

## Property Council New Zealand

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# Submission on the IAWAI Water Services Strategy

2 April 2026

**For more information and further queries, please contact**

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## **Submission on the IAWAI Water Services strategy**

### **1. Summary**

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit on the IAWAI Water Services Strategy (“the Strategy”).
- 1.2. Property Council New Zealand welcomes the establishment of IAWAI as a shared water services organisation for Hamilton City Council and the Waikato District Council. Consolidating water services under a single entity has the potential to improve long-term planning, investment efficiency and service delivery. Realising these benefits will depend on IAWAI establishing a strong governance and management framework with the capability to plan for long-term infrastructure needs, manage cost pressures, and deliver investment efficiently. To ensure the strategy supports investment and growth in the region, we recommend funding and financing models which are transparent, user-pays and ring-fenced.

### **2. Recommendations**

- 2.1. At a high level, Property Council recommends:
  - That IAWAI undertakes research to understand the housing affordability impact this new levy is likely to cause;
  - Growth-related water infrastructure should continue to be funded through existing development contribution policies;
  - IAWAI ensures a clear and transparent separation between development contributions and water growth charges;
  - IAWAI establishes a formal framework for innovation and developer partnerships, which allows for alternative water systems to reduce demand-based charges, developer agreements for infrastructure delivery in growth areas and water growth charge offsets for climate-resilient and lower-demand development outcomes;
  - IAWAI implements clear transitional arrangements including: delayed implementation of water growth charges to 1 July 2027 to allow sufficient notice for development feasibility planning; recognition of existing development agreements and consents made before 1 July 2026; guidance on how projects already in the pipeline will be treated, including those who may be assessed under a development contribution policy at resource consent stage prior to 1 July 2026 but require a reassessment after this date; and early and proactive communication with the developer community in Hamilton-Waikato ahead of the 1 July 2026 implementation date;

- IAWAI publishes a clear growth and servicing plan that identifies infrastructure constraints and upgrade timelines, aligns infrastructure investment with planned growth areas and provides transparent information about network capacity and staging;
- Utilising the existing Hamilton City Council development contribution processes to establish the demand of HUEs, avoiding the need for developers to undertake multiple overlapping assessment processes;
- Adopting a demand-based charging framework that allows the actual water demand of non-residential developments to be assessed using water meters that indicate actual water usage; and
- IAWAI provide flexibility in payment options including an option to pay the 25 year levy up-front.

### **3. Introduction to Property Council New Zealand**

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive."
- 3.2. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand. We aim to unlock opportunities for growth, urban development, and productivity to improve New Zealand's prosperity.
- 3.3. Property is the Waikato's second largest industry. There are around \$197.5 billion in property assets across the Waikato, with property providing a direct contribution to GDP of \$2.9 billion and employment for 22,100 Waikato residents. We connect property professionals and represent the interests of 104 Waikato companies (and their teams) across the private, public and charitable sectors.
- 3.4. This document provides Property Council's feedback on [IAWAI Water Services Strategy](#), with comments and recommendations on issues relevant to our members. Reflecting the diversity of our membership, Property Council members may wish to comment in greater detail on issues specific to their business. Accordingly, we support individual members providing separate submissions addressing those matters.

### **4. Development contributions and Water Supply Growth Charges**

- 4.1. The strategy introduces new Water Supply and Wastewater Growth Charges ("WGCs") applied over 25 years to fund growth-related infrastructure. However, the relationship between Development Contributions ("DCs") and WGCs is not clearly defined. It is unclear if developers will be charged for water supply and wastewater growth infrastructure through both DCs and WGCs. Property Council strongly opposes the double charging of water infrastructure through both DCs and WGCs.

- 4.2. Applying WGCs on top of existing DCs would represent a significant additional cost to development. DCs in the Hamilton City Council area range from \$30,000-\$70,000 per dwelling. Assuming the proposed \$500 annual charge is CPI-adjusted at an average rate of 2.5% over the 25-year period, this would result in an additional cumulative cost of approximately \$17,000 per dwelling. This would materially increase the cost of delivering new housing and commercial development.
- 4.3. These costs do not disappear; they are ultimately passed through to end users in the form of higher house prices, rents, and business occupancy costs. Increasing the cost of delivering housing in this way risks reducing development feasibility, constraining housing supply, and undermining housing affordability outcomes across the Waikato region.
- 4.4. This risk is exacerbated by charging the levy at building consent stage. Homeowners will be more likely to absorb the cost as developers cannot absorb additional costs so late in the development pipeline. Homeowners will be less likely to downsize and/or buy new development where they face additional charges like this levy. The levy also risks reducing the region's competitiveness relative to other growth centres where infrastructure funding frameworks are more predictable and proportionate.
- 4.5. We recommend that IAWAI undertakes research to understand the housing affordability impact this new levy is likely to cause.
- 4.6. The strategy also lacks sufficient detail regarding why the new WGCs is required, what infrastructure it is intended to fund over the next 25 years and how the annual sum of \$500 has been reached. Infrastructure funding mechanisms must be transparent and predictable to support investment decisions. Developers generally support contributing to growth infrastructure where those contributions are clearly linked to the infrastructure required to enable development. However, without clear identification of the projects, timing, and capacity improvements the WGCs will fund, it is difficult to assess whether the proposed charges are proportionate or justified.
- 4.7. A particular concern is the risk of double charging for the same infrastructure. Without clear separation between DC-funded infrastructure and WGC-funded infrastructure, developers may be required to fund the same network upgrades twice. For the new funding framework to operate effectively, it is essential that water infrastructure funding responsibilities are clearly allocated between council's (soon IAWAI) DCs and IAWAI's WGCs so that developers can clearly see how their contributions are being applied.
- 4.8. Spreading infrastructure charges over a 25-year period also introduces uncertainty around future costs. Infrastructure programmes, demand projections, and network priorities can change significantly over time. Without a clearly defined funding schedule and transparency around cost allocation, developers and investors cannot be confident that the charges being applied remain proportionate or certain. It is also not clear

whether the annual \$500 charge may be adjusted over time if infrastructure needs grow, introducing further cost uncertainty into the scheme.

- 4.9. Property Council recommends that growth-related water infrastructure should instead continue to be funded through existing DC policies. Property Council supports project-specific targeted rates which can be used as a supporting funding tool where costs can clearly be linked to infrastructure required to service specific new developments and where beneficiaries can be clearly identified.
- 4.10. We recommend IAWAI ensures a clear and transparent separation between DCs and WGCs by:
- Ring-fencing revenue collected through each funding mechanism;
  - Clearly identifying which infrastructure programmes are funded by DCs and which will be funded by WGCs;
  - Ensuring reconciliation schedules are made publicly available to allow for transparency of double-dipping risk; and
  - Working with Hamilton-Waikato councils to remove water services infrastructure costs from future DC policies where these are being funded through WGCs.

## **5. Innovation and development partnerships**

- 5.1. While the strategy acknowledges the need to address infrastructure constraints and explore private partnerships in high-growth areas, there is limited discussion of how innovation and developer-led solutions will be supported in practice. Examples such as rainwater harvesting, decentralised water systems, or NABERSNZ-certified developments (or equivalent) can materially reduce demand on central networks but are not clearly addressed in IAWAI's strategy.
- 5.2. Encouraging innovation can reduce infrastructure demand, improve climate resilience and unlock growth sooner. It is important that IAWAI actively encourages technological innovation by creating offset/credit mechanisms where appropriate demand on infrastructure is reduced.
- 5.3. Developer partnerships should also be encouraged as they prevent infrastructure bottlenecks. In Hamilton-Waikato's rapidly growing greenfield areas, private sector participation in infrastructure delivery can accelerate development and reduce pressure on public funding.
- 5.4. Property Council recommends IAWAI establishes a formal framework for innovation and developer partnerships, which allows for alternative water systems to reduce demand-based charges, developer agreements for infrastructure delivery in growth areas and WGC offsets for climate-resilient and lower-demand development outcomes.

## 6. Existing consents and agreements

- 6.1. The strategy proposes significant changes to the funding model from 1 July 2026, including new WGCs for developments at building consent stage after that date. However, it is unclear how existing consents, variations to existing consents, developer agreements or previously assessed development contributions will be treated under the new regime.
- 6.2. Development agreements are typically financed and structured years in advance based on existing infrastructure funding frameworks. If previously approved arrangements are not recognised, developers may need to refinance projects or absorb unanticipated costs.
- 6.3. Developments that are already at resource consent stage prior to 1 July 2026 will have made significant investment decisions based on the existing funding framework. This includes land acquisition, design, consenting, financing arrangements and, in many cases, pre-sale commitments. Introducing new charges at the building consent stage for these developments creates a disconnect between when costs are incurred and when they can be recovered. At this stage of the development pipeline, developers have limited ability to absorb or pass on additional costs. Pricing, funding structures and contractual arrangements are typically locked in well before building consent is lodged. As a result, the introduction of new charges at this point may render projects financially unviable, leading to delays, redesign, or in some cases projects being paused or withdrawn entirely.
- 6.4. For example, an apartment block of 50 units having already established costs at resource consent stage and under construction, but unlikely to complete construction before 1 July 2026, will now face an additional charge of \$25,000 per year it must absorb. If the developer has already pre-committed several presales, this leaves little options for who will absorb the costs.
- 6.5. At this stage, it is also unclear what the new development contribution policy may look like under IAWAI and how these additional charges will compound the proposed WGCs. Developers have been given very little notice of either of these charges. This uncertainty and volatility of sudden cost increases will make the Waikato region a significantly unattractive place to invest in.
- 6.6. We recommend IAWAI implements clear transitional arrangements including:
  - Delayed implementation of WGCs to 1 July 2027 to allow sufficient notice for development feasibility planning;
  - Recognition of existing development agreements and consents lodged before 1 July 2026;

- Guidance on how projects already in the pipeline will be treated and consents that are varied, including those who may be assessed under a DC policy at resource consent stage prior to 1 July 2026 but may require a reassessment; and
- Early and proactive communication with the developer community in Hamilton-Waikato ahead of the 1 July 2026 implementation date.

## **7. Clear growth and servicing transparency**

- 7.1. The strategy acknowledges existing water and wastewater capacity constraints in several areas but provides limited detail as to the timing, staging and location of future infrastructure upgrades needed to enable growth.
- 7.2. Infrastructure availability ultimately determines whether zoned land can be developed. With transparency of future servicing and growth capacity, developers can work alongside IAWAI and relevant councils, to ensure the infrastructure receives the growth it needs to fund it. Property Council's experience across New Zealand consistently shows that planned infrastructure sequencing is the primary determinant of development delivery.
- 7.3. We recommend that IAWAI publishes a clear growth and servicing plan that identifies infrastructure constraints and upgrade timelines, aligns infrastructure investment with planned growth areas and provides transparent information about network capacity and staging.

## **8. User Pays Charging Framework**

- 8.1. The strategy proposes a simplified charging framework based on Household Unit Equivalent (HUEs) and floor area thresholds. While administratively simple, this approach will not accurately reflect actual water demand across different development types.
- 8.2. For example, a single residential HUE regardless of dwelling size may disincentivize smaller or more affordable housing typologies. The half HUE for all secondary minor dwellings not requiring consents disincentivizes building owners that require/opt to get a consent. The strategy also suggested non-residential charging based on gross floor area which risks overcharging low-water-use developments, impacting development feasibility and discouraging efficient water use.
- 8.3. Water infrastructure charges should reflect actual demand placed on the system. Charging based on gross floor area rather than demand is inconsistent with established practice in major metropolitan water utilities such as Watercare Services Limited, which applies demand-based charging supported by metered consumption. Metering enables a direct and transparent link between water use and cost, reinforcing the user-pays principle.
- 8.4. For industrial developments in particular, water demand varies significantly depending on operational activities. These sites are already subject to metered water use,

providing a reliable basis for assessing demand. A mechanism should therefore exist to determine the actual HUE demand generated by a development.

- 8.5. A stronger link between metered consumption and infrastructure charging will also support better demand management outcomes over time, including incentivising water efficiency and recognising investment in non-potable water systems such as rainwater harvesting.
- 8.6. Property Council recommends utilising the existing Hamilton City Council development contribution processes to establish the demand of HUEs, avoiding the need for developers to undertake multiple overlapping assessment processes.
- 8.7. Property Council recommends adopting a demand-based charging framework that allows the actual water demand of non-residential developments to be assessed using water meters that indicate actual water usage.

## **9. Up-front payment options**

- 9.1. The strategy's proposed growth charge applies as annual levy for 25 years. While spreading costs over time can improve affordability, this approach may create unintended market impacts.
- 9.2. In the commercial and industrial property market, ongoing levies can be difficult to pass through to tenants. This may create a situation where occupiers favour older buildings without the levy rather than leasing new developments that include the charge. There may also be administrative complexity associated with tracking long-term levies across property ownership changes.
- 9.3. The strategy also highlights a significant capital investment programme and ongoing funding gap. It will therefore be important that any long-term charges remain stable and predictable so that development feasibility can be accurately assessed.
- 9.4. Property Council recommends that should the WGC be adopted, IAWAI provide flexibility in payment options including an option to pay the 25 year levy up-front.

## **10. Conclusion**

- 10.1. Property Council thanks IAWAI for the opportunity to submit on the IAWAI Water Services Strategy. We do not support the double charging of water infrastructure through both DCs and the newly proposed WGCs. Property Council supports a transparent, user-pays system where infrastructure funding and financing is appropriately ring-fenced.
- 10.2. Property Council members invest, own, and develop property across New Zealand. We thank IAWAI for the opportunity to submit our views on the Strategy. We would welcome further opportunities to discuss our recommendations in person.

10.3. For further enquiries, please do not hesitate to contact Bella Leddy, Advocacy Advisor at [bella@propertynz.co.nz](mailto:bella@propertynz.co.nz).

Yours Sincerely,



Morgan Jones  
Chair of Central Committee  
Property Council New Zealand