

Mā tō tātou takiwā
For our District

Council

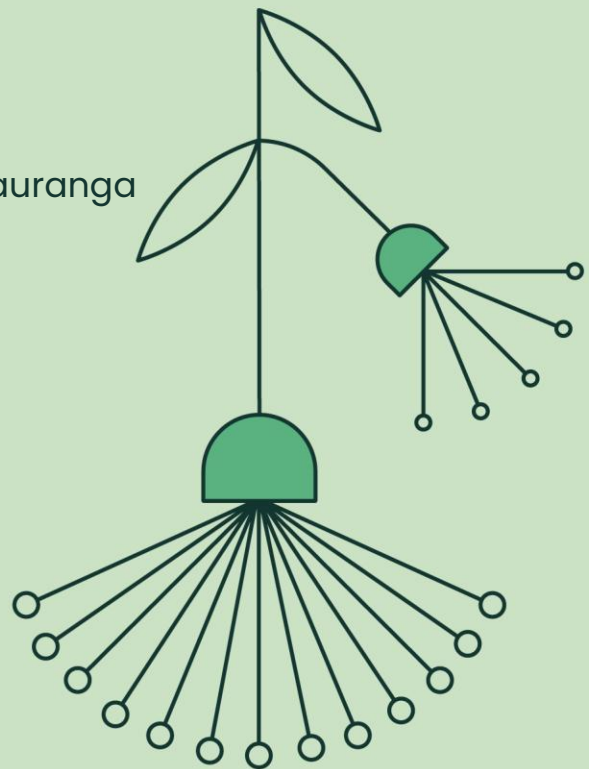
Te Kaunihera

Tabled Item 1

CO26-6

Tuesday, 24 March 2026, 2.00pm

Council Chambers, 1484 Cameron Road, Tauranga



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9 REPORTS - NGĀ PŪRONGO

9.3 TABLED ITEM 1 – ATTACHMENT 4: CROSS-BOUNDARY ISSUES AND OPTIONS PAPER

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EXECUTIVE SUMMARY

As signalled in the Local Water Done Well – Due Diligence – Financial Matters report (9.3) included in the Council (CO26-6) agenda dated 24 March 2026, Attachment 4 (Placeholder) is now available and will become **Tabled Item 1**.

ATTACHMENTS

1. **Tabled Item 1 being Attachment 4 of report 9.3 – Cross-Boundary Issues and Options Paper** [↓](#) 



Memorandum

To:	Mayor Denyer and Councillors Miriam Taris – Chief Executive
From:	Adele Henderson: Programme Director – Water Organisation Ariell King: Programme Manager – Water Organisation Establishment
Date:	23 March 2026
Subject	LWDW – Cross Boundary Issues and Options paper attached to Council agenda 24 March 2026

PURPOSE

1. To provide an overview of the purpose of the Cross Boundary Issues and Options paper (IOP) (attached to this memo) and to seek approval on the recommended pathway.

DISCUSSION

2. The Tauranga City Council (TCC) IOP (attached) has been prepared to respond to a due diligence matter regarding the payment of debt on water, wastewater and stormwater assets that have been constructed by TCC with capacity for future growth.
3. It was assumed by TCC that the debt associated with this capacity would be paid for by future developments within the TCC boundary and would be subject to the TCC Development Contributions Policy.
4. Where developments outside the TCC boundary requested connections to this water's infrastructure, this would be considered on a case-by-case basis and would allow discussions with the developers to determine the contributions to other services that TCC considered would be utilised by the development e.g. local roads and community facilities.
5. Both Councils have sought legal advice on this matter in terms of how this may interact with the proposed Water Organisation (WO) and the development of foundation documents. The advice is attached to the IOP and has confirmed that:

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- a. The WO is intended to be a **board-led, operationally independent entity** under the Local Government (Water Services) Act 2025.
 - b. Embedding prescriptive approval requirements in founding documents risks **inhibiting the board's ability to act in the best interests of all WO customers and the system as a whole.**
 - c. Matters of cross-boundary funding and cost recovery can be addressed **without constraining the board**, through:
 - i. debt allocation at establishment
 - ii. development levies and pricing policy
 - iii. council-to-council funding agreements
 - iv. Statements of Expectations that guide outcomes rather than mandate approvals
6. The IOP has identified the following issues:
- Consideration needs to be given to how a Water Organisation (WO) will manage requests to access assets built and funded by one Council (Council A) where there is a request for connection by existing or more likely new development in the other Council's jurisdiction (Council B). Specifically:*
- a. *Debt will initially be ring fenced in relation to these assets to a specific council (Council A). If access is granted should an appropriate portion of this debt be transferred to Council B?*
 - b. *How will contributions (most likely Development Levies at that time¹) be collected and applied against the relevant debt. Will a WO be able to have a DL Policy that crosses Council boundaries?*
 - c. *How will opex costs be managed in respect of the waters capacity being used, including ring fencing of an appropriate share of opex costs to Council B.*

¹ A regime of Development Contributions may apply to the WO initially (i.e. from its "go-live" date in July 2027) but thereafter the WO will likely move to the Development Levies regime proposed under the reform of the Resource Management Act. The timing is dependent on future legislation, but currently it is proposed that the Development Levies regime will commence with a transition phase in 2028 and become fully implemented in 2030.

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- d. What are the considerations for allocation of growth capacity? In particular, which growth has priority for infrastructure capacity allocation and why and does future planned growth impact on the decision to allocate capacity?*
7. Two current examples have been provided to demonstrate the issues that TCC would like considered – Waikite Road residential subdivision in Welcome Bay and the Wairakei South fast-track proposal in Papamoa East.
8. The IOP identifies three options for consideration. These options have been refined from the seven options that were initially presented to the Joint Working Group (JWG) and reflect conversations which have occurred between the TCC and WBOPDC.
9. The three options are:
- **Option 1 – Western Bay of Plenty District Council and Tauranga City Council enter into comprehensive growth funding agreements for future and defined current infrastructure.**
Western Bay of Plenty District Council and Tauranga City Council agree a broad funding arrangement covering transport, water, and community infrastructure, providing an integrated approach to cross-boundary growth and infrastructure funding.
 - **Option 2 – Water only funding arrangements:**
As a condition of establishing the Water Organisation, Western Bay of Plenty District Council and Tauranga City Council agree waters specific solutions for access to waters infrastructure (e.g. debt transfer adjustment, charges for Western Bay of Plenty District Council customers, or a targeted funding agreement).
 - **Option 3 – Statement of Expectation based access limits (Waters Act s228):**
As a condition of establishing the Water Organisation, Western Bay of Plenty District Council and Tauranga City Council agree to use the Water Organisation Statement of Expectation/foundation documents to limit access to Tauranga City Council funded water assets unless funding terms are agreed.
10. These options have been informed by two separate legal opinions from Simpson Grierson, one opinion addressed to TCC, and one opinion addressed to WBOPDC. The two opinions are attached as Attachment 4 of the IOP. Both opinions largely agree on the legal mechanisms that are available. Where the opinions differ are on the merits and risks of implementing one or more of those mechanisms.

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11. The IOP recommends Option 1 as a pathway to resolving this matter (which is the latest version suggested by TCC). Council can choose to agree or not agree to these proposed recommendations and propose any amendments.

12. The wording of the latest recommendations is:

That that Council:

- a) *Approves progressing good faith negotiations with Western Bay of Plenty District Council to agree two separate growth-related comprehensive funding agreements by 31 March 2027 for future and current (to be specifically defined) infrastructure, one agreement for each of:
 - i) *Waters infrastructure and services*
 - ii) *Non-water infrastructure and services**
- b) *Agrees to the good faith negotiations being guided by the principles of:
 - i) *Growth pays for growth*
 - ii) *Water organisation foundation documents only deal with water growth issues (not other infrastructure issues)*
 - iii) *Water organisation set up for success**
- c) *Agrees to the good faith negotiations process steps to include the following:
 - i) *Problem statement definition developed and agreed*
 - ii) *Perspectives of each Council shared, listened to, and develop pathway options together.*
 - iii) *Define the principles, process and arrangements that will be applied going forward.**
- d) *Commits to best endeavours negotiation to reach agreement with Western Bay of Plenty District Council, and in the event that a resolution is unable to be reached by 31 March 2027, Tauranga City Council will consider options to preserve its financial interests and ensure a fair and equitable position.*

NEXT STEPS

13. For the Council to consider the IOP, and the proposed recommendations (outlined in number 12) as part of the 24 March 2026 Council agenda paper 9.3 titled "Local Water Done Well - Due Diligence - Financial Matters".
14. Council can choose to agree or not agree to these proposed recommendations and propose any amendments.

**Issues and Options Paper:
Cross Boundary Growth Infrastructure
Access and Funding**

Issues & Options Paper #10: Cross Boundary Growth Infrastructure Access and Funding

Recommendations

That that Council:

- a) *Approves progressing good faith negotiations with Western Bay of Plenty District Council to agree two separate growth-related comprehensive funding agreements by 31 March 2027 for future and current (to be specifically defined) infrastructure, one agreement for each of:*
 - i) *Waters infrastructure and services*
 - ii) *Non-water infrastructure and services*
- b) *Agrees to the good faith negotiations being guided by the principles of:*
 - i) *Growth pays for growth*
 - ii) *Water organisation foundation documents only deal with water growth issues (not other infrastructure issues)*
 - iii) *Water organisation set up for success*
- c) *Agrees to the good faith negotiations process steps to include the following:*
 - i) *Problem statement definition developed and agreed*
 - ii) *Perspectives of each Council shared, listened to, and develop pathway options together.*
 - iii) *Define the principles, process and arrangements that will be applied going forward.*
- d) *Commits to best endeavours negotiation to reach agreement with Western Bay of Plenty District Council, and in the event that a resolution is unable to be reached by 31 March 2027, Tauranga City Council will consider options to preserve its financial interests and ensure a fair and equitable position.*

Context

1. This paper considers cross boundary growth infrastructure access issues through a whole of system lens, recognising both the role of the Water Organisation as the delivery entity for water services and the ongoing statutory responsibilities of councils for the social, economic, environmental and cultural wellbeing of their districts.
2. While water services are delivered through a council-controlled organisation, councils retain governance, stewardship and accountability obligations under the Local Government Act 2002, including responsibilities for growth management, long term infrastructure planning, financial prudence and intergenerational equity.
3. This paper therefore frames the issue at a council level first — acknowledging the broader strategic, growth and community impacts — and then considers the implications for, and interactions with, the Water Organisation. The intent is to support informed decision making that is transparent, durable, and aligned with both council obligations and the effective operation of the Water Organisation.
4. The outcome from the discussion, depending on the pathway agreed, may result in certain operational matters being included in the founding documents.

Purpose & Scope

5. To set out issues and options for direction from on whether there should be specific arrangements put in place which provide for an approval process (including approval of funding principles and arrangements) for access to waters infrastructure on a cross-boundary basis. This 'Cross Boundary Infrastructure Access and Funding' issue has direct linkages with other cross boundary issues which the Councils must consider in the wider context and therefore the paper has a wider scope than solely waters related.

Background

6. TCC and WBOPDC's water, wastewater and stormwater networks are currently largely standalone and unconnected with each other, with some limited exceptions.
7. While TCC's water treatment plants are located in the WBOPDC they are not connected to WBOPDC properties, except in some very limited circumstances. It is acknowledged that WBOPDC jointly holds the water extraction consent for the Waiari supply with TCC and a high-level MOU is in place. However, no agreement is in place for WBOPDC to access its share of this supply via the Waiari WTP and associated infrastructure at this time.
8. WBOPDC treat and dispose of urban wastewater through their own systems separate to TCC's network, except in the case of Omokoroa which is connected to the TCC network via trunk pipeline. This is subject to an existing agreement between the two councils.
9. Stormwater is catchment based and generally managed on-site. Cross boundary stormwater issues are likely to be minimal.
10. Currently it is relatively simple to manage connection requests on a cross-boundary basis (eg a connection from a party in WBOPDC area to connect to TCC infrastructure), as the respective council can make that decision and choose to enable connection or not, and on what terms and conditions, including financial payments.
11. TCC and WBOPDC have sought legal advice from Simpson Grierson on matters associated with these issues. This advice is incorporated into this paper

Key issues

12. Consideration needs to be given to how a Water Organisation (**WO**) will manage requests to access assets built and funded by one Council (Council A) where there is a request for connection by existing or more likely new development in the other Council's jurisdiction (Council B). Specifically:
 - a. Debt will initially be ring fenced in relation to these assets to a specific council (Council A). If access is granted should an appropriate portion of this debt be transferred to Council B?

- b. How will contributions (most likely Development Levies at that time¹) be collected and applied against the relevant debt. Will a WO be able to have a DL Policy that crosses Council boundaries?
 - c. How will opex costs be managed in respect of the waters capacity being used, including ring fencing of an appropriate share of opex costs to Council B.
 - d. What are the considerations for allocation of growth capacity? In particular, which growth has priority for infrastructure capacity allocation and why and does future planned growth impact on the decision to allocate capacity?
13. These matters are important because:
- a. Councils that have invested significantly in waters assets, generally hold debt and charge development contributions for connection and ongoing costs like rates and water by meter charges for maintenance, operations and renewals.
 - b. Development contributions (and development levies in the future) can be significant – millions and tens of millions of dollars for medium to large scale developments.
 - c. Waters assets only have limited capacity for further connections. Often this capacity is sized for planned developments and reallocation of capacity can mean insufficient capacity remains for planned growth.
14. Further to this, connection to waters infrastructure is often part of a broader discussion around cross boundary growth development proposals that extends to other services like transport, reserves and community infrastructure. These more open networks are more difficult to manage access to and therefore waters connections may be withheld until these broader issues are addressed.
15. This paper explores both the narrower issue around cross-boundary access to waters infrastructure, and the wider issue related to other activities.

‘Growth pays for Growth’ Principle

16. The issue being considered by this paper is one of ‘growth pays for growth’. The scope of this paper is in respect of specific growth that is in one Council’s area and can be identified as connected to or very highly likely to utilise infrastructure or services in a neighbouring Council area due to factors such as proximity and community of interest. It does not relate to general community use of infrastructure or services by the whole wider community of the neighbouring Council.
17. “Growth pays for growth” is a core principle that underpins the approach to funding of growth infrastructure. It is reflected in the Government’s *Going for Housing Growth Programme*, the Infrastructure Funding and Financing Act 2020, and the development contributions provisions of the Local Government Act. It is also a core part of the TCC Financial Strategy, and Revenue & Financing Policy.

¹¹ A regime of Development Contributions may apply to the WO initially (i.e. from its “go-live” date in July 2027) but thereafter the WO will move to the Development Levies regime. The timing is dependent on future legislation, but currently it is proposed that the Development Levies regime will commence with a transition phase in 2028, and become fully implemented in 2030.

Case studies

18. This section covers off two 'live' cross boundary case studies being the Waikite Road residential subdivision in Welcome Bay and the Wairakei South fast-track proposal in Papamoa East.

Waikite Road

19. This development proposal is located at the top of Waikite Road in Welcome Bay. Waikite Road is the boundary between WBOPDC and TCC in this location. The property falls into the WBOPDC. Approximately 130 residential lots are proposed on land zoned Rural in the WBOPDC District Plan. It is currently going through a non-complying resource consent process.
20. WBOPDC has no urban services in this location, and the development relies on connection to TCC water, wastewater and transport networks. Stormwater is to be managed on-site.
21. Due to the location of the development, residents are likely to predominantly utilise the Tauranga city area for work, shopping, schooling and the like, and rely on TCC provided services and facilities like active reserves, libraries and pools.

Wairakei South

22. This development proposal is located in Bell Road directly to the south of the Papamoa East Interchange which is nearly complete. The Tauranga Eastern Link motorway (TEL) is the boundary between TCC and WBOPDC in this location and the Bell Road site falls almost entirely within the WBOPDC District (there is a very small area within the TCC District). Approximately 2,700 homes and 50-60 ha of business land are proposed by the developer. Lodgement through the fast-track process is expected in March this year.
23. Urban services are not in place in Bell Road. Wastewater for the initial stages of the development will be managed through the Te Puke WWTP. For potable water, the developer and WBOPDC were initially seeking to connect to TCC's Waiari water supply. TCC understands the first development stages may now utilise an alternative water source but have no detail about this. We expect connection to the Waiari water supply may still be required for later stages of the development. Stormwater will be managed on site.
24. Beyond three waters, the Bell Road development would require connection to the Papamoa East Interchange (PEI) on the TEL, which has been designated and has been built and funded by TCC (through a multi-funding source funding stack). It has been established that the interchange has insufficient capacity to manage the full build out of planned development (Wairakei and Te Tumu) as well as Wairakei South – necessitating further investment including widening of the bridge structure or a duplicate bridge. The development would also connect into TCC's local transport network in Wairakei.
25. Again, due to the location of the development residents are likely to utilise Tauranga City (especially the Wairakei Town Centre area) for work, shopping, schooling and the like and rely on TCC provided services and facilities like active reserves, libraries and pools. While these facilities have a user pay elements that is insufficient to cover costs and there is a rate funded portion.

26. These matters have been considered by both TCC and WBOPDC. Attachment 1 summarises the current positions of the Councils with regard to Wairakei South.
27. TCC has assessed that if the Wairakei South development were in the TCC area, development contributions would be charged for access to infrastructure, which would provide circa \$93 million cost recovery for growth investment.

	Local DC	City Wide DC	Total DC
Water	10,077,508	56,265,600	61,677,508
Stormwater	388,428		388,428
Transport	12,597,695		12,597,695
Active Reserves		1,200,000	1,200,000
Community Infrastructure (libraries, aquatic and indoor courts)		12,900,000	12,900,000
Total			\$93,429,231

Omokoroa

It is important to note that TCC and WBOPDC have an agreement in place with respect to wastewater from Omokoroa being treated at Chapel Street and discharged through the Te Maunga site infrastructure. This agreement will need to be reviewed, and arrangements put in place in the WO, possibly via the SOE

Legal advice

28. As noted above, TCC has funded a broad range of transport, water and community infrastructure projects to provide growth capacity. Many of these projects are adjacent to, or will service, future developments within WBOPDC. However, at present, there is no funding agreement between TCC and WBOPDC to ensure TCC is fairly compensated for its investments, and to ensure growth in the WBOPDC, which accesses TCC funded infrastructure and services, is paying its fair share.
29. There are two related but distinct legal issues:
- a. The first and broader issue is how to fairly manage access to all transport, water and community infrastructure funded by TCC?
 - b. The second and more specific issue is how to fairly manage access to water-related infrastructure funded by TCC?
30. Within the context of the Local Waters Done Well framework, and the Local Government (Water Services) Act 2025 (**Waters Act**), it is only proper for the proposed WO's establishment arrangements, foundation documents, and Statement of Expectations (**SOE**) to address water services infrastructure, and not the broader categories of infrastructure that fall outside the WO's statutory mandate (i.e. it would be inappropriate for the WO's foundation documents and SOE to address topics such as the PEI).
31. With that said, the prospect of establishing a joint WO– provides an opportunity for the parties to agree a fair and enduring resolution of the wider funding issue, including through debt transfer or funding arrangements, before the WO is established.

Options

32. Three options have been identified for consideration. These options have been refined from the seven options that were presented to the JWG, and reflect conversations which have occurred between the TCC and WBOPDC.

33. The three options are:

Option 1 – TCC & WBOPDC enter into comprehensive growth funding agreements for future and defined current infrastructure.

TCC and WBOPDC agree a broad funding arrangement covering transport, water, and community infrastructure, providing an integrated approach to cross-boundary growth and infrastructure funding.

Option 2, Water only funding arrangements:

As a condition of establishing the WO, TCC & WBOPDC agree waters specific solutions for access to waters infrastructure (e.g. debt transfer adjustment, charges for WBOPDC customers, or a targeted funding agreement).

Option 3, SOE based access limits (Waters Act s228):

As a condition of establishing the WO, TCC & WBOPDC agree to use the WO SOE/foundation documents to limit access to TCC funded water assets unless funding terms are agreed.

34. These options have been informed by two separate legal opinions from Simpson Grierson, one opinion addressed to TCC, and one opinion addressed to WBOPDC. The two opinions are attached at Attachment 4. Both opinions largely agree on the legal mechanisms that are available. Where the opinions differ are on the merits and risks of implementing one or more of those mechanisms.

Option 1: TCC & WBOPDC enter into comprehensive growth funding agreements for future and defined current infrastructure. *Recommended*

35. This option would have the following key components:

- a) Two agreements progressed in parallel, one for waters and one for all other non-waters growth infrastructure and services.
- b) Agreements progressed through good faith negotiations between TCC and WBOPDC to agree growth related comprehensive funding agreements by 31 March 2027 for future and current (to be specifically defined) infrastructure.
- c) The good faith negotiations being guided by the following principles:
 - Growth pays for growth
 - Water organisation foundation documents only deal with water growth issues (not other infrastructure issues)
 - Water organisation set up for success
- d) The good faith negotiations process steps to include the following:
 - Problem statement definition developed and agreed

- Perspectives of each Council shared, listened to, and develop pathway options together.
- Define the principles, process and arrangements that will be applied going forward. *(Refer attachment 2 for draft cross boundary principles)*

e) The waters agreement:

- i)** Guiding principle would be that new connections to Waiari scheme and water trunk infrastructure pay their share of the capital and operational costs associated with that infrastructure capacity.
- ii)** Would provide for protection relating to planning for agreed future growth areas, which currently include Te Tumu and Te Kainga, Tauriko Western corridor growth, and consideration of arrangements for Wairakei South.
- iii)** Once finalised, would be implemented via the Statement of Expectations or other appropriate WO arrangement.

f) Escalation pathway of mediation if insufficient progress to conclude agreements by 31 March 2027.

36. The comprehensive funding agreement would seek to address access to, and funding of, all categories of infrastructure funded by one Council and utilised by residents and business of the other Councils area including transport, water, and community infrastructure. Both Councils are in support of a “growth pays for growth” model. This could include agreed financial contributions, cost-sharing arrangements, or other compensation mechanisms. This is the preferred pathway from a legislative perspective, and the Local Government Acts/Water Services Act intention has always been cost effective and efficient services to its communities.

37. The comprehensive agreement could also extend to defining the circumstances where a boundary adjustment will be jointly supported and progressed.

38. The advantages and disadvantages are outlined below:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Enables growth pays for growth and fair share funding arrangements to be put in place. • Resolves the issue holistically, rather than in a piecemeal or sector-specific way. • Reduces the risk of future disputes across multiple infrastructure classes. • Avoids trying to use WO specific mechanisms to address broader infrastructure funding issues. 	<ul style="list-style-type: none"> • Requires WBOPDC & TCC agreement across a broad range of infrastructure types. • Likely to be some complexities in negotiating and reaching agreement. • Not being able to reach agreement may put the City /Regional deal at risk.

<ul style="list-style-type: none"> • Provides certainty for the future for both Councils and also developers. • Enables TCC to meet LGA requirements of prudent financial management. 	
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Option 2: TCC & WBOPDC agree funding arrangements for water infrastructure only

39. As a condition of establishing the proposed joint WO, TCC and WBOPDC agree to one or more of the following arrangements in relation to water-related infrastructure only:

- a. Debt transfer adjustment:
Adjust the allocation of water-related debt transferring into the WO. This would involve reducing the debt transferred by TCC to reflect its upfront funding of assets (such as Waiāri) that is then available to benefit WBOPDC, and increasing the debt transferred by WBOPDC to reflect its share of those assets (“agreed buy out”). While each council agrees its own debt transfer with the WO, the WO has an interest in ensuring a fair allocation of debt between customer bases, particularly if the alternative is ongoing attempts by TCC to influence the use of Waiāri through access-limiting mechanisms.
- b. Higher charges through a connection cost that include recovery of upfront costs of investment for new directly connected WBOPDC customers (while ring-fencing applies):
As an alternative, the WO could be required (via the shareholders’ agreement – see option 3 below) to charge higher prices to WBOPDC customers to reflect their sole use of TCC-funded water assets. This approach, like debt adjustment, addresses funding financing without requiring TCC to interfere in the WO’s operational decisions about network connections.
- c. Targeted funding agreement:
Enter into a targeted funding agreement recognising WBOPDC’s use of TCC-funded water infrastructure (such as Waiāri This would assist with the cost recovery of the initial investment and allow the Water Organisation to be responsible for upgrades and future demand requirements.

40. The legal opinion does not recommend putting restrictions on the Water Organisation, although it is technically available within the legislation, the advice is that it does not provide for the best long-term outcomes to be achieved. Potentially it could be used until a decision to remove ring fencing is made.

41. The advantages and disadvantages of Option 2 are outlined in the table below.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Supported by both Simpson Grierson opinions as the cleanest and least risky solution. 	<ul style="list-style-type: none"> • Limited to water-related infrastructure only and leaves other growth-related infrastructure issues unresolved.

<ul style="list-style-type: none"> • Aligns with the purpose of the Waters Act and the WO model. • Preserves operational independence of the WO. • Likely avoids litigation, judicial review, and Ministerial intervention risk. • Potentially more achievable than Option 1. • Provides for mutually beneficial outcomes, and the ability for the Water Organisation to plan for and be responsible for future growth requirements. 	<ul style="list-style-type: none"> • Requires WBOPDC and TCC agreement. • From a TCC whole of Council perspective only addresses waters infrastructure so may result in LGA prudent financial management requirements not being met.
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Option 3: TCC & WBOPDC agree to use s228 of the Waters Act, and the SOE, to manage access to TCC funded infrastructure.

42. The legal advice confirms that it is legally possible to limit access to TCC funded water infrastructure unless TCC and WBOPDC reach agreement on funding terms. Under sections 228(3) and (4) of the Waters Act, the Councils may agree (through the WO’s foundation documents, particularly the shareholders’ agreement) to authorise such requirements in the SOE.

43. This could be achieved either by:

- a. requiring the WO to only enable connections to TCC funded water infrastructure if funding terms are agreed; or
- b. allowing TCC to direct the WO to approve or refuse such connections in the absence of agreement.

44. The advantages and disadvantages of Option 3 are outlined in the table below.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Legally available under the Waters Act. 	<ul style="list-style-type: none"> • Strongly cautioned against in the legal advice addressed to WBOPDC. • May be seen as interfering in the operational independence of the WO. • Introduces non-operational considerations into connection decisions. • Creates judicial review and appeal risk. • Likely to be unpopular with the future WO board if it constrains decision-making ability

Advantages	Disadvantages
	<p>and potential ability to deliver efficient services. <i>This would only occur if an agreeable funding arrangement cannot be reached.</i></p> <ul style="list-style-type: none"> • Requires TCC and WBOPDC agreement to address the matter in the foundation documents. • From a TCC whole of Council perspective only addresses waters infrastructure so may result in financial management requirements not met.

TCC Risks and Wider Legal Considerations

45. In assessing the options TCC needs to:
- give consideration to the legal framework it operates in; and
 - assess any associated risks.
46. Key legal framework considerations include provisions in the Local Government Act 2002 (LGA):
- a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets (*LGA S14(1)(g) Principles relating to local authorities*)
 - A local authority must manage its revenues, expenses, assets, liabilities, investments and general financial deals prudently and in a manner that promotes the current and future interests of the community (*LGA 101(1) Financial Management*)
 - The purpose of the financial strategy is to facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against. (*LGA 101A (2)(a) Financial Strategy*)
47. TCC’s Financial Strategy and Development Contribution Policy both include and give effect to the following key principles:
- Growth pays for growth
 - Paying a fair share
48. If TCC and WBOPDC, through good faith discussions, are unable to reach agreement on both the waters and non-waters comprehensive infrastructure access and funding arrangements, then there is significant risk for TCC. The most significant risks are:
- Costs associated with growth infrastructure and services utilised by growth in the WBOPDC area transferring to the TCC ratepayer
 - Planned capacity for growth in TCC’s jurisdictional area may be taken up by unplanned growth in the WBOPDC area, leaving further infrastructure investments required to enable TCC area planned growth to proceed.

49. If TCC considers that the negotiations progress is such that agreement is unlikely to be reached by 31 March 2027, it will be important at that time for TCC to identify and assess options to mitigate the risks above.
50. One of the options which could be considered is for TCC to retain ownership of some key water related assets.
51. It is legally possible for TCC to retain ownership of certain water-related infrastructure (such as Waiari) without becoming a Water Services Provider (**WSP**) under the Waters Act, provided responsibility for water supply services is transferred to the WO, which would remain the WSP. TCC could enter into an infrastructure lease type arrangement, where TCC would lease the assets to the WO. Such an agreement could include conditions relating to matters such as capacity allocation and network connections.

Next steps

52. If Option 1 is approved, work will commence to develop a plan to progress a framework and process for negotiating the infrastructure agreements.

Attachment 1:
Wairakei South (WS) Fast Track Development
Proposal

Attachment 1;

Wairakei South (WS) Fast Track Development Proposal

	TCC Position	WBOPDC Position
Approach / principles	<ul style="list-style-type: none"> • Growth pays for growth philosophy should be upheld • Planned growth, particularly in Te Tumu, should not be compromised • Cross boundary issues and effects should be appropriately managed • TCC developers and ratepayers should not subsidise the development in the WBOPDC area • Equity should be achieved with TCC ratepayers and developers in regard to both capex and opex costs where TCC provided infrastructure and services are utilised by those living or working on the Bell Road urban greenfield site • TCC would like to work collaboratively with both WBOPDC and developer to agree fair and equitable formal cost sharing arrangements for both upfront capital costs and ongoing operational and renewal costs. Matters can be resolve through suitable agreements between the parties. 	<ul style="list-style-type: none"> • Financial contributions and required infrastructure is a matter for the Fast Track expert panel to assess and determine. • Not in the interest of WBOPDC ratepayers or developers to pay additional costs to fund enabling infrastructure for development in Tauranga city. • Do not support a boundary change, and any boundary change to be progressed should be mutually agreed by both WBOPDC and TCC.

	<ul style="list-style-type: none"> Existing rating, development contribution and financial contribution tools have significant limitations in dealing with cross-boundary matters. Suite of issues should be addressed as a holistic package including water, transport, reserves, community infrastructure & rates. 	
Water – Waiari access ²	<ul style="list-style-type: none"> TCC has built some Waiari water infrastructure to the capacity required for the full consent volume where it was sensible to do so. Where it was practical to construct the infrastructure in stages based on projected water demand over time, that has occurred. Growth in WBOPDC that intends to utilise the Waiari extraction and treatment capacity, and associated trunk infrastructure, should pay a fair share. Range of different payment options including cost per cubic metre based on usage or a capital buy-in. Given TCC's debt position, capital buy-in arrangement is TCC's preference. 	<ul style="list-style-type: none"> No water infrastructure requirements from TCC for the first stages of the WS proposed development Longer term considerations will be a matter for the Water Organisation to determine. Assumes any capital contribution will be on a pay per cubic metre basis.
Transport – Papamoa East Interchange	<ul style="list-style-type: none"> Total funding stack \$107million of which \$56m is allocated to growth funding via Wairakei and Te Tumu WS will utilise the TCC funded PEI to access NZTA's TEL and benefit in similar way to Wairakei and Te Tumu, so should pay a fair share. 	<ul style="list-style-type: none"> Whilst acknowledge physical location against the city boundary, also note close connection to Te Puke township Engaging with developer on creating a direct connect to Seddon Street in Te Puke

² TCC (75%) and WBOPDC (25%) jointly own the resource consent for Waiari water supply.

	<ul style="list-style-type: none"> • Estimate of WS fair share of cost for interchange is circa \$12m (plus cost of capital) • Transport modelling shows interchange and associated intersections will be over capacity with Wairakei, Te Tumu and WS fully developed. Therefore, additional transport investment is likely to be required to support Te Tumu in the long term to resolve capacity constraints. Without WS capacity constraints are significantly reduced and the interchange bridge over the TEL is shown to have sufficient capacity. 	<ul style="list-style-type: none"> • Proposed development will be primarily services by NZTA's TEL.
Community Facilities	<ul style="list-style-type: none"> • Due to proximity residents are much more likely to use the Wairakei town centre and TCC provided reserves and community infrastructure then to travel to Te Puke. • While there is some use of WBOP facilities and such by TCC residents, the work we have done demonstrates the flows the other way is much more significant. • Need not be complex to rectify the issues through mechanisms such as user fees approaches and through WBOPDC charging rates and passing these to TCC. Doing so would not create cross-subsidisation, but address the existing cross-subsidisation in a fair and equitable manner. 	<ul style="list-style-type: none"> • WBOPDC does not support any contributions to TCC for recreation, leisure or ecological purposes. • It is inevitable that future residents of the proposed development will access Tauranga City facilities, amenities, and services, as is the case in many locations across the sub-region. This also occurs in the other direction (being Tauranga City residents utilising Western Bay facilities and services). • Neither desirable nor practicable to create a complex system of cross-subsidisations for amenities and services between TLAs. Encourage a pragmatic and sub-regional view, noting that many facilities are also at least in part funded through user fees.

Attachment 2:
**Estimate of Development Contribution Revenue
for Wairakei South Development if Accessing
and Paying for Tauranga City Council Provided
Infrastructure**

Attachment 2 – Estimate of Development Contribution Revenue for Wairakei South Development if Accessing and Paying for TCC Provided Infrastructure (per TCC DC policy approach)

These are the charges that would be payable applying the TCC DC Policy for growth accessing the same infrastructure which Wairakei South Development would be accessing. It includes a cost of capital charge calculated in accordance with the TCC DC Policy.

Local development contributions						
Activity	Funding group	Project Name	Cost basis	Total capex	Wairakei South%	Wairakei South \$
Water	Eastern Corridor	Upgrade of Bell Road water main (450mm dia steel) to	Actual	\$ 1,174,369	30%	352,311
Water	Eastern Corridor	Bell Road Watermain	Actual	\$ 32,417,322	30%	9,725,197
Stormwater	Eastern Corridor	PEI roading related stormwater	Actual	\$ 1,653,269	23%	388,429
Transport	Eastern Corridor	Papamoa East Interchange + Link to Te Okuroa Drive	Estimate	\$ 53,619,479	23%	12,597,695
Approx Wairakei South Road share of local development funded projects						23,063,632
Citywide charge for residential development						
Activity	Funding group	Description	Cost Basis	\$ per HUE	HUE	Wairakei South \$
Water	Citywide	Citywide water	Mix	\$ 17,200	3,000	51,600,000
Active reserves	Citywide	Reserves	Actual	\$ 400	3,000	1,200,000
Community infrastructure	Citywide	Libraries, Swimming Pools, Indoor Courts	Estimate	\$ 4,300	3,000	12,900,000
Estimated contribution to citywide funded projects						65,700,000
Citywide charge for non-residential developments						
Activity	Funding group	Description	Cost basis	\$ per m2	GFA	Wairakei South \$
Water	Citywide water	Water charge for non-residential development	\$ per m2 of GFA	\$ 21.60	216,000	4,665,600
Estimated contribution for citywide funded projects - from non-residential development						4,665,600
Total estimated contribution						\$ 93,429,232

Attachment 3:
Proposed Principles for Option 1

Attachment 3 – Proposed Principles for Option 1

Purpose

These principles are intended to help both councils work through situations where growth in one district relies on infrastructure located in another.

They aim to support fair, consistent, and well-informed decisions that enable growth while protecting the interests of both communities.

1. Growth Pays for Growth

New development should cover the full cost of the infrastructure capacity it uses — even where that infrastructure sits outside the district boundary.

This includes contributions toward:

- new or upgraded infrastructure,
 - ongoing operating and renewal costs,
 - avoiding costs being passed on to existing ratepayers.
-

2. Fairness Between Communities

Decisions should be fair to communities and ratepayers on both sides of the boundary.

No community should end up carrying extra cost, risk, or loss of future capacity because growth has occurred elsewhere.

Funding for infrastructure and services sourced from those who are likely to utilise that infrastructure and services due to physical connection, proximity and/or communities of interest.

3. Looking at the Whole System

Infrastructure decisions should consider the wider system, not just a single asset or project.

This means recognising links between water, transport, and community infrastructure, and aiming for solutions that make best use of existing investment and avoid unnecessary duplication.

4. Protecting Future Growth Options

Access to cross boundary infrastructure should not limit either council's ability to support its own planned growth over time.

Where capacity is limited or timing is critical, the implications for future development in both districts should be clearly understood before decisions are made.

5. Being Open About Costs and Impacts

Good decisions rely on a shared understanding of the facts.

That includes being clear about:

- available capacity and constraints,
- timing and sequencing issues,
- capital, operating, and renewal cost impacts,
- the trade-offs between different servicing options.

A transparent approach helps avoid misunderstandings and builds trust.

6. Consistency Over Time

Similar cross boundary situations should be approached in similar ways.

Using a common set of principles helps provide certainty for councils and developers and reduces the need to reinvent solutions each time an issue arises.

7. Respecting Roles and Responsibilities

Any approach to cross boundary access should respect the different roles and responsibilities of councils and, where relevant, the Water Organisation.

The focus should be on agreeing outcomes and principles, rather than duplicating operational decision making.

8. Working Together in the Sub-Regional Interest

Both councils are committed to working collaboratively and in good faith on cross boundary infrastructure issues.

Early engagement, shared information, and a willingness to work through issues together are key to supporting sustainable growth across the wider sub-region.

**Attachment 4 (Part 1):
Simpson Grierson advice to Western Bay of
Plenty District Council – 5 March 2026**



Our advice

Prepared for	Adele Henderson, Western Bay of Plenty District Council
Prepared by	Mike Wakefield
Date	5 March 2026

PRIVILEGED AND CONFIDENTIAL

Shareholder approval in relation to accessing existing infrastructure

Background	<p>Western Bay of Plenty District Council (WBOPDC) and Tauranga City Council (TCC) have agreed to work together to establish a joint water organisation (WO).</p> <p>In discussing the future arrangements that will apply to the WO once established, TCC has raised the possibility that the WO be required to obtain <i>approval</i> from TCC before the WO can allow access to or use of certain water infrastructure which will be transferred by TCC to the WO, by properties that are located within the WBOP district.</p> <p>The infrastructure in question is located in WBOP's district but has been constructed by TCC (at TCC's cost) to service growth areas within TCC's district. In essence, TCC is seeking to identify a potential mechanism that may avoid the situation of residents within WBOP's district being given access, by the WO, to infrastructure funded by TCC without some recognition that it was funded by TCC.¹</p> <p>We understand that the proposed <i>approval</i> could be conditional on agreement being reached between the shareholding councils as to the basis on which a development may connect, including conditions as to funding (by WBOP, or the WO's customers within WBOP's district).</p> <p>TCC has received advice that it would be legally possible to achieve this through provisions included in a combination of the WO's foundation documents and statement of expectations (SOE).²</p>
Questions	<p>You have asked whether this form of approval mechanism is lawful, and appropriate, and for us to consider the position of the WO, as distinct from the advice prepared for TCC.</p>

- 1 This is the scenario discussed in this advice, however in principle it could arise for any infrastructure provided by Council A which may be used by the WO to serve properties in Council B's district.
- 2 Either by providing that the WO must refuse to connect in the absence of agreement between the two shareholding councils, or that TCC may direct the WO to refuse to connect in the absence of agreement between the two councils.

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Answer

The mechanism would be lawful, for the same reasons as set out in the advice to TCC.

However, while lawful, in certain respects the mechanism would arguably be contrary to the purpose of, and rationale for, establishing the WO (as reflected in WBOP's water services delivery plan (**WSDP**)), and it could potentially give rise to legal risk for the WO in terms of complying with its statutory and other legal obligations. In summary, this is because the mechanism may conflict or be in tension with other obligations the WO has, and also because the requirement introduces a consideration into the WO's decision-making which is not operationally relevant and therefore could undermine the reasonableness of the operational decisions it makes (e.g. to permit or refuse connection).

For these reasons, and although a matter for the shareholders, in our view there are grounds for concluding that the mechanism is not an appropriate or the best way of addressing the concern held by TCC.

Please call or email to discuss any aspect of this advice

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Reasoning explained

Although legally possible, the mechanism is arguably inconsistent with the purpose of establishing the WO

1. The mechanism is legally possible for the reasons set out in the advice to TCC.
2. In short, under sections 228(3) and (4) of the Local Government (Water Services) Act 2025 (**LGWSA**) a SOE may include requirements or expectations that require the WO to perform, or not perform, a specified act, or to achieve a specified result, in relation to a specified person or persons.

The mechanism would provide for involvement in operational matters

3. In our view, the mechanism would result in involvement by the shareholding councils in operational matters that are the purview of the WO. However, as noted above, the LGWSA does allow for this, as an exception to the normal rule that the shareholders may not direct the WO about operational matters, so long as it is authorised in the WO's foundation documents.
4. In this scenario, the shareholders' agreement (one of the foundation documents) could provide that the SOE contains a requirement that the WO obtain shareholder approval in particular circumstances.
5. This requirement, although impacting on WO's operational decisions, would not be imposed for an operational purpose. Rather it is the operational consequence of a requirement made for a different purpose, namely to address the funding disparity relative certain assets when considered across the shareholder councils.
6. As discussed below, this has possible implications for the integrity of the WO's decision-making, in terms of whether it would introduce a legally irrelevant consideration to the decision, or affect its reasonableness.

A mechanism of this nature could give rise to potential difficulties, and associated legal risk for the WO

7. While not legally precluded, it is nevertheless arguable that the purpose and effect of the requirement– which involves compulsory operational differentiation between properties in different districts - is inconsistent or even contrary to what is anticipated by WBOP's water services delivery plan (**WSDP**) and, to some extent, the LGWSA itself. It may also give rise to difficulties, including potential legal compliance issues, for the WO.
8. One of the main advantages of the proposed joint delivery model, as set out in WBOPDC's WSDP, is to achieve improved network efficiency arising out of the economies of scale inherent in a larger service area and customer base. This involves the WO being able to plan for and optimise its infrastructure across its entire service area, as it sees fit.

From the WO's perspective, district boundaries are irrelevant in that regard. Maintaining a fragmented approach through a direction in the SOE which effectively prefers access to certain WO owned infrastructure by landowners or customers in TCC's district, over those in the WBOP district, interferes with this and is arguably contrary to the "whole of service area" approach envisaged in WBOPDC's WSDP.

9. The WBOPDC WSDP also emphasises the benefits the WO will bring to addressing service requirements resulting from growth in the WBOP district. This objective may be compromised if the WO is precluded from authorising connections to developments in WBOP district without the shareholders' or TCC's approval, simply because the relevant infrastructure was delivered (and funded) by TCC.

Relevance of and potential inconsistency with the statutory objectives in the LGWSA

10. This links to the LGWSA, in particular the statutory objectives in s 17, which apply to water service providers. These include³ an objective to "support housing growth and, if applicable, urban development in its service area". One outcome of the mechanism (if shareholder or TCC approval to connection is not given) is that proposed development within WBOPDC might not proceed, or will at least be made more difficult. This consequence would not be the WO's decision, based on its understanding of relevant network considerations etc, but imposed externally for a non-operational reason, to address historic funding disparities between the shareholding councils.
11. There is no provision in the LGWSA which expressly requires a WO to comply with the statutory objectives in s 17. We also do not consider that the objectives would apply at a more granular level, for instance specific decisions involving an application by a developer to connect. However, where possible the WO should be acting in a way which is consistent with the statutory objectives. Arguably, a mechanism that requires shareholder consent for a development's connection to certain infrastructure is at odds with satisfying that objective, because it could result in a "no" decision when the WO would otherwise wish to authorise the connection. Further, that decision would be based on considerations which are not directly relevant, from the WO's perspective (and in line with the s 17 objectives), to its provision of water services under the LGWSA.
12. The objectives in s 17 also include ensuring that water services are provided in a cost-effective and financially sustainable manner, including effective planning to manage water services infrastructure. Again, as with the objectives for the WO in the WSDP, it will not

³ LGWSA, section 17(1)(e).

necessarily be consistent with the WO's own preferences in complying with this objective for TCC or the shareholders to be able to decide who may use its infrastructure and on what terms. In practical terms, the mechanism would intrude on the operational independence of the WO, and result in potential inefficiencies, if the WO is forced to either refuse access to existing infrastructure (where there is unutilised capacity), or require ad hoc arrangements to enable development, in a way that leads to greater costs for customers.

13. The mechanism therefore presents a potential difficulty for the WO insofar as there may be a tension between complying with it and acting consistently with its statutory objectives. Against that backdrop, and while ultimately a political decision, it may not be appropriate for the shareholders to impose a mechanism of this nature through the SOE.
-

Aside from operational challenges and tension, there is scope for other tensions to arise

14. Putting aside operational matters, there is scope for tension in other areas as a result of the mechanism. This includes:

14.1 That a decision of a WO to refuse a connection to its network could potentially be judicially reviewed, and it is likely that a court would hold that any such refusal must be on reasonable grounds. In principle, a developer that was refused consent to connect to infrastructure (with capacity) simply because it was ex-TCC infrastructure and the shareholders or TCC did not approve, could argue that the decision was founded on unreasonable grounds for refusal (i.e. assuming all network-based reasons such as sufficient capacity were satisfied). Even though the WO could say that the obligation to comply with the SOE should prevail, the existence of inconsistent obligations creates risk.

14.2 Risks arising from the common law principle of "prime necessities", which says that public utilities, which include water utilities, must be supplied on request and not refused arbitrarily. It is unclear whether this principle still applies in New Zealand, but if it does it could also be argued by a developer wishing to connect that such a refusal decision - simply because the infrastructure had been originally paid for by TCC and not WBOPDC (and not for network-based reasons) - is arbitrary. Although unlikely, the potential for it to arise suggests that the mechanism may not be the most appropriate way of dealing with the issue.

14.3 The indication in Part 3 of the LGWSA, dealing with network connections, that the primary consideration when an application

for connection is made is network capacity (and not historical funding).

14.4 The bylaw related provisions in the LGWSA, in ss 147 to 150, which set out a 3-step process for connections. The first step is approval of the concept plans which is “to enable the water service provider to be satisfied that the relevant network has capacity for the proposed activity”.⁴ The second and third steps are engineering plan approval and final approval and sign-off. There is no indication on the face of those provision that approval could be declined for other than capacity or engineering-based reasons.

14.5 For completeness, we are not saying that approval could not be refused on other grounds. But, again, the potential for refusal on grounds unrelated to network capacity or the protection of the network does create potential risk to the WO (and to a degree, the shareholders).

14.6 The possibility that the powers in Part 10 of the Local Government Act 2002 (**LGA**) could be engaged, which provide for the Minister to intervene in the operation or governance of a WO where there is a “problem” as defined in s 256 of the LGA. Part 10 has been amended to apply to a WO, with a problem encompassing:

- (a) A significant or persistent failure to perform one of more of its functions or duties;
- (b) A failure to demonstrate prudent management of assets, investments and other matters;
- (c) For a WO specifically, a failure to give effect to proposals or undertakings specified in a WSDP, and a “matter or circumstance relating to the establishment of” or the “management, governance of operations of” the WO, that “prevents, or is likely to prevent, the WO... from providing water services that are: financially sustainable, compliant with all regulatory requirements, that meet the objectives for water service providers in s 17 of the LGWSA; and
- (d) A significant or persistent failure to comply with Part 4 of the Commerce Act 1986.

14.7 Depending on the Minister’s views as to the nature and extent of any problem with either the establishment, governance or

⁴ LGWSA, s 150(a).



operations of the WO, there would be the potential for intervention, involving the appointment of a Crown Observer, Crown Manager, or a Commission.

14.8 Finally, the possibility of Commerce Commission (CC) interest in this matter, and the mechanism more specifically. The CC has the power to specify performance requirements for WOs, including “requirements to deliver particular outputs”.⁵ On balance, we think it very unlikely that this would be interpreted as extending to power to specify requirements relating to whether services are provided at all, or used simply to address isolated cases where an issue has arisen. Therefore, we do not see possible CC action as a relevant issue, and mention this for completeness only (although we note that the requirements of the Commerce Act are relevant in terms of the powers in Part 10 of the LGA).

Overall position

15. Although the mechanism is legally possible, we consider that in a number of respects it could be considered inconsistent and/or contrary to the purpose of establishing the WO, and could potentially give rise to legal risk for the WO in terms of complying with its statutory and other legal obligations.
 16. This is because the requirement may conflict or be in tension with other obligations the WO has, and because the requirement introduces a consideration into the WO’s decision-making which is not operationally relevant and therefore could potentially undermine the reasonableness of the operational decision i.e. to permit or refuse connection.
 17. For these reasons, and although a matter for the shareholders, there are grounds for concluding that the proposed mechanism is not the most appropriate way of addressing the issue raised by TCC.
 18. A cleaner and less legally challenging approach, while involving negotiations between the shareholders, would be to resolve the issue of historical funding as part of the initial establishment of the WO, which would then leave the WO to carry out its operational functions independently, in accordance with its mandate from its shareholders and its statutory objectives. As set out in the advice to TCC, this could be done through an appropriate adjustment of the amount of TCC’s “water debt” to be transferred into the WO, to recognise the historic funding by TCC of water assets that benefit WBOPDC’s district.
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⁵ Commerce Act 1986, Schedule 7, clause 19(4)(b)(v).

**Attachment 4 (Part 2):
Simpson Grierson advice to Tauranga City
Council – 5 March 2026**



Our advice

Prepared for	Christine Jones and Charles Lane, Tauranga City Council
Prepared by	Padraig McNamara and Simon Vannini
Date	5 March 2026

PRIVILEGED AND CONFIDENTIAL

Directions to joint water organisation in relation to access to infrastructure

Background	<ol style="list-style-type: none"> 1. Tauranga City Council (TCC) and Western Bay of Plenty District Council (WBOPDC) have signed a commitment agreement that commits them to working together with a view to establishing a joint water organisation (WO) that will take over the councils' water services obligations with effect from 1 July 2027. 2. TCC has constructed water services, transport and other infrastructure to provide for growth in its district, but which may also be accessed by, and therefore benefit, residents of new development in the neighbouring Western Bay of Plenty District (Western Bay). The water services infrastructure includes the Waiāri Water Supply Scheme (Waiāri), which will mainly service the Pāpāmoa - Mount Maunganui coastal strip and Te Tumu growth areas within TCC's district. We understand that the cost of Waiāri is approximately \$115m, which is being funded by TCC rather than WBOPDC, notwithstanding that the resource consent for the water abstracted from the Waiāri Stream allows for 25% of the water to go to Western Bay. 3. In relation to transport infrastructure, we understand that the \$107m cost of the Papāmoa East Interchange has been split between NZTA (\$55m) and TCC (\$52m) with no funding contribution from WBOPDC, notwithstanding that development in Western Bay, such as the Bell Road (Wairakei South) fast track development, will utilise that infrastructure as it is adjacent to the interchange. The Bell Road development will also utilise and connect to TCC water supply infrastructure, including Waiāri.
Questions and answers	<ol style="list-style-type: none"> 4. Question 1: Is it <i>legally possible</i> to establish a mechanism that limits the ability of the WO to provide the community in one council's district with access to the infrastructure funded and owned the other council, only if there is an agreement on terms and conditions (including funding) between the two councils? 5. Answer: Yes. Sections 228(3) and (4) of the Local Government (Water Services) Act 2025 (Act) collectively provide that a statement of expectations (SOE) must not include any requirements or expectations that require a



water organisation to perform, or not to perform, a specified act, or to achieve a specified result, in relation to specified person(s) unless the “water organisation’s foundation documents provide otherwise”. Relying on section 228(4), it would be open to TCC and WBOPDC to agree, in the foundation documents¹ (in particular, the shareholders’ agreement between TCC and WBOPDC) that:

- 5.1 The SOE will provide that the *WO must* refuse to connect a development to water supply or wastewater infrastructure funded by Council A, if that development is located outside Council A’s district and in the district of Council B, and Council A and Council B have not reached an agreement on Council B (or WO customers in Council B’s area) contributing to capital and operating expenditure on that infrastructure (**option 1**);
- 5.2 Alternatively, the SOE will provide that *Council A may* direct the WO to refuse to connect a development to water supply and wastewater infrastructure funded by Council A, if that development is located outside Council A’s district and in the district of Council B, and Council A and Council B have not reached an agreement on Council B (or WO customers in Council B’s area) contributing to capital and operating expenditure on that infrastructure (**option 2**).²
6. Both options would require TCC and WBOPDC to reach agreement on the relevant clause in the shareholder’s agreement; and also envisage a further agreement in due course between TCC and WBOPDC as to the latter’s contribution to the cost of infrastructure provided by the former, after which the development could be connected.
7. Despite options 1 and 2 being legally possible, a simpler way to address the historic inequity of Western Bay residents not contributing to the capital and operating costs of TCC infrastructure, such as Waiāri, may be to reflect this in the level of TCC’s ‘water debt’ that will be transferred into the WO. This would be lower than TCC’s current LGFA water debt, to take into account historic funding by TCC of water assets that benefit Western Bay. WBOPDC debt transferred into the WO would be higher than its LGFA water debt, by an amount that reflected its “share” of Waiāri despite it not having incurred any capital expenditure on Waiāri. Ultimately, the level of debt transferred into the WO is to be agreed between each shareholder council and the WO: so while TCC has no say in the level of debt WBOPDC transfers to the WO, the WO does. The WO may have an interest in ensuring a fair allocation (as between TCC and WBOPDC customers) of debt associated with Waiāri, if the

¹ A water organisation’s foundation documents are its constitution or other rules and, in the case of a joint water organisation, the shareholders’ agreement: see definition in s 4 of the Act.

² We considered, but ruled out, a possible third option under which the shareholder’s agreement provides that the parties may, through the SOE, agree to direct the WO to refuse to connect a development to water supply and wastewater infrastructure funded by Council A, if that development is located outside Council A’s district and in the district of Council B. Because this option requires the two councils to agree at the SOE stage, it is inferior to option 2 which allows Council A to direct the WO unilaterally.



alternative is TCC seeking to influence its use of Waiāri under options 1 or 2 above.

8. Alternatively, for so long as it is required to apply ringfencing, the WO could be directed through a clause in the shareholder's agreement, to set higher charges for its Western Bay customers to reflect that the WO will use assets funded by TCC to provide water services to those Western Bay customers. Both these approaches avoid TCC interfering in operational WO decisions in relation to network connection.
9. If it is legally possible:
 - 9.1 **Question:** Would the limitation of access be confined to waters infrastructure, and or could it also include other infrastructure such as transport and community facilities?
 - 9.2 **Answer:** In our view it would be inappropriate for the shareholder's agreement, which sets out the rights and obligations of TCC and WBOPDC *as shareholders of the WO*, to deal with anything other than water services infrastructure. We doubt TCC could properly use its power under s228 to direct the WO to withhold connection to infrastructure it has funded as "leverage" to secure WBOPDC's contribution to transport or other non-water infrastructure.
 - 9.3 TCC's concern that WBOPDC is "not paying its fair share" might be ameliorated if:
 - (a) developers in Western Bay agree to pay development contributions charged by TCC for water services and other infrastructure; and
 - (b) the WO, once ringfencing has ended, charges development contributions or development levies to fund a share of *all* growth-related infrastructure across its service area.
 - 9.4 However, development contributions or development levies could not cover the costs or *operating and maintaining* infrastructure incurred by TCC before 1 July 2027, and in the case of non-waters infrastructure incurred by TCC after that date; while operating costs incurred by the WO from 1 July 2027 onwards would presumably still be ringfenced to WO customers in Tauranga. One of the Key Establishment Principles in the Commitment Agreement relates to "appropriate debt transfer" and states:

Activities surrounding debt and direct costs of renewing, improving, operating and maintaining the network of each partnering Council should be ring-fenced so that communities fund their fair portion of services, and apply their fair share of debt brought to the arrangement.

-
- 9.5 As noted in paragraph 7 above, it would be possible to adjust downward the level of TCC water debt (and upward the level of WBOPDC water debt) that is transferred to the WO, so that under this principle the debt serviced/paid off by the WO's Tauranga customers is lower than it might otherwise be, to reflect Western Bay's usage of assets initially funded by TCC.
- 9.6 **Question:** Would the limitation only be while ring fencing is in place, or could it continue after ring fencing ends, but limited to assets as specified in the initial transfer agreement?
- 9.7 **Answer:** TCC's approved Water Services Delivery Plan refers to TCC's consultation material on the plan indicating that price harmonisation would not occur in the first 5 years, and that any changes to the pricing approach would be at the decision of shareholder councils. Legally, we see no reason why the approach in either option 1 or option 2 above could not continue after ring-fencing ends and there is price harmonisation across the WO's service area. However, it would seem logical to remove the standing direction to the WO (option 1), or the power to direct the WO (option 2) when ring-fencing ends, as broadly speaking from that time onwards the councils are no longer concerned with residents and businesses in their district cross-subsidising residents and businesses in the other council's district.
- 9.8 **Question:** What would be the best mechanism would be best to achieve this: the shareholder's agreement or something else?
- 9.9 **Answer:** Section 228 of the Act anticipates a shareholder's direction to the WO to perform, or not to perform, a specified act being expressly provided for in the shareholders' agreement, constitution. and SOE. We do not consider the council shareholders could properly use some other mechanism to direct the WO on operational matters such as the granting or refusal of network connections. Put another way, the WO would in our view be free to ignore a direction given via some other mechanism. By contrast, under s226 a WO must give effect to a SOE, subject to s229(2). This states that if a WO receives a SOE that is inconsistent with a direction or requirement imposed by a regulator such as the Commerce Commission, the regulator's direction or requirement prevails to the extent of the inconsistency.
- 9.10 Overall, however, we see the options outlined in paragraphs 7 and 8 above as the better way to address the historic inequity of Western Bay residents not contributing to the capital and operating costs of infrastructure provided by TCC than seeking to direct the WO to refuse connections to developments in Western Bay.
-

Attachment 5:
**Correspondence between Western Bay of Plenty
District Council and Tauranga City Council on
Cross Boundary Funding**

8 September 2025



Mayor James Denyer
Western Bay of Plenty District Council

By email: james.denyer@westernbay.govt.nz

Dear James

BELL ROAD FAST-TRACK DEVELOPMENT PROPOSAL

You will be well aware of this development proposed by the Bell Road Limited Partnership. We understand the fast-track application will be lodged with the Environmental Protection Agency before the end of the year.

Strategically the site is well located for growth and supported by public and private investment such as the Tauranga Eastern Link, Papamoa East Interchange and the future Wairakei town centre. The proposal generally aligns with SmartGrowth's live / learn / work / play philosophy and the connected centre principle. Subject to site specific constraints being appropriately addressed the proposal would meaningfully contribute to the sub-region's housing and business land capacity challenges.

While the development is located in your jurisdiction, its close proximity to the Wairakei town centre will result in it effectively becoming a new suburb of the City and residents will use some of TCC's infrastructure, services and amenities. The project specifically intends to rely on:

- Access from the TCC funded and deliver Papamoa East Interchange
- Access to TCC's bulk water supply network – fed from the Waiari water treatment plant.

Further, future residents of the proposed development would utilise TCC-delivered community facilities, amenities and services eg sportsfields, indoor courts, pool, library and community centre in the Papamoa and Wairakei area.

TCC is concerned that the development will compromise existing and planned transport and waters infrastructure capacity for Te Tumu. Transport and waters modelling is underway and will enable assessment of these concerns. TCC would expect any impacts to be avoided, minimized or mitigated.

TCC previously provided the option for the developer to fund additional capacity in the Papamoa East Interchange to future-proof for development in the Bell Road area, but this was declined.

While TCC is not opposed to the development in principle, certain financial outcomes are imperative. Namely:

- Cross boundary issues and effects should be appropriately managed
- TCC developers and ratepayers should not subsidise the development
- Equity should be achieved with TCC ratepayers and developers in regards to both capex and opex costs where TCC provided infrastructure and services are utilised by those living or working on the Bell Road urban greenfield site
- The growth pays for growth philosophy should be upheld
- Planned growth, particularly in Te Tumu, should not be compromised.

TCC faces significant fiscal and infrastructure challenges, and we cannot afford to support a large-scale growth area outside the City boundary that is a financial burden. Initial estimates attribute a total TCC infrastructure capex contribution in the order of \$90m.

We seek to work collaboratively with both WBOPDC and the developer to agree fair and equitable formal cost sharing arrangements for both upfront capital costs and ongoing operational and renewal costs. Existing rating, development contribution and financial contribution tools have significant limitations in dealing with these sort of cross-boundary matters, so we will need to be creative and solutions-focused employing alternative methods like development agreements.

We have been in communication with the developer on these matters and the response to date has been less than encouraging (see letters attached). Their position would not achieve the outcomes TCC is seeking and is likely to result in TCC needing to take a position opposing the development and withholding infrastructure connections.

Specifically the developer has advised that it does not wish to engage with TCC in respect of connection to the Waiari water supply and wishes to work directly with WBOPDC to access your 25% share of water allocation.

From our perspective the developer misunderstands the arrangement in place between the two Councils which I summarise as follows:

- The Waiāri water take consent is jointly held between TCC and WBoPDC and allocates 75% (45,000 m³/day) of the abstraction right to TCC and 25% (15,000 m³/day) to the WBoPDC. WBoPDC are still to initiate the use of their portion of the consent.
- WBOPDC have not indicated to TCC that they wish to utilise some or all of their water allocation to date. TCC has written to WBOPDC a number of times in this regard. WBOP are aware that they need to provide significant lead time to enable TCC to plan for the use of their water allocation.
- TCC own and have fully funded the water extraction, water treatment plant, trunk mains and reservoirs associated with the Waiari scheme.
- WBOPDC do not have 'as of right' access to this infrastructure to utilise their share of the water allocation, this requires negotiation with TCC in regards both a capex contribution and ongoing opex. These negotiations would likely be complex and take some time. They would consider the financial impacts of potentially having to bring forward further stages of the Waiari water supply scheme to provide for this development proposal.
- The thinking to date is that WBOPDC would utilise the water extraction and treatment plant infrastructure, but would have their own watermains and reservoirs as required, rather than WBOPDC utilising TCC watermains and reservoirs associated with Waiari. This would not likely be feasible in relation to the Bell Rd / Wairakei South fast-track proposal which would rely on directly connection to the TCC trunk main on Bell Rd which is fed from a TCC reservoir.
- As TCC owns this infrastructure it has full control on whether or not it allows any new connections to be made and any agreement to enable the Bell Road proposal to connect would need to consider broader financial outcomes for TCC.

TCC will be communicating as similar position back to the developer.

I would like TCC and WBOPDC staff to get together to work through these issues, engage with the developer and report back to us. TCC's contacts are Christine Jones, General Manager: Strategy, Partnerships and Growth and Andrew Mead, Head of Planning & Growth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mahe Drysdale', with a long horizontal flourish extending to the right.

Mahe Drysdale MNZM
Mayor of Tauranga

CC: Miriam Tarris, Chief Executive Miriam.taris@westernbay.govt.nz



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18 September 2025

Mayor Mahé Drysdale
Tauranga City Council
Private Bag 12022
Tauranga
3143

By email - Mahe.Drysdale@tauranga.govt.nz

Dear Mahé,

Thank you for your letter dated 8 September 2025 regarding the Bell Road Fast-Track Development Proposal (the development proposal).

Western Bay of Plenty District Council (WBOPDC) acknowledges the strategic significance of the Bell Road site within our District and the potential benefits that the development proposal offers to the sub-region. We share your commitment to ensuring that growth is well-planned, equitable, and sustainable.

As you are aware this development proposal has emerged through the Fast Track Approvals Act 2024 (FTA) process, and as such is not currently contemplated within our Long Term Plan 2024–34 and its infrastructure or financial strategy. Therefore, WBOPDC staff are engaging with the developer, as well as other staff at TCC and BOPRC, to understand options for infrastructure provision. Much of this work is still in progress, and will result in significant investment for WBOPDC in bringing forward key enabling infrastructure.

WBOPDC acknowledges that all financial contributions and required infrastructure works for the development proposal will be a matter for the FTA expert panel to assess and determine.

With regard to your comments about the development proposal effectively becoming a new suburb of Tauranga City, whilst we acknowledge the physical location against the City/District boundary, we also note the close connection to the Te Puke township. Council is currently engaging with the developer on creating a direct connection to Seddon Street in Te Puke to enable enhanced connectivity between the two locations. The proposed development will also be primarily serviced by NZTA's Tauranga Eastern Link (TEL).

A6952097

It is inevitable that future residents of the proposed development will access Tauranga City facilities, amenities, and services, as is the case in many locations across the sub-region, and we note that this also occurs in the other direction (being Tauranga City residents utilising Western Bay facilities and services). As a general principle, it is neither desirable nor practicable to create a complex system of cross-subsidisation for amenities and services between TLAs and I encourage you to take a pragmatic and sub-regional view in this regard, noting that many facilities are also at least in part funded through user fees.

You note that the development proposal intends to rely on:

- Access from the TCC funded and delivered Papamoa East Interchange
- Access to TCC's bulk water supply network – fed from the Waiari water treatment plant.

Additionally, your letter refers to \$90m of total TCC infrastructure capex contribution. It would be useful to receive a detailed cost breakdown and rationale for this figure.

We seek clarification from TCC on the funding sources for the Papamoa East Interchange (PEI) project. We note from your website:

The total cost for the project is expected to be circa \$98M. Approximately 51% of the costs of the project will be funded by Waka Kotahi. The majority of the remaining costs will be funded via development contributions as and when land development is completed.

We also note that TCC has received a 10-year interest free loan for the project via the Housing Infrastructure Fund (HIF). Our understanding is that whilst the HIF loan does not directly fund the project, it reduces the debt costs faced by TCC in the interim as development contributions are paid overtime.

We also note that the developer has indicated that it is prepared to fund its necessary share to construct a new southern access link from the PEI into the Development area, and that there is a development agreement setting out the necessary requirements between TCC and the developer in this regard.

Consequently, we seek clarity on the unfunded portion of the PEI that TCC perceives WBOPDC would be required to contribute towards and the rationale for this.

In relation to the assumption that the proposed development will rely on accessing the WBOPDC share of the jointly consented Waiari municipal water supply scheme, Council is considering all options for water supply for the proposed development.

Whilst it is agreed that accessing the 25% share will require contribution towards treatment plant infrastructure costs already incurred by TCC, we draw TCC's attention to WBOPDC's status as a joint consent holder of this water take, as prescribed in both the resource consent decision and the MoU between the councils.

Accordingly, we would request TCC provides the following:

- an updated capex cost per cubic metre for water from the Waiari, and
- TCC's planned water supply allocation schedule.

We acknowledge that TCC may be in a difficult position progressing Te Tumu, given its long standing and varied challenges. However, it is not in the interest of WBOPDC ratepayers or developers to pay additional costs to fund enabling infrastructure for development in the City.

If TCC would like to meet to discuss any specific matters further, then please let me know and I will direct the Chief Executive accordingly. We look forward to working constructively with TCC and the developer to address relevant matters.

Yours sincerely,



James Denyer

Mayor

Western Bay of Plenty District Council

E james.denyer@westernbay.govt.nz

Cc: Marty Grenfell - marty.grenfell@tauranga.govt.nz



Office of the Mayor



23 October 2025

Mayor James Denyer
Western Bay of Plenty District Council
By email: james.denyer@westernbay.govt.nz

CC: Miriam Tarris, Chief Executive, miriam.taris@westernbay.govt.nz

Dear James

BELL ROAD FAST-TRACK DEVELOPMENT PROPOSAL

Thank you for your response on this matter. While I have provided a response to the key issues raised in your letter below, we are now at the point where the two councils and the developer need to get together and discuss the issues at hand. Christine Jones and Andrew Mead working alongside our waters and finance teams are our key staff contacts. It would be good if your staff could make contact with them to commence discussions. I will invite you to a meeting with the developers in November so we are all on the same page.

Suggestion WBOP is being asked to fund TCC Infrastructure

Your letters states:

We acknowledge that TCC may be in a difficult position progressing Te Tumu, given its long standing and varied challenges. However, it is not in the interest of WBOPDC ratepayers or developers to pay additional costs to fund enabling infrastructure for development in the City.

I can assure you that this is not what we are seeking. What we are asking is for a contribution toward the infrastructure the Bell Road development will rely on and benefit from that TCC provides. This is fair and reasonable and is the cornerstone of our respective development contribution and financial contribution systems and entirely aligned with the over-arching philosophy that growth pays for growth.

We are also seeking to ensure that development in the City, especially Te Tumu, is not compromised or further burdened by any TCC infrastructure connections or use from development that occurs in Bell Road. This position is only fair and reasonable.

This is very similar to issues that fast-track consents are creating in the Waikato District on the edge of Hamilton City. In that instance the two councils are working together to identify solutions, and I believe we should be doing the same here. They have advised Minister Bishop of the challenges they face, and I invite you to join me in writing a joint letter to the Minister.

Mayor Mahé Drysdale MNZM

Tauranga City Council, Private Bag 12022, Tauranga 3143, New Zealand



07 577 7000



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Process to address infrastructure contributions and works

You note that financial contributions and infrastructure works will be a matter for the FTA Expert Panel to address. This is not TCC's position. We are seeking to address these matters outside and ahead of the FTA Expert Panel process where it relates to impacts on TCC infrastructure and services. TCC has limited ability to be involved in that process. We do not wish to compromise the development by withholding access and connection to infrastructure but unless matters are resolved in a fair and reasonable manner it may be our only choice.

Use of TCC facilities, services and amenities

The direct road connection to Te Puke to be investigated would be a good outcome, nonetheless the site is contiguous with the Wairakei growth area in TCC and even with a direct connection to the Te Puke town centre the distance is about 5km. As such residents are much more likely to use the Wairakei town centre, and TCC provided reserves, community infrastructure and the like due to proximity.

Your letter states that the use of TCC provided facilities, services and amenities by WBOPDC residents is inevitable and it would be undesirable and impractical to create a complex system of cross-subsidisation between the council's, noting that TCC residents also use WBOPDC-provided facilities, services and amenities.

While there is some use of WBOP facilities and such by TCC residents, the work we have done demonstrates the flows the other way are much more significant. As it stands there is cross subsidisation by TCC ratepayers associated with WBOP residents use of TCC facilities, amenities and services. It need not be complex to rectify this through mechanisms such as user fees approaches and through WBOPDC charging rates and passing these to TCC (as has occurred in some limited circumstances in the past eg for libraries). Doing so would not create cross-subsidisation but address the existing cross-subsidisation in a fair and equitable manner.

I note that the councils are collaborating well to address similar issues associated with the cross-boundary 120 lot subdivision in Waikite Road, Welcome Bay which was subject to a recent WBOPDC council report. Lessons from this development can be applied to Bell Road.

Infrastructure costs and contributions

The infrastructure contribution calculations were previously sent to you separately to the letter but are attached again. They are an initial calculation only and require further discussion and refinement between the parties.

The Papamoa East Interchange funding stack is summarised below, noting the total project cost and cost attributable to various funding sources may change a little by project completion.

Funding source	Cost
NZTA	\$55m
DCs (Wairakei)	\$21m
DCs (Te Tumu)	\$28m
Rates	\$3m
Total	\$107m

The \$98m on the TCC website excludes historic costs, in particular land acquisition which occurred some time ago.

The cost represents the full capex budget and excludes cost of capital that will be incurred on the debt before it is repaid. The HIF loan reduces the cost of capital, but cost of capital is still significant as the repayment period extends until the development of Te Tumu is complete in 30 plus years.

\$56m is allocated to growth funding via Wairakei and Te Tumu (development contributions). Some of the Wairakei funding has been collected, none of the Te Tumu funding has been collected. Bell Road requires the interchange in the same way that Wairakei and Te Tumu do, and they will receive similar benefits from it. As such funding would be adjusted so Bell Road contributes an equitable share to avoid a situation where TCC developers cross-subsidise the Bell Road development. This would be necessary to avoid TCC's development contributions for the project being unlawful.

The Bell Road developer's offer to fund a connection to the interchange does not mean they should not contribute to the interchange itself. Current estimates of the Bell Road share of cost for the interchange is circa \$12m (plus cost of capital).

The Bell Road contribution could be via WBOPDC 'buying' a share of the project from TCC and recovering from the Bell Rd development, or TCC having a direct arrangement with the developer, either approach could be workable.

Further to this, previous transport modelling showed that the interchange and associated intersections would be over-capacity with Wairakei and Te Tumu fully developed, and Bell Road developed as well. A few years ago we engaged with the Bell Road developers and offered them the ability to build additional capacity into the interchange (at their cost). This offer was declined and the interchange has been designed and built without capacity for Bell Road. Hence there is a high chance that upcoming traffic modelling for the Bell Road proposal will reconfirm this. If so, additional transport investment is likely to be required to support Te Tumu in the long-term to resolve capacity constraints. TCC and Te Tumu developers should not bear the cost of this. This will be assessed further (including financial implications) when the current transport modelling is available).

Water supply

As acknowledged in my original letter we acknowledge that TCC and WBOPDC jointly hold the water take consent. A MOU for WBOPDC to access its 25% share is not in place. A draft MOU was developed but not signed by WBOPDC.

Updated costs are being prepared for access to the Waiari water supply and will be provided when available in the near future. Previously a range of different payment options were considered including a cost per cubic metre based on usage or a capital buy-in arrangement. A capital buy-in arrangement is TCC's preference based on Western Bay's 25% of the cost to align with the 25% allocation.

A key issue is the proposed WBOPDC off-take point from the Waiari water supply. This has been provided for just downstream of the treatment plant on No 1 Road. This is a long distance from the Bell Road development site (some 10+ km). While TCC has current and planned watermains and reservoirs from the treatment plant to Bell Road, supplying Bell Road from them would have significant implications for our water supply network including financial implications of bringing large scale capex forward and potentially the need for additional trunk water supply projects. We could consider a supply point at Bell Road if these financial issues were mitigated by WBOPDC and/or the Bell Road developer and we are developing a version of the financial model to quantify the cost.

Summary and next steps

In summary I look forward to working collaboratively with WBOPDC and the developer to address the issues at hand to enable this development proposal to progress. Since my initial letter to you, I also wrote directly to the developer. They have acknowledged my letter and suggested a meeting as mentioned above, which we agree with and would be good to include you and relevant staff.

As mentioned at the beginning of the letter, now is the time to get our respective staff together and involve the developer in discussions. The issues are complex and will take some time to resolve and we are conscious of not wanting to delay the fast-track process unless absolutely necessary. In my view these discussions should be guided by the principles that the Government, TCC and WBOPDC have continued to articulate – that 'growth pays for growth', and that our ratepaying community is not unfairly burdened with financial responsibility that should remain with the development.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mahé Brysdale', with a stylized flourish at the end.

Mahé Brysdale MNZM
Mayor of Tauranga



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3 December 2025

Mayor Mahé Drysdale
Tauranga City Council
Private Bag 12022
Tauranga
3143

By email - Mahe.Drysdale@tauranga.govt.nz

Dear Mahé,

Thank you for your letter dated 23 October 2025 concerning the Bell Road Fast-Track Development Proposal. While some of the issues were addressed in our recent meeting on 21 November 2025 (held on a without prejudice basis), I am writing to confirm Western Bay's position on the key points of discussion.

Firstly, I would like to express our appreciation for the ongoing collaboration between our councils as we continue to progress the considerations around infrastructure and funding in relation to this development.

Recreation, Leisure & Ecological Financial Contributions

During our meeting on 21 November, we reiterated that WBOPDC does not agree to transferring any financial contributions for recreation, leisure, or ecological purposes. Additionally, imposing a system where WBOPDC collects rates on behalf of TCC for social infrastructure use for each new development adjoining our boundaries would be highly impractical. As we both acknowledged in the meeting, it is at odds with the intent of the legislative framework we must operate under. As previously noted, it is TCC's prerogative to set user fees for its own facilities and services, but Western Bay will not be transferring any financial contributions or rates for this purpose. We trust this matter is now resolved.

Water Supply

Council continues to consider all options for water supply for the proposed development, specifically from bores as well as an existing consented dam. It is acknowledged that should WBOPDC wish to access the 25% share of the jointly consented Waiari water take, that this will require agreement of a capital contribution on a pay per cubic metre basis towards treatment plant infrastructure costs. We note that TCC is progressing financial modelling and capacity availability work, noting that the previous draft MoU provides a basis for calculation and discussion.

Te Kaunihera a rohe mai i ngā Kuri-a-Whārei ki Ōtamarākau ki te Uru



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Transport

We note that TCC is undertaking further modelling in relation to the Papamoa East Interchange, but maintain our position that this is primarily a discussion between the developer and TCC to progress.

Our recent discussions have underscored a mutual commitment to resolving these issues collaboratively, which makes ministerial intervention unnecessary and, in light of the Regional Deals process, potentially inadvisable at this time. As a consequence, I am not intending to sign the previously supplied draft letter to Minister Bishop.

If you would like to discuss any particular issues further, please let us know and arrangements will be made promptly. Thank you for your ongoing cooperation.

Yours sincerely,

A handwritten signature in black ink that reads "James Denyer".

James Denyer

Mayor

Western Bay of Plenty District Council

E james.denyer@westernbay.govt.nz

Cc: Marty Grenfell - marty.grenfell@tauranga.govt.nz



Office of the Mayor

22 December 2025

Mayor James Denyer
Western Bay of Plenty District Council

By email: james.denyer@westernbay.govt.nz

Dear James

Bell Road Fast Track Development Proposal

I'm writing in regard to your letter of 3 December and your response to TCC's comments on the minutes from the recent meeting between the two Councils and the representatives from the Wairakei South development proposal as circulated by TCC's Head of City Planning & Growth.

It is clear that the two Councils have different positions on the relevant infrastructure and funding issues. My position and the mandate from my Council is to ensure that everyone pays a fair share and that growth pays for growth both from a capex and ongoing opex perspective, thus ensuring development does not impose a financial burden on the city's ratepayers and Te Tumu developers. This extends to activities like reserves and community infrastructure which you have indicated are off the table from WBOPDC's perspective. While the cross-boundary nature of effects complicates matters, we believe this can be resolved through suitable agreements between the parties. It is our view that our ratepayers should not be disadvantaged or subsidise WBOPDC's residents.

Logically given the location of the development being contiguous with TCC's existing urban area and the effects the development would have on the City, my expectation is that the jurisdictional boundary would be amended to bring Wairakei South into the city if development proceeds. TCC is undertaking further assessment to support this and if it came to the point, we could consider making our own boundary change application to the Local Government Commission.

I believe the suite of issues involved in this matter should be looked at as a holistic package, including any access to TCC's Waiari water supply. I do not wish to engage separately with WBOPDC on Waiari, with the developer on the Papamoa East Interchange and to ignore issues around reserves, community infrastructure and rates.

In terms of the Waiari water supply, I note your comments around the assumption of a capital contribution on a pay per cubic metre basis. This was one of a number of methodologies previously considered but not one that TCC would now support for a range of reasons. These include the higher than expected cost of delivering the new treatment plant, TCC's broader fiscal challenges and a preference to ring-fence debt at the outset of entering into a new water entity arrangement. As such, any option TCC could consider, if we get that far, would involve

Mayor Mahé Drysdale MNZM

Tauranga City Council, Private Bag 12022, Tauranga 3143, New Zealand



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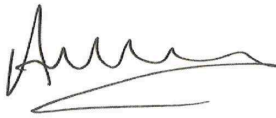


an upfront buy-in to the infrastructure with on-going operational cost contribution. Until our two Councils are better aligned in this regard, I think it sensible not to consider these options further.

For the time-being you should assume that until suitable arrangements are in place with respect to the matters outlined above, the Waiari water supply infrastructure and other TCC funded infrastructure would not be available to service the Wairakei South proposal. I will be separately advising the developer of our position.

I would appreciate the opportunity to engage further with you on these matters before considering a further meeting with developer representatives.

Yours sincerely



Mahé Drysdale MNZM
Mayor of Tauranga

Copy to:

Miriam Taris, Chief Executive, WBoPDC miriam.taris@westernbay.govt.nz

Nathan York, Chief Executive, Bluehaven nathan@bhml.co.nz



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25 February 2026

Mayor Mahé Drysdale
Tauranga City Council
Private Bag 12022
Tauranga 3143

By email - Mahe.Drysdale@tauranga.govt.nz

Dear Mahé

Subject: Bell Road Fast-Track Development Proposal

I refer to your letter dated 22 December 2025 regarding the Bell Road Fast-Track Development Proposal. My apologies for the delay in replying: the last month has put both our councils under extraordinary pressures, both for staff and elected members. It was pleasing to see how both our organisations have been able to work together when it matters and when our communities are in need.

That being the case, it was disappointing that your letter suggested that TCC would withhold services and threaten a unilateral attempt at a boundary change as a way to force its position on WBOPDC: its friend and neighbouring council.

I agree with your assessment that the two Councils have different positions on the relevant infrastructure and funding issues. I know we also agree that the current mechanisms that local government has for rating and for funding growth are inadequate and are often perceived as unfair. We both try to do our best to work within this system to achieve a "growth pays for growth" outcome and financial sustainability for our ratepayers. However, such goals must not come at the expense of a complete disregard for the territorial integrity, established frameworks and rating powers of each council under which we operate.

I therefore wish to reaffirm our stance, which is also supported by my Council: WBOPDC does not support any contributions to Tauranga City Council for recreation, leisure or ecological purposes. It is clear that future residents of this development will access services and amenities in both Pāpāmoa and Te Puke similarly to how many residents of Tauranga City currently access services in the Western Bay, and vice versa.

We understand that, in any case, the developer plans to provide their own local social infrastructure amenities within the development area. It is not in the community's interest to negotiate a contribution towards social infrastructure without a real basis for doing so.

As previously stated, WBOPDC is working to find suitable infrastructure solutions for both wastewater and water supply, and we are able to supply the first stage of the proposed development. Therefore, there are no infrastructure requirements needed from TCC at this time. We note that longer term considerations will be a matter for the Water Services Organisation to determine.

We do not accept your assertion of a need to bring the Wairakei South development into the City's jurisdiction with a boundary adjustment. This has not been part of our discussions to date, and it would be incredibly poor form for the City to attempt to proceed with a unilateral boundary change application without agreement from Western Bay or the landowner. This would have significant implications for trust and confidence in our relationship, and would be at odds with our commitment to work collaboratively and constructively. I would also question whether this is really the sort of thing that should be considered in the middle of broader discussions around local government reform, LWDW, a Regional Deal and RM reform.

We note that we have progressed boundary adjustments in the past, where this has been in accordance with our jointly agreed settlement pattern through SmartGrowth, and where the areas subject to the boundary change will be reliant solely on TCC infrastructure. I have discussed this matter with my Council, who are strongly opposed to a boundary adjustment for this area.

I encourage you to take a more sub-regional view of this development, as opposed to an apparent opportunity to extract funding from our ratepayers through any means possible. By seeking to dictate TCC's terms for this development to proceed, it undermines our ability to work collaboratively and support much needed housing outcomes for our sub-region that will be considered through the fast-track approvals process.

Yours sincerely



James Denyer
Mayor
Western Bay of Plenty District Council
E james.denyer@westernbay.govt.nz

Cc: Marty Grenfell, Chief Executive – TCC - marty.grenfell@tauranga.govt.nz
Nathan York, Chief Executive – Bluehaven - nathan@bhml.co.nz