

Funding blue-green projects and climate adaptation with the IFF Act

By James Muir, Ben Fountain, and Brendan White, Awa Environmental.

Blue-green projects represent some of the most valuable stormwater and flood protection infrastructure being planned and built today. Yet funding them at scale remains a major challenge for debt-constrained councils and water organisations.

The Infrastructure Funding and Financing (IFF) Act 2020 offers a practical mechanism to help.

Passed with broad political support, the Act has a proven track record: the IFF model has already enabled \$675 million in long-term fixed-rate debt for four projects across the country, keeping finance off councils' balance sheets through levies on property owners.

Forthcoming amendments, expected in mid-2026, will broaden eligibility to include water organisations, NZ Transport Agency Waka Kotahi, and KiwiRail, and explicitly cover stormwater and flood protection.

The IFF Act is a significant tool to lock-in the funding and financing for blue-green programmes and other stormwater and flood protection infrastructure – including projects that might be deprioritised over time and those that might otherwise not start for many years.

Looking further ahead, the IFF Act has potential as part of a broader national approach to funding climate adaptation, from large-scale flood protection to managed retreat.

A growing investment challenge

We face an infrastructure deficit estimated at around \$1 trillion over the next 30 years to reach OECD comparability. Capital expenditure on stormwater is projected to reach \$7.65 billion over the next decade – a 90 percent increase on current annual spend.

As the 2026 National Climate Change Risk Assessment notes, many councils lack the funding or borrowing capacity to directly implement the resilience-building changes they have identified, and this delay increases future costs.

Blue-green projects sit at the heart of this challenge: they are multi-purpose assets that deliver flood protection and urban regeneration as well as ecological and community co-benefits.

Understanding the terminology

'Financing' refers to the upfront capital required to build infrastructure, typically provided as debt (loans or bonds, for example). Think of it as a bank lending money to purchase a home.

'Funding' refers to the ongoing payments which service and repay debt over time, akin to mortgage repayments. For councils, funding generally comes from rates, levies, or user charges.

Two further terms matter here. 'On-balance sheet' debt counts against a council's borrowing limits and reduces 'debt headroom';

the gap between current debt and the maximum permitted (typically set as a debt-to-revenue ratio by the Local Government Funding Agency (LGFA)). When headroom narrows, a council's ability to respond to emergencies or pursue other capital projects is constrained.

'Off-balance sheet' financing sits on the balance sheet of a Special Purpose Vehicle (SPV), not the council itself. The council's debt headroom is preserved. This distinction is central to the IFF Act.

What is the IFF Act?

Passed in 2020, the IFF Act provides for an SPV to place levies on the beneficiaries of infrastructure and raise long-term fixed-rate debt from domestic and international lenders.

National Infrastructure Funding and Financing (NIFF) establishes, owns, and governs the SPV, and the Crown provides a Government Support Package covering specific legal risks.

The council collects the levy as a line item on rates bills, passes it to the SPV, which services the debt. In essence: levies from property owners service off-balance sheet debt to finance infrastructure.

It is worth noting that the IFF Act can finance a wide range of infrastructure – transport, wastewater, three waters, housing development – not only blue-green or other types of flood protection projects. Its application to stormwater and climate adaptation is, however, of immediate relevance to our industry.

The IFF Act for blue-green projects

For councils or others considering or planning blue-green projects, the IFF Act offers a way to accelerate delivery. Its key attractions include:

- A proven track record with councils and developers. Four projects have already used it to raise nearly \$700 million in debt, with support from NIFF and domestic and overseas lenders. The Te Awa Lakes development in Hamilton – financed under the IFF Act in 2026 – is a live example, with its stormwater lakes and wetlands under construction.
- It can support programmes of medium-sized projects, not just single large ones, as the Tauranga Transport System Plan (2022) shows, with \$177 million raised for 13 transport projects averaging \$14 million each.
- It provides a way to ringfence funding for large programmes and projects, securing debt over decades and providing certainty for flood-prone communities.
- By preserving debt headroom and credit ratings other projects can proceed in parallel.

- Levies can be spread equitably across current and future property owners, reflecting the long-lived nature of the infrastructure.
- It allows councils to bring forward projects that might otherwise only start many years in the future.
- Upcoming amendments, outlined below, will improve its application and widen its appeal to NZTA Waka Kotahi, KiwiRail, and water organisations.

Rather than being a silver bullet, the IFF Act provides another option to fund and finance infrastructure.

Using the Act, transaction costs can be significant, debt can be more expensive given its fixed-rate long-term nature, and cost overruns remain the responsibility of the project owner, not the lenders.

Case study: Moa Point Sludge Minimisation Facility, Wellington

Wellington City Council (WCC) needed over \$400 million to build the Moa Point Sludge Minimisation Facility (SMF), due to become operational in 2027. The Council considered two options: traditional on-balance sheet debt and rates, or the IFF Act.

We estimate that funding the SMF through conventional borrowing while maintaining WCC's debt-to-revenue ratio of 188 percent would have required rates to increase by around 21 percent over two years. A seven-year borrowing approach would have reduced debt headroom from 37 percent to 10 percent, leaving little buffer for other priorities.

The IFF approach secured \$400 million over 30 years at a fixed rate of approximately 6.7 percent, with an annual levy equivalent to around six percent of rates spread over three decades, and the council's 37 percent debt headroom preserved in full. (Note that, for simplicity, this analysis assumes a flat annual levy and a single loan, where in practice levies rise over time with population and rateable values, and councils usually manage a rolling portfolio of debt instruments and interest rate swaps to fund projects.)

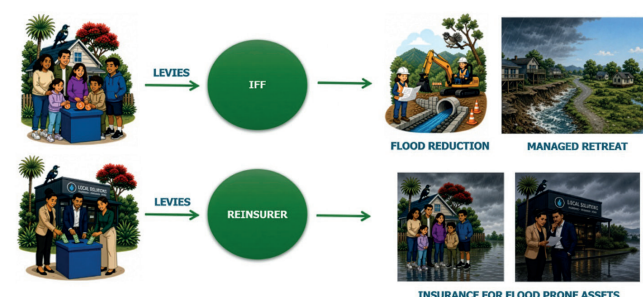
This trade-off – between debt headroom and rates impact – is illustrated in the comparison of financing options shown in the figure on the next page. The IFF approach maintains full debt headroom while keeping the rates-equivalent increase modest.

Differential levies: Equitable by design

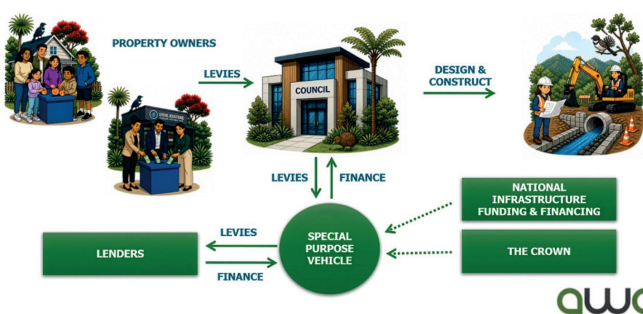
A feature of the SMF transaction that is directly relevant to blue-green projects is the use of differential levies.

The SMF levy has two tiers: a higher rate for the 63,000 properties directly connected to the facility, and a lower rate for the 17,000 properties that benefit indirectly (from reduced emissions and less waste to landfill).

Concept: National climate adaptation



Off-balance sheet via the IFF



By 2034, a \$1 million property connected to the SMF will pay an annual levy of \$362; a \$1 million property not connected will pay \$93. In affordability terms, these represent 0.22 percent and 0.06 percent of median household income respectively.

This principle of calibrating levy amounts to the degree of benefit received involves balancing simplicity and equity and is central to the fairness and political acceptability of the IFF model.

Levy design for stormwater: Risk and impervious area

The differential levy principle can be extended to stormwater and blue-green projects. And rather than relying solely on capital value, levies could also be structured around variables such as flood risk and impervious area.

Properties in high flood-risk areas benefit more from flood reduction infrastructure, through improved insurability, greater property value protection, and reduced disruption. A higher levy for these properties would reflect that benefit.

Similarly, properties with high proportions of hard surface (roofs, driveways, paving) contribute more runoff to the stormwater system. A levy linked to impervious area would reflect



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that contribution more accurately than a flat capital-value rate.

Applying these principles, a property with high flood risk and high impervious area could pay a higher annual levy than a property with lower flood risk and lower impervious area.

The IFF Amendment Bill

In November 2025, the Government announced amendments to the IFF Act, with legislation expected in mid-2026. Key changes relevant to blue-green and other types of flood protection projects include:

- The ability for water organisations to act as Responsible Levy Authorities. This is vital for councils as they transfer stormwater responsibilities to water organisations under the Local Government (Water Services) Act 2025.
- Streamlining the levy approval process, enabling levy deferrals to manage affordability, and recognising the potential of value capture.

Also of note, the existing Act already defines ‘environmental resilience infrastructure’ as infrastructure to manage risks from natural hazards including flooding. While regional councils cannot raise levies, flood protection infrastructure funded and financed under the Act can be vested in them.

Looking further: National climate adaptation

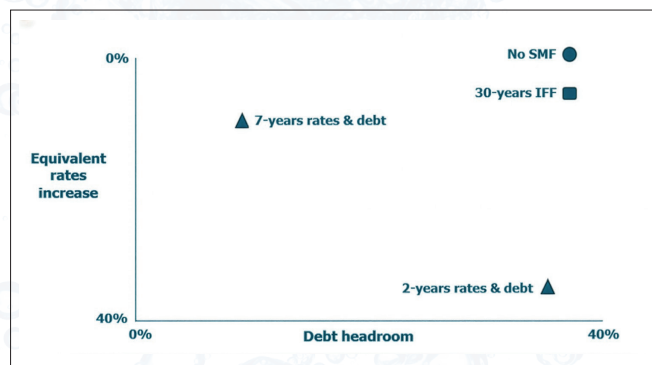
The IFF Act’s potential reaches beyond specific projects. We see the levy mechanism as a building block for a much larger conversation about how the country funds and finances climate adaptation at national scale.

Consider managed retreat. The IFF levy mechanism could, in principle, be applied not only to finance flood-reduction infrastructure but also to fund large-scale managed retreat programmes, with levies calibrated to the flood risk of affected properties and debt costs reduced to some extent by contributions from central government and/or differential finance from mortgage holders of flood prone properties.

Taking this further, property-based levies could be used to fund a national flood reinsurance scheme, providing cover to properties that can no longer obtain insurance through mainstream markets.

We already have a model for national risk-pooling in the Natural Hazards Commission Toka Tū Ake (NHC), while the UK’s Flood Re scheme provides an international precedent.

An Aotearoa New Zealand flood reinsurer, funded through levies on all property owners, could bridge the gap between an increasingly uninsurable housing stock and the economic and community stability that insurance enables.



Moat Point financing options – debt headroom vs equivalent rates increase.
Source, Awa Environmental analysis drawing on publicly available data.

These ideas remain at an early stage. But they illustrate a direction of travel: from the IFF Act as a project-financing tool to the IFF mechanism as part of a broader architecture for funding climate adaptation, encompassing blue-green infrastructure, flood protection, managed retreat, and ultimately national resilience.

Unlocking funding now

The amended IFF Act represents a meaningful new lever for funding blue-green projects and broader flood protection.

By keeping debt off-balance sheet, enabling long-term fixed-rate financing matched to asset life, extending eligibility to water organisations and environmental resilience infrastructure, and allowing equitable differentiated levy design, it addresses constraints facing local government and others. It provides a way to ringfence funding for large programmes, bring forward investment that communities need now, and spread costs fairly across generations.

The National Infrastructure Pipeline lists over 120 stormwater and flood protection projects exceeding \$10 million each. With investment projected to nearly double over the next decade and IFF amendments imminent, now is the time for councils, water organisations, developers, and the industry professionals who support them to assess where this tool fits in their programmes and use it.

This article is a condensed version of a paper presented at the Stormwater Conference & Expo 2026. The full paper and presentation are available at: awa.kiwi/insight/funding-flood-reduction-using-the-infrastructure-funding-and-financing-iff-act-2020.

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