

**2021 State of the City Address
Rotary Club of Palmerston North
Conference and Function Centre
Main Street
12 noon, Monday 29 March
Mayor Grant Smith (30 mins)**

INTRO:

(Slide 1 – City Crest)

Kia ora tātou - hello everyone, and thank you Dave [[Dave Gaynor – President](#)] for your kind introduction, and for the invitation to help launch Palmerston North's 150th year with the annual 'State of the City' report, Take 3, which serves as a taster for the shape and direction of the coming year even if we do approach April this week.

Although I remember delivering this State of the City presentation at this same gathering last year, we had no real idea of how much disruption the Covid pandemic would bring our city, our country and indeed the world.

A better quality crystal ball might have foretold a year of disruption across all areas of the city's – and indeed the country's -operations.

A crystal ball also would have told us that despite the challenges we faced, the city handled things relatively positively, and is recovering well from the effects of lockdown, and we're well-placed, Covid willing, to make the most of our sesquicentennial year.

Before I get underway I'd like to make a few acknowledgements and greetings to:
PN Rotary Club President Dave Gaynor,
Amanda [[Linsley](#)] and Chamber of Commerce members,
my City Council colleagues,
Councillor Susan Baty, Chair of Finance Committee of Council
PN Rotary Club members,
and other business leaders from the city and region.

[[Slide 2 – Rotary logo](#)]

I'll also take this opportunity to congratulate NZ Rotary and Australian Rotary, on reaching your own significant milestone, with celebrations for 100 years of Rotary taking place in April 2021.

That's 100 years of community accomplishment and progress to our city.

Thank you for the projects you are involved in that are benefiting communities here and overseas.

So again, I wholeheartedly commend Rotary's continuing contribution to eradicating Polio in the world, and for this club establishing hydroponics crops and providing school resources to villages in northern India; and also for supporting transportation of medical aid to remote Pacific Islands.

Locally, you are great supporters of our award-winning Festival of Cultures.
the Cancer Society's Daffodil Day;

the Manawatū Tree Trust,
and the Ivy May Jensen Housing Trust.

We appreciate your involvement in the

- Kahuterawa Bush Reserve kiosk project;
- the annual Youth Music Festival;
- the Young Leadership programme;
- the Rotary National Science and Technology Forum;
- the Rotary Youth Driver Awareness programme;
- the Foodbank Appeal, and
- Sixtus Lodge, among others.

The work you do for our community is outstanding; and on behalf of the City, thank you Rotary Club of Palmerston North.

Congratulations on reaching this major 100 year international milestone, and it's good to see that Palmerston North was such an early adopter of Rotary, with this club due

to celebrate its own centenary in a few years in 2024.

SPEECH:

Now to the State of the City. And I would go as far as saying we are the nation's "Lucky City". We have handled everything thrown at us. Our diverse economy is actually stronger than pre-Covid. Having listed some of the ways this Rotary club contributes to the City, here is as good a place as any to segue into the ways that Council provides a platform for Palmy's social, community and economic activity.

It's the City Hall's task to plan, build, and maintain a vital, vibrant, engaging, and resilient small city. And thus far, we've been able to equip it with many of the facilities and advantages that are usually found in much larger centres.

I'd like to begin by playing a short video that outlines the vision that drives the

services Council provides. In essence it's really our value proposition.

Featuring some of the people and teams who proudly make many of the things we probably take for granted.

Welcome to PN City Council video - 3'27"

Our City videos are available on the PNCC Facebook page, and Youtube.

Now this may be our sesquicentennial year, but as far as Council operations go, it's business as usual – albeit with a few extra challenges as we put together our triennial Long Term Plan to build on the city's **Small City Benefits: Big City**

Ambition vision (and I emphasise the Small City to ensure we don't lose it as we have plenty of bigger City growth).

[Slide 3 – Square at night]

As a Council, we are required to go through this practical long-term planning process every three years - a process we carry out

in consultation with residents, partner organisations and stakeholders.

Since October, in preparation for the plan, we have been putting together the priorities and sorting through budgets.

Next month, Council will be adopting those programme and budgetary recommendations before releasing them for public consultation in mid-late April.

When they arrive, I encourage everyone to take a look, and think about making submissions on the proposals.

Submissions resulting from the consultation process will be considered in May, with the final Long Term Plan adopted in June.

So, in many ways, this year is going to be catalyst year – checking ourselves three years into the 10-year plan against the delivery timeline and measurable goals we set ourselves in 2018.

You'll remember that under the **Small City Benefits: Big City Ambition** banner, we pitched ourselves as being:

- An Innovative & Growing City – economy, jobs
- A Creative & Exciting City – vibrant, a place people want to live in
- A Connected & Safe Community – social glue ensuring no one is left behind
- An Eco City – guardianship, looking after our environment
- backed by a Driven & Enabling Council – operations of Council. CEO / staff run this goal being a smart, efficient, driven organisation.

And we must work as 'one team' to achieve the above. Elected Members, officers, staff, business community and residents. BY and large that is happening.

So, 2021 will be a big year for us as a Council, working as one team on a year of delivery, while other significant outside projects - continue around us. Some of these include;

[Slide 4 – Wind farm]

- Completion of the Mercury Energy Windfarm; (Stage 2 to Puketoi looks on the cards to be approved)
- Construction of the Manawatū Gorge Highway, which is going to create 350 new jobs and skills-based training opportunities;
- KiwiRail's integrated internodal freight hub which will make it New Zealand's largest freight distribution hub outside Auckland; NoR closed on that Friday. Understand the vast majority were positive.
- Planning for the proposed freight ring road which will connect to the KiwiRail hub;

- The relocation of Air Force personnel from Whenuapai to Ōhakea.

All these projects will have significant implications for the City, its growth and the ongoing need for infrastructure, housing and civic amenities.

We are still reckoning, despite Covid, over \$5 billion worth of projects that are going to impact directly and indirectly on Palmerston North, and these include our own upgrades to Arena stadium that opens on 10 April, the next stage of the Central City Places for People streetscape refurbishment of The Square from Main St to Broadway, and final stage of seven more housing units of the Papaiōea Place social and public housing estate.

As well as being a big year for us as a City, 2021 is also going to be a big year for Local Government across NZ.

A real shake up in 3 Waters – fresh, waste, and storm.

As we prepare our new Long Term Plan, we have to be mindful of the expected Local Government Reforms that Central Govt has signalled to introduce.

These reforms have started already with Central Government changing the legislation around Council provision for Māori wards (which the vast majority of Council's are adopting).

[Slide 5 – Wastewater Plant]

Other 3 Waters reform, in whatever form they take, are going to have major implications for our Nature Calls wastewater upgrade of the City's treatment and disposal system, and also for our Freshwater supply and Stormwater network.

It's almost as if we have to produce two versions of the Long Term plan – one taking into account proposed Government reforms and how they might affect our 3-Waters, - and the other - making

allowances for say a partial reform of those sectors and whatever that will look like.

We could for instance be looking at a combined regional Wastewater treatment facility with neighbouring districts and industry – and that would change the equation for everybody. A catchment approach rather than piecemeal that currently exists.

We could be looking at the establishment of a centralised Central Waters agency for fresh water supply that would buy out our assets, and bill metered users monthly in return for lower rates.

Wastewater in a catchment approach ensuring everyone is compliant and invested into the network.

However this plays out, there's a feeling among the members of LGNZ that any reforms need to take into account the growing financial burden on Councils and their ratepayers to meet increasing Central

Government demands for providing essential and safe infrastructure, along with all the associated extra regulatory and statutory legislation.

One thing is for certain, the City Council won't be building the new wastewater plant. But we need to keep planning for it before passing onto the Government.

Whatever happens, we - unlike some other centres - are reasonably well prepared, with the City's 3-waters infrastructure among the best in the country, while older and more vulnerable sections of the network, principally affecting Ashhurst and Bunnythorpe, have either undergone or, in Bunnythorpe's case, starting comprehensive upgrades.

And while I'm talking about those two outlying City villages - we've been working on the roading around Ashhurst in partnership with Waka Kotahi/NZTA to improve safety for residents while the Manawatū Gorge Highway is being

constructed, as well as provide residents with more attractive streetscapes.

In Bunnythorpe, work has started at long last on the new Community Centre to be completed in mid July.

The KiwiRail Freight Hub.

[Slide 6 – KiwiRail]

Bunnythorpe will continue to be affected by KiwiRail's plans for the inter-modal freight hub and NZTA's plans for a regional freight ring-road.

But it is exciting.

With increased freight traffic, this ring road is essential to divert heavy trucks off our suburban streets – as has already happened in Taupō, Tauranga and Hamilton.

You don't see trees in the middle of Cameron Road in Tauranga, Victoria Street in Hamilton, or in Taupo but you do in

Fitzherbert Avenue, Park Road, Albert Street and Rangitikei Street in Palmy.

That must change – but need NZTA to invest and I'm sure they will.

And we are looking forward to what these developments will have to offer Bunnythorpe, residents, and the wider Palmerston North community.

[Slide 7 – People in streets]

In June 2020, official figures showed Palmerston North had an estimated population of 90,400 people, supporting some 52,200 jobs as of February 2020.

Lately, it's been noticeable that there have been numerous online and social media enquiries from new residents asking about City amenities, along with questions about accessing City and commercial services.

This 'new resident' trend is reflected in the employment stats from the September quarter of 2020 – which show signs of continued employment momentum:

- The number of jobs in the city was 3% up on the September 2019 quarter (where New Zealand increase was 0.2%).
- Earnings from salaries and wages in the city were up by 6.1% (New Zealand increase of 5.6%).

Interesting to know that Palmy bats well above other metros here. Palmy's average salary is \$79k. Tauranga is \$75k, Dunedin is \$78k and the national NZ average is \$53k.

Despite dismal forecasts, the employment data for 2020 showed that in every month there were more jobs in 2020 than there were in 2019.

While some jobs were lost last year, unemployment is still low in the City @ 4.4%.

The 'new resident' trend is also adding to the pressure on local housing, and is the reason why Council, which is one of the few local authorities that still provides public and social housing, and as

mentioned earlier, has invested in the Papaiōea Place redevelopment.

[\[Slide 8 – Papaioea Place Units\]](#)

The Covid Recovery Fund gave us \$4.7 M for the 28-unit second stage of our architecturally award-winning Papaiōea Place housing project.

Meeting the demand for housing is a major area of challenge for the City, and this cash injection was welcome recognition for our endeavours to provide some secure and affordable housing.

However, housing – and in particular the citywide shortage of smaller dwellings and apartments – not only to buy but to rent, remains a pressing issue.

In this room tomorrow a City centric Housing Summit is being held with Government Housing Minister Megan Woods opening it.

In this decade alone it's estimated that Palmy will need 5000-6000 new houses,

and simple maths will tell you that averages out at 500 plus new dwellings per year, with all the roading, infrastructure and amenities that comes with them.

So far we seem to be achieving that target. But it must continue.

[Slide 9 – Housing subdivision]

524 houses were consented in the city in the year to December, with a total value in the new houses/additions & alterations category of \$185 million.

This is an 18% increase over 2019 in the number of consents, and a value increase of 14%.

By comparison, the NZ figures for the number of new dwelling consents only increased by 5%.

The value of our non-residential or Commercial/Industrial consents is also strong, increasing by a huge 122% - from \$79 million in 2019 to \$176 million in 2020.

By comparison, New Zealand consent values actually declined by 5.8%.

Despite these increases, the housing market is under growing pressure. You will all be hearing that and maybe have experienced it.

In January 2021 average residential property values in Palmerston North reached \$600,000, an increase of 22.6% over January 2020, while in just the three months to January, property values went up by 10.8%.

Nationally, property values increased by 12.6% over the past 12 months.

Private sector rents in the city went up by 11.4% in the year to December (while nationally, rents increased by 5.2%)

The City waiting list for Housing New Zealand houses increased from 436 households in December 2019 to 660 households by September 2020. We are yet to receive updated amounts.

This is pure supply and demand at work.

The key to meeting our housing challenges is making sure that suitable land is rezoned for subdivision so new homes can be constructed.

While we're planning for more than half these homes to be new greenfields builds on the outskirts of our existing urban area, we're looking at 45 per cent being infill development.

We are hoping to achieve this by subdividing existing residential sections either for apartments or for new medium-density homes, and by allowing for minor dwellings such as student or granny flats.

However, we want to do more than just have houses built – we want to create functioning neighbourhoods and resilient communities - but we've identified that it can be a challenge to get new subdivisions to provide the basis for cohesive, well-structured neighbourhoods.

One of the issues is that there is little innovation in the types of houses being built.

In response to the city's changing demographics, we also want to encourage some diversity in these new neighbourhoods, with a mixture of home-owners and better-quality rentals.

So, it's been important for Council to work alongside developers and other market players such as Kainga Ora Housing NZ, Community and Iwi housing providers, to avoid creating one-dimensional 'cookie cutter' housing areas, and making sure affordable homes are part of the overall housing mix.

[\[Slide 10 – Tamakuku\]](#)

To further this aim, Council has made a considerable investment in the 114-section Whakarongo subdivision at Tamakuku Cres. Our first one in 30 years (since Paul

Rieger was Mayor and Waterloo Cres area was Council developed).

We are also preparing to have up to 220 homes constructed in a rezoned 24-hectare area at Te Wanaka Road known as Kikiwhenua next to the Mangaone Stream, and Pioneer Highway.

This is part of the larger City West area known as Kakatangiata that has been earmarked for future development.

Now, I've focused on building because meeting housing and construction challenges is where our Covid economic recovery story begins, but there are a host of other factors we need to consider.

Additional development prospects that will affect Palmy include:

- the four-laning of SH1 from Ōtaki to north of Levin (O2NL) – with a budgeted cost of \$817 million, and late this year – Transmission Gully and Pekapeka sections of SH 1 open up

[Slide 11 – Capital Connection train]

- With rail improvements to the Wellington - Palmerston North rail network including the upgrading of the Capital Connection's tracks and safety connections, and refurbishment of its aging carriages – This has a budgeted cost of \$217 million.
- Associated with that is making this Capital Connection train part of the Greater Wellington Metlink service to offer 3X a day return commuter services from Wellington to Palmerston North as eventual replacements for the single-return Capital Connection.
This will basically incorporate Palmerston North and Levin as part of the greater Wellington commuter rail network.
The route's new dual mode electro-diesel commuter trains are planned to be in service after 2025.

- There's the updated investment plan for Massey University which has been increased from the initial \$186 million to \$230 million. Including a new vet hospital, old refectory refurbishment and various Halls of residence refurbishments.
- The budget for MidCentral DHB's new acute services block at PN Hospital has almost doubled - increasing from \$197 million to \$370 million, and Palmerston North regional hospital is one of the 3 'first cabs off the rank' for development behind Dunedin and Whangarei.

[Slide 12 – Countdown]

Others include

- Construction of the new \$70 million Countdown distribution centre is well underway.
- Work on the Memorial Park pool is almost complete, possibly opening Anzac weekend; work on the new Park

Rd entrance to The Esplanade has started; and we're on the final finishing touches of the CET Arena upgrade with the Arena Stadium Plaza & Bridge due to be officially opened in a couple of weeks – April 10, as part of our year-long sesquicentennial celebrations – and I'll talk more about those shortly.

So, we are in for an exciting ride as Palmy embarks on a whole new era of growth not really seen since the late 1980s.

But first a quick rundown of our strengths and why there is plenty of reason to be optimistic about Palmy's future.

Why are we the "lucky City". It's really about resilient people, our down to earth humility – getting the job done and our diverse and multi-stranded economy:

But not just these important sectors.

- We have a productive and flourishing primary industries farming sector, as well

as a growing agritech and food science sector;

[Slide 13 – RNZAF Jet]

- We are NZ's Defence Capital with Linton Military Camp, RNZAF Base Ōhakea and the NZ Defence College HQ at Hokowhitu.
- We are a centre of tertiary education, vocational training and research excellence.
- We are a national logistics and transport hub – a sector that is growing in significance year on year.
- an important regional hospital and healthcare hub servicing Central New Zealand.
- We have a significant Government administration sector – many Minister's regional offices are here, or have representation in Palmy.
- On top of which we are progressive region for commerce, construction, manufacturing and exporting businesses.

- And a flourishing vibrant centre for sporting events (we've recently hosted the UCI Gravel & Tar cycling events and the NZ Superstock Teams Champs), and for music and theatrical performances.

It's thanks to this wide degree of built-in economic diversification and resilience that our region is shielded from many of the lulls in national economic performance.

[Slide 14 – Eftpos machine]

The December 2020 quarter showed Palmy had a 6% increase in electronic card retail spending as against the national spend increase of 1.5%.

While the City's domestic tourist growth only increased 10.6% against a 17.1% increase for New Zealand, the decline in international does not affect us nearly as much as others.

Domestic visitors saw nearly half a million people visit Palmy / Manawatu.

[Slide 15 – Covid logo]

It's almost the perfect economy in these Covid times.

So, of necessity, this is just a brief outline of my reasons for optimism, and I'll happily answer questions from the floor if more needs to be explained.

Touch wood, if the worst happens and we are subjected to another Covid lockdown, we can handle it.

We've learned a lot during our response to lockdowns, and the timely provision of Te Ao Nui – the Level 4 Emergency Management Floor on Victoria Ave gave us the ideal base from which to coordinate city and community relief activities, while all our Sesqui events have been planned with Alert Levels 1 & 2 in mind.

[Slide 16 – 150th logo]

We opened the 150th celebrations on New Year's Eve at Te Marae o Hine/The Square. We've had Gravel & Tar, the Superstocks Team Challenge and Waitangi Day.

We have had the Papaiōea Festival of the Arts, and the Festival of Cultures. Thirty two Ambassadors and High Commissioners visited, making us arguably NZ's most ethnically diverse regional city.

[Slide 17 – Festival of Cultures]

Hosted the NZ Rural Games; the Central District Field Days, and this Easter the PN Festival of Racing and Explore Esplanade Day.

In April, Anzac Day, along with a military Charter Parade and that rounds out the first quarter of the year.

Later there's the national Indian Conference in this building, NZ Filipino Festival, NZ AgriFood Week, NZ Food Awards and the National Rose Show, but rather than get too far ahead, I'll leave it there, but there are plenty more candles to blow out on our 150th birthday cake.

As a Council we need to ensure that we can maintain our existing natural advantages -

and continue making Palmy the best place it can possibly be.

Finally the city has a strong asset base, and an excellent Standard & Poors credit rating. We will get through this Government 3 Waters reform and actually the City will be stronger. And we are involved in any number of rewarding partnerships – including arrangements with Rotary and the Chamber of Commerce, which will help us maximise our opportunities for benefit of all our residents.

[\[Video – Year in Review\]](#)

Ngā mihi, kia ora, thank you - and are there any questions?

[\[Slide 18 – City Crest\]](#)