

THE RISE OF SMALL CITIES

State of the City February 2019

Mayoral Speech

Length: 30 minutes (including question time)

Kia ora tātou - hello everyone, and thank you for the kind invitation to speak here today.

Over the years, this Mayoral State of the City address has become something of an annual tradition for the City with the PN Rotary Club and Chamber of Commerce.

It's an occasion that reflects on where Palmerston North is heading, and gives you a broad gauge of our progress and development as a city.

It also allows you to inspect our effectiveness as a Council.

Typically, the State of the City address accentuates the positive. And that's because we really do have a positive story to tell. There was a good story last year, but this year, I believe it's even better.

And I want to theme this year's "The Rise of the Small Cities".

In 2018 my address was about the City needing to be more ambitious and prosperous. Last year's message was centred about attracting more investment, improving our reputation, and unleashing the potential of two key sectors – our world class food science hub and intermodal transport links to our logistics and distribution sector.

The City is going down that path, is succeeding, and going well, despite some recent media attention.

And, I want to set the record straight regarding that speculation and the stance Council took with the Toyota NZ economic grant.

I want to front foot that immediately.

This was an important and almost unanimous decision for the city's business sector, with only one Councillor voting against it. It was a decision we had to make because Toyota had a difficult decision of 'centralisation in Palmerston North vs decentralisation around NZ' and this foreign investment debate meant there was a real risk of Palmerston North losing Toyota HQ status to cities further north.

There is no doubt that the grant we made influenced the company's decision to stay here. Soon afterwards, they closed their experimental Distribution Centre in Auckland to consolidate their activities in Palmerston North, and refocus on their National HQ expansion.

Did Council need to take that decision in a confidential meeting? Absolutely we did!

Not only was it high stakes with potentially hundreds of jobs on the line - not to mention the profound impact such a move would have on the local business sector - it involved sensitive commercial negotiations that could simply not take place in public.

Governments and cities all over NZ - and everywhere else in the world - make economic decisions in this way.

Those who know the city's history well can recall when foreign investment decisions resulted in the closure of

Glaxo, Sanitarium, and Sunbeam; companies with much longer connections to Palmerston North than Toyota.

So, I'm far happier having this discussion and defending the decision knowing Toyota NZ have chosen to stay here, rather than having to announce why they left.

Was it the right thing to do? Definitely!

However, in hindsight, we realise the processes could have been better and more transparent. We are bound by legislation in Confidential Part 2 meetings, but we will be asking the Council CEO and Officers to look at a better process, and a potential Register outlining Council's Part 2 Confidential decisions, and when they can be announced or released. We have learned from this and are determined that in future, things will be better.

But, before I move on from this, I'd just like to reassure everyone that 99.9% of Council business is conducted in public, including the announcement of confidential Part 2 meeting decisions.

The beauty of the democratic process is that you can register your approval or disapproval with the decisions we've made and the directions we've taken in October this year at Local Government elections.

As your representatives, the Mayor and Councillors are like a long-distance relay team. We are part of a continuum. The present Council are carrying the baton of responsibility and leadership that has been passed

into our stewardship by previous generations of Mayors and civic-minded leaders.

We are building on their accomplishments, and 150 years of that stewardship legacy is due to be celebrated in 2027. And with that in mind, the baton we carry is not something any of us on the present Council want to drop.

I briefly want to talk about my Council colleagues.

I believe that as a Council, we have managed to strike a responsible balance with our decision-making and prudent budgeting that will result in the betterment of all who call Palmerston North home.

I'm proud to head a hard-working, motivated and intelligent group of Councillors who have set the tone for this city as a progressive, welcoming, accommodating and well-resourced place.

We are a city for all ages and for all stages of life; a city where investment, business, creativity, culture, arts, education, recreation and entertainment can all thrive.

Much of that is due to the character, attributes and the calibre of the people who live here. (Like you!)

There is a saying that goes something along the lines of: **Places may shape people, but it is the people who make places.** How true this is.

In Palmerston North we are blessed with communities, organisations, companies, groups and individuals who are more than willing to engage with, and partner in the processes and conversations necessary for the future prosperity of our City.

That's one of the reasons why last year we spent so much time on the 10 Year Plan and developing a vision and strategy, along with appropriate plans, to ensure the city is well-placed to accept the challenges that face us.

It's summed up well in our vision statement - **Small city benefits: Big city ambition**, with goals based around innovation, growth, creativity, liveability, connectedness, safety, environmental sustainability, led by a motivated Council prepared to be proactive and meet those challenges, rather than sit back and go with the flow, and let it happen to us.

This is important because in many countries around the world, we are seeing the rise of the Small City.

This is a theme I touched on last year, but with more people discovering that there are great life, business and investment opportunities outside the Metros and in regional NZ. It is a trend that is strengthening.

It's been noted that smaller cities where a sense of community is still intact, are far more diverse and progressive, and have greater potential than larger metropolitan centres give them credit for.

Small cities like us are able to offer a generous work-life balance and quality education, along with the agility to grow good businesses.

We remain big enough with some scale to have reasonable commercial clout and decent facilities, but small enough to preserve our personality.

In the USA for instance, most of the cities that are highly rated for liveability (that's taking into account indicators such as health, education, income, affordability, cultural amenities, business

opportunities, connectedness, environment, infrastructure, crime and safety) they all have populations under 300,000.

We are talking cities like Charlottesville in Virginia; Boulder, Colorado; Charleston in Massachusetts; and Santa Barbara, California.

Many of the higher-rated US cities have populations that are around 100,000. For instance, our sister city Missoula, Montana, which I had the pleasure of visiting last year, rates at number 59 in the US Liveability Listings, and with a population slightly smaller than ours, but enjoy many similarities with Palmerston North.

I'll be getting a chance to again catch up with Missoula's mayor John Engen in March when he leads a business delegation to Palmerston North as we host the national Sister Cities New Zealand Conference. We'll also have representatives from our other international partner cities, including our sister city Guiyang in China, and fledgling Friendship City Mihara in Japan. To have China, Japan and the US here at the same time will be a first for our City, and maybe even New Zealand.

I'm sure there will be discussions among the delegates at that conference about what makes a city liveable and attractive, and how to harness the business opportunities afforded by growth, without detracting from the lifestyle qualities we have established.

Liveability, along with our location, are among Palmerston North's biggest strengths.

Interestingly, most of those small cities share one characteristic - as word gets out about their lifestyle opportunities, business and investment potential, and their affordability, more people want to move there to share those benefits. That means population increase becomes a feature.

Now we know Palmerston North is Manawatu Whanganui's regional capital, and already a magnet for shopping, commerce, transport, healthcare, education, entertainment and recreation, and these attractions we know, have plenty of appeal.

In September last year, we received a deputation from the Ōpiki-Tokomaru community - seeking a boundary change so they can become part of the city.

They see the future of their communities more aligned with Palmerston North than with Horowhenua.

A formal Application for Consideration of a boundary change has been lodged with the Local Government Commission for evaluation this year. What it will mean for the city footprint and rates if such an amalgamation is approved, has yet to be worked out.

Individuals are also moving here for work and education. There has been a noticeable shift of younger families and over 65s into the city as pressure on housing and rentals in Rangitīkei, Manawatū District and Horowhenua, along with last year's high fuel prices, combined to cause those demographics to rethink their living, working, schooling, retirement and healthcare arrangements.

And despite average house prices rising by 13.4% in the year to December (nationally it was a 3.2% rise), our affordability is still strong offering better access to the market than Hastings or Napier, New Plymouth or Dunedin.

However, as a Council, we are acutely aware that any sort of growth brings with it all kinds of consequences. It puts pressure on existing housing and infrastructure, and under the Long Term Plan we signed off on in June last year, that is exactly what we have been preparing for.

With a population of around 90,000 and a further 20,000 travelling into the City for work and study – sees our own growth spurt is underway.

Twelve months ago, I stood at this podium for the 2018 State of the City address, and outlined why Palmerston North was in a great position to take advantage of the prevailing economic climate, especially with a new government that has a strong focus on regional development.

My optimism has so far been borne out by the figures. A year ago, our economic growth over the preceding year, was 2.9% - outpacing the country as a whole. Now the country's average growth rate is 2.9%, while ours has risen to 3.4%.

To quote the overview from Infometrics: "Manawatū is enjoying unprecedented economic growth supported by a strong primary sector, solid consumer spending and population growth."

At the end of the September 2018 quarter, commercial vehicle registrations grew 12%, ahead of the 2.3% national average.

Electronic card retail spending grew 5.1% - up on the national average of 4.8%, with our tourism growing 4.3% and our commercial guest nights up 2.4%.

Over Christmas, Palmerston North was one of just three centres that bucked a flat national trend. Our electronic spending rose 5.8%. Nationally the average rise was just 1.2%.

I'm picking we can expect more of the same confident trends when the December 2018 quarter figures are released at the end of this month so the numbers are promising.

And we have every reason to feel confident about the future. For starters, the combined value of the major capital investments in the construction projects alone that have been planned for Palmerston North and its surrounding regions, will result in a sustained period of growth for the city.

Among the high profile capital projects are of course the \$500 million to build the Manawatū Gorge Highway. Work on Napier Road /Roberts Line intersection will also get underway later this year.

I'm certain that the proposed \$220 million city ring road, which should include a Road bridge across the Manawatū River, will get a green light to complement the Gorge Highway - along with the \$200 million or so for relocation of KiwiRail's regional freight hub from Tremain Ave to near Bunnythorpe.

Add those developments to the proposed expressway extension linking Otaki to North of Levin, plus completion of work on the Whirokino Trestle Bridge at Foxton, and our position as the logistics pivot for the lower North Island is enhanced greatly.

Already, commercial transport operators are eyeing up the integrated freight hub opportunities provided by the release of 126 hectares of industrial zoned land between the airport and Bunnythorpe.

The uptake on that land has exceeded expectations. It was meant to be developed over 20 years, but is already disappearing quite quickly.

As I said last year, we already move:

- 6 times the freight of Taranaki,
- 3 times the freight of Hawkes Bay
- and 2½ times the freight of Wellington including the Inter Islander freight.

So we will be needing those new roads and hubs operational .

While logistics and transport provides a cornerstone of the local economy, Defence provides another. The announcement last year that RNZAF Base Ōhakea was to be the new home of the P-8 Boeing Maritime Patrol aircraft, boosted our position as New Zealand's Defence Capital.

Now, as well as the ongoing Defence Regeneration Plan taking place at Linton Camp and Ōhakea, there will now be the development and construction work required to prepare Ōhakea for the P-8's Squadron, before the aircraft and the approximately 300 additional Air Force personnel arrive with their families from Whenuapai, Auckland.

These projects alone will have a significant impact on the city and surrounding regions - but there are a further 30 or so other multi-million dollar developments that are either under way, or under planning consideration.

They include investment at MidCentral DHB; work at AgResearch, Food HQ campus, Massey University, Powerco utility infrastructure; upgrades and investment by both the City and District Councils; there are KiwiBuild and HNZ houses, as well as commercial sector development, new-build, refurbishment and earthquake strengthening work.

To summarise: Between now and 2030 (which is only 11 years away) there are construction and development projects for Palmerston North and Manawatū that combined, could amount to as much as \$3 billion.

And there are likely be others as these projects help generate further momentum.

For instance, it was announced in the first week of February that Manawatū is one of the so-called regional 'surge' areas to benefit from the Provincial Growth Fund for Farm training.

Farming or Agri-Business is another pillar of our regional economy, and this announcement will sit comfortably alongside our established rural mainstays and the contributions made by AgResearch, Grasslands, Plant & Food, Food HQ, Synlait, Massey University, FMG, Norwoods, Fonterra, Central District Field Days, and NZ AgriFood Week, along with the Hilux NZ Rural Games, which are returning to The Square in March.

The point is - not only will the city need to accommodate the extra workforce these large development and construction projects require, we'll also have to make provision for the additional business opportunities that this influx of people will create.

It means we are going to need new housing subdivisions, and all that they entail – infrastructure, roading, paving, water, stormwater, wastewater – along with recycling and rubbish removal.

We already have partnerships in place with Developers, and new rules under an amendment to the District Plan enhances provision for infill developments.

We have been busy sorting out infrastructure projects at Whakarongo, James Line and Pacific Drive. Proposed developments at Ashhurst, Te Wanaka Road and Flyers Line are under consideration.

Housing consents have shown one of the biggest increases since the early 1990s, when Linton Camp doubled in size.

And the addition of 225 rental houses to city stocks over the past 12 months has also been welcomed, along with our own redevelopment of social housing at Papaioea Place.

Our projected growth is also one of the motivating factors behind our current Waste Management and Minimisation Plan.

This takes into account both the requirements and desire to reduce the amount of rubbish we are

sending to landfill over the coming years, and increase the City's composting, recycling and reuse by 10 per cent.

Growth also underpins the City's Wastewater Project; Nature Calls - a four-year planning, research and engagement project to determine the best Wastewater treatment option for the City by 2022, and will require an outlay of \$110 million plus.

Certainly, these are big ticket items, and until Central Government works out a way of investing more money in local authorities, they will be funded primarily from your rates. Like death and taxes, rates rises are an unfortunate inevitability.

A rates rise of 3% is necessary simply to meet inflation and renewals and NZ has one of the world's most centralised tax systems in the world where 88% of taxes/rates go to Central Government. Yet Local Government only gets 12% of this pie must not only run cities but also roading, lighting, waters, parks and reserves and other infrastructure within them. If we want to make progress, to build on the city's legacy, to meet expectations and aspirations, Local Government will need to be larger. However, in the meantime we are hoping to hold the increase to under 5% this year and still grow the City sustainably.

While those figures sink in, let's shift to education. This has always been one of our strengths, and our school roll growth has been ahead of the national trend for the past four or five years, so potentially, we are looking at getting a couple more primary schools out of the Ministry of Education.

At secondary school level, the City's 10 high schools will roll-out work in encouraging more school leavers to look at STEM-based occupations (STEM stands for science, technology, engineering and mathematics) and at related trades apprenticeships.

These are skills that are already in high demand, and will be even more so as other local infrastructure projects come on stream. For those with an entrepreneurial bent, involvement in the trades also becomes attractive as a path into business ownership.

But back to the nuts and bolts. While having all the right infrastructure in place is vital - and we have the advantage of being a compact centralised city with good surrounding land availability that is relatively easy to develop - we want to do more than simply create housing precincts and industrial estates.

We want to build working neighbourhoods and strong communities. We want our places to be for people. We want to enhance the city's living environments for the enjoyment of all.

Part of our mandate as a Council is to provide social sustainability and cohesiveness. A growing city increases the need for further sports and leisure facilities and venues. Developing these new resources and upgrading existing amenities is part of Council's ongoing work.

And it is why we provide and maintain a wide range of recreational and cultural amenities - parks, gardens, reserves and playgrounds; a skate park, indoor and outdoor courts, sports fields, hockey turfs, regional stadiums, venues, function centres, and swimming pools; walkways and cycleways; a regional museum,

science centre and art gallery, libraries and theatres; community centre and hubs, - while we promote recreational events, concerts, cultural and creative activities.

There is a story from the dark days of World War II that when British Prime Minister Winston Churchill was asked to cut arts funding in favour of the war effort, his reply was, 'Then what are we fighting for?'

And our Council takes a lead in facilitating and hosting a range of events for a wide range of arts, cultural and sporting tastes.

Back in December we had Christmas in The Square and New Year's Eve events.

During January, we've been behind the neighbourhood Movies in Parks and the Summer Social concert series, taking advantage of the terrific summer weather we've been enjoying.

On Waitangi Day, The Square/ Te Marae o Hine hosted the city's national day celebrations. That afternoon, in the Regent on Broadway, a Chinese acrobatic troupe all the way from Shandong, celebrated the Chinese New Year in the Regent on Broadway – (which would have to be one of New Zealand's best performing arts venues).

The Globe, our community theatre, which has just had its lighting grid and fly-tower strengthened, is the perfect venue for a range of community and smaller-scale musical and theatrical performances and there is a fantastic line-up of concerts and shows planned there throughout the year.

In January, Gravel & Tar UCI International Cycle race attracted 20 international teams. We've just enjoyed, on Friday evening, the Band UB40 playing at Central Energy Trust Arena, and over the weekend supported the 64th New Zealand Grand Prix in conjunction with Manfeild.

The weekend prior to that was the country's biggest stockcar event, the NZ Super Stocks Team Champs which again sold-out the Central Energy Trust Arena oval with 15,500 each night. While Woodville hosted the 2 wheel NZ Motocross Grand Prix in late January.

If you thought the summer programme was busy, wait until you check out March and April. There are plenty of high profile events in the city that are going to attract national attention.

Once again, the Victoria Esplanade will host the annual Summer Shakespeare production opening at the end of this month, followed by the always-popular annual family-oriented Esplanade Day in March.

We're really looking forward to the public opening of the Central Energy Trust Wildlife Recovery Centre, and the opening of the He Ara Kotahi Bridge and Pathway due the same month, as part of the wider Victoria Esplanade Master Plan.

The bonus of the bridge and walkway is it promotes both recreational and active transport, and makes access for commuters to Massey University, the Science Institutes @ FoodHQ and Linton Military Camp far less vehicle-dependent, and a great deal safer.

Both these projects, carried out with a range of partners and supporters, will add immeasurably to the

Esplanade and the Manawatu riverside as much-loved attractions.

The Arena is another of our prime assets, and as part of its future-proofing, is the subject of a Masterplan that will see further work this year, including a new artificial turf.

All of these projects attracted an extra investment so ratepayers weren't lumbered with full costs. External money was sourced from Central Government, Ministry Agencies, numerous Trusts, commercial sponsorship and community fundraising.

That is being complemented by continuing central city upgrades – Cuba Street has recently been completed, and work is progressing steadily around The Square.

So, when people come to Palmerston North for events such as:

- The Hurricanes vs The Brumbies Super Rugby match on March 1;
- ANZ Premiership Netball league opening with the Pulse vs Tactix on March 10,
- The Festival of Cultures in March,
- The national secondary schools Volleyball championships also in March – and one of 20-plus National Secondary Schools sporting events or tournaments hosted here during the year,
- Or for the Races at Awapuni Racecourse - which is in line to receive up to \$14 million worth of investment - including a new synthetic track (one of only three in the country)- as part the Government's rationalisation of the racing industry.

We want to ensure that the whole city is an integral part of their experience, and creates a lasting positive impression.

In April we'll have a further chance to showcase the city when Central Energy Trust Arena **The New Zealand Military Tattoo** – a spectacular pageant of music, marching, manoeuvres, kapa haka, dance, ceremony and fly-pasts as part of the WW100 commemorations, and a wonderful tribute to the men and women who have served our country in the Defence Forces over the past century.

And early next year, we will be hosting a world first – it will be the first time anywhere that a regional softball association has been awarded a World Cup softball event.

In February 2020 for 9 days at Colquhoun Park, the city will host 12 international teams, around 4000 spectators and almost 400 players and officials at the Under-18 Men's World Softball Cup.

This is an incredible sporting coup for the city, and one that will create a huge long-lasting legacy for softball locally, regionally and nationally.

To stage this premier international event, we will be going into bat with the Manawatū Softball Association – upgrading the City's Softball Stadia with two all-weather softball diamonds, the changing facilities, clubrooms, spectator seating, lighting and the fencing infrastructure.

Palmerston North was awarded the hosting rights for this tournament ahead of bids from Canada, Argentina, the Czech Republic and the United States.

That's exactly the sort of bid you'd expect from a small ambitious city on the rise – one that hosts a varied and lively portfolio of events, and is determined to make the most of every opportunity.

To use a softball analogy, we are fast pitchers, run hitters and base stealers, and this international tournament will be a great way of kicking off the 2020 year.

Thank you for your time and attention.

These are exciting times for Palmerston North; the future looks tremendously promising, and I'm looking forward to us heading there together.

Tēnā koutou, tēnā koutou, tēnā tātou katoa.

Now I'm sure there are going to be questions, and happy to answer those.