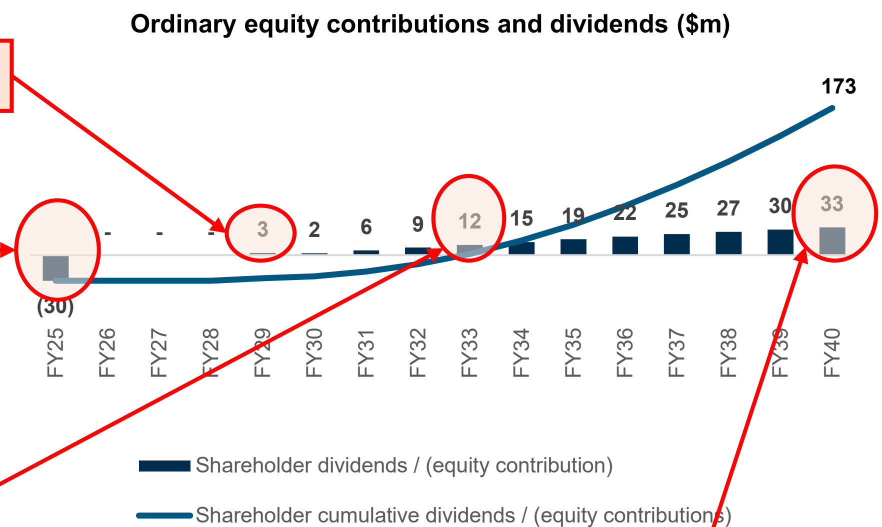
- The RAS would have the power to impose a levy charge equivalent to a rate and obtain a very high credit rating
- LAs would opt-in and ratepayers would also opt-in
- The interface between LAs, RAS and ratepayers would be as seamless as possible – eg with RP or deferred DCs/DLs:
  - Ratepayers would "apply" through the LA's website
  - The application would go directly to RAS for processing
  - Once approved, payment of the rate charge or DC / DL would be made to the LA by the RAS
  - The RAS would levy the ratepayer to obtain repayment
  - The RAS levy would 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

Strong commercial returns may be available to shareholders

- The base case scenario is considered conservative – it assumes:
  - Deferred DC / DLs uptake of 25%
  - RP uptake of 3.0% achieved by FY34
  - No PILs
  - Net interest margin 1%
  - Surplus cashflow is available to distribute to shareholders





Breakeven in year 4

Equity ~$30m required

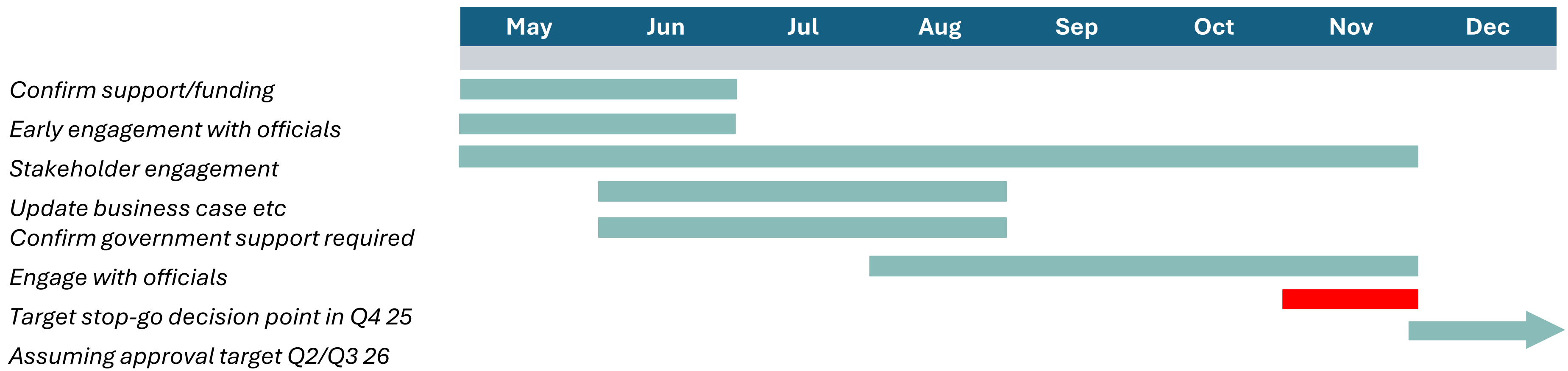
Full "payback" in year 8

Annual dividend 100%+ in year 15

7. Next steps

Development of the RAS has been overseen and funded by a Steering Group – final detailed development is now required to facilitate a “stop-go” decision

- In outlining his support, the Minister has recommended that, to enable his officials to move quickly in August 2025, the Steering Group undertakes significant further development (establishment could occur within 12-18 months)



8. Support and funding commitment required

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

- $2.5 million (incl. 20% contingency) in "at risk" funding is estimated through until a "stop/go" decision in Q4 25
- Assuming a "go" decision ~$30 million in total equity is estimated - this equity requirement would be confirmed during final development
- Development funding would qualify as equity (included in est. equity requirement)
- The opportunity for councils is to be part of the group of funding councils
- Without funding the RAS will not proceed
- No funding would be spent until commitments from councils are received for the total estimated funding costs
- To encourage early participation and to minimise free-riding, the funding councils will "call the shots"

RAS

LOCAL GOVERNMENT

Ratepayer Assistance Scheme

Next steps

Decision this afternoon

We are recommending you pause the establishment of the Whare Ora Loans Scheme

This enables us to uplift and establish the Scheme in the future, if needed, without consulting again

We recommend you instead use the first year funding for the Whare Ora Loans Scheme as an initial investment in the Ratepayer Assistance Scheme ($300,000)

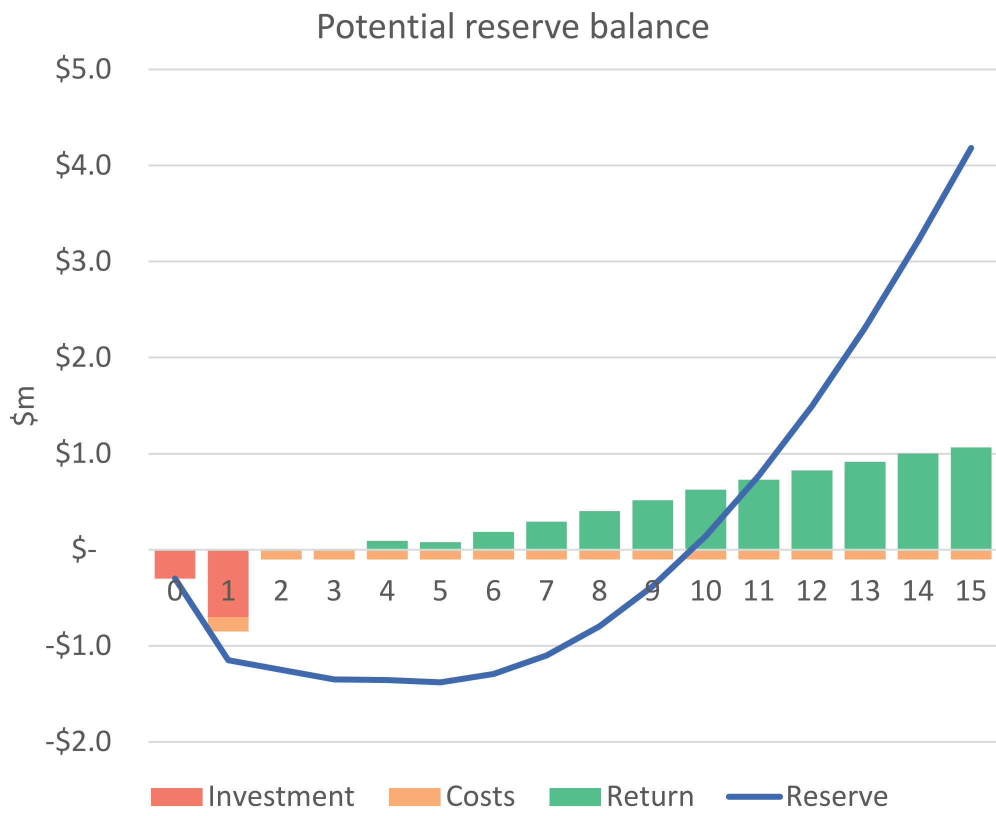
This represents the investment that would have been made in the Whare Ora Loans Scheme for year one. It does not factor in the benefits for deferring development contributions or for rates postponements.

We are recommending this as the Ratepayer Assistance Scheme would:

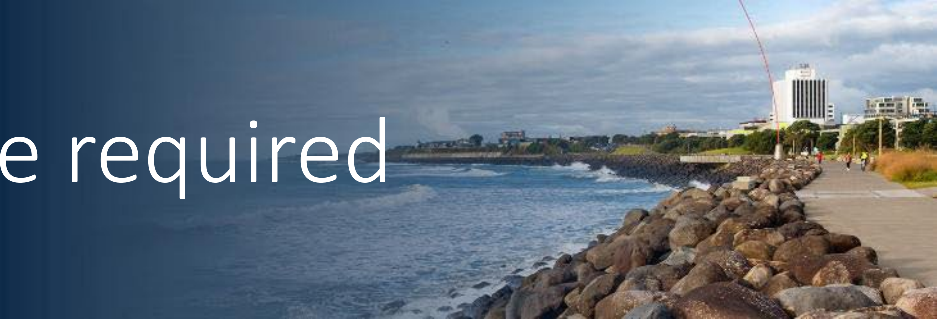
- Be a better household sustainability loan scheme,
- Lower risk for NPDC,
- Provide returns on investment,
- Have other uses for deferring development contributions and rates postponements

Funding for the RAS

- The RAS investment would be reserve funded, as was the Whare Ora Loans Scheme proposal
- All investments and associated NPDC RAS costs would be funded out of this reserve
- A <u>very high-level assessment</u>, using the RAS data, shows a breakeven could be around year 10 for NPDC
  - This is highly dependent on the total investment amount and annual costs
  - This compares to year 8 for the RAS overall due to funding our operating costs out of this reserve
  - We would then need to determine what to do with the surplus



Future decisions will be required



If you agree to pivot to the RAS, we will report back to Council in early 2026 following RAS's 'stop/go' decision in late 2025

If the RAS **proceeds**, then we would need decisions on:

- Potential further investment (potentially as part of the Annual Plan 2026/27)
- Becoming a CCO shareholder (requires community consultation under LGA first)

If the RAS **does not proceed** we would need decisions on:

- Establishing the Whare Ora Loans Scheme
- Writing off the RAS investment costs

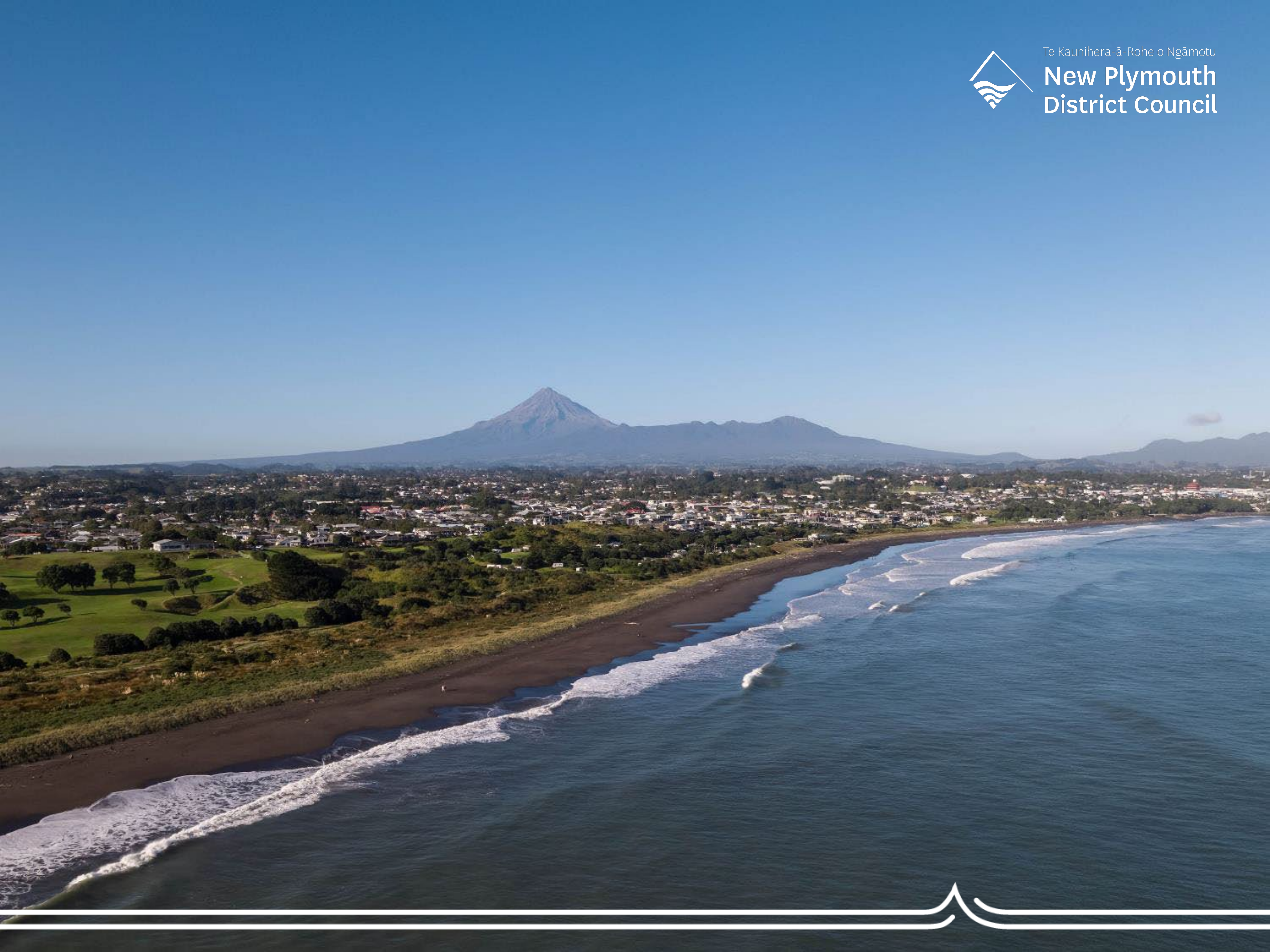
Questions?

Reminder that no decisions are made in workshops, and to leave the debate for the Council meeting

Closing karakia

Unuhia, unuhia, unuhia i te uru tapu-nui
Kia wātea, kia māmā te ngākau, te tinana
Te wairua i te ara takatū
Koia rā e Rongo whakairihia ake ki runga
Kia wātea, kia wātea
Ae rā kua wātea
Hau Paimārire

Release us from the mantle of this meeting/conference
So we can stand free
Clear in heart, spirit and body make it happen
Peace reign free!


Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth
District Council