



MAGNET CITIES IN NEW ZEALAND

August 2015

kpmg.com/nz

KPMG cares about New Zealand's prosperity and recognises the challenge and opportunity of lifting the contributions of cities. This summary of Magnet Cities has been provided to sharpen the debate and contribute to solutions.



**FUELLING
PROSPERITY**

There are global examples that demonstrate how to grow a prosperous city and the value that such an investment can achieve.

The turnaround that these cities have realised, socially and financially, is too big to ignore.

New Zealand has too much at stake for its cities to retract and lose its young people to magnet cities overseas.

"Cities are one of the fundamental building blocks of a prosperous country and its time to take them seriously. The following summary of our Magnet City study provides real insight and author Caroline Haynes is back in New Zealand in October 2015 to help push the debate along. We would welcome your thoughts on this."

Simon Hunter
Partner
KPMG

WHAT IS A MAGNET CITY?



Magnet cities are those who have taken a bolder approach to growth and invested in creating an environment that is attractive to people who make a city grow, those coined Young Wealth Creators.

Caroline Haynes from KPMG UK has developed a framework for thinking about cities and how to draw in people who will make the city prosper.

The case study cities were unattractive to new growth, in a cycle of decline and repelling people. A bold experiment and huge risk has resulted in them becoming fast-growing cities with economic growth above national average.

New Zealand has no magnet cities. Our cities don't have a strong identity, i.e. the unique feature that attracts young people nor the infrastructure to support a high tech dynamic group. We do not foster innovation nor have a brand that is attractive to forward thinking business.

VALUE FOR AUCKLAND

The financial gain for Auckland can be significant – these cities have seen substantial improvement in their economy by developing themselves as a magnet city and includes 2-5% increase in gdp over a sustained period relative to peers.

Auckland currently contributes 35.3% to New Zealand's GDP.

Total Auckland rates revenue is \$1.41 billion of which 32.8% or: \$462 million comes from businesses.

Aucklanders in employment number: 780,000 (69%).

Commercial businesses located in Auckland: 170,600.

If investment in Auckland as a Magnet City draws a 2% increase in Auckland gdp, it has significant implications.

- In 2035 gdp is \$57b higher (cumulative gain \$500b)
- In 2035 business rates income could be \$200m higher (\$2.8b over 20 years)
- In 2035 employment could be 200,000 higher than current trends

WHAT WE HAVE LEARNT



PEOPLE

Young Wealth Creators are a specific group of educated, ambitious and energetic young people. They create jobs of tomorrow, bringing along with them the city's future wealth. These people are entrepreneurs, researchers, designers, engineers, physicists, bloggers, artists, animators, app and game designers, clean-tech advocates and people that build on existing businesses or identify and grow new industrial niches.

We need to identify and target specific groups of Young Wealth Creators and refashion and leverage all the city's assets to make them move here.

ATTRACT

There is fierce competition for Young Wealth Creators and they:

- Care about sustainability and the environment
- Embrace physical fitness and outdoor pursuits
- Are foodies – enjoy artisan food, drinks and cocktails
- Get stuck into neighbourhood and civic networks
- Are attached to multiple electronic devices simultaneously

A city can't just invest in physical infrastructure and developments geared to young people (e.g. redeveloped areas for bars), this investment must be focussed on what would attract the particular group of Young Wealth Creators we want.

WHAT WE HAVE LEARNT

PRINCIPLES

Seven key principles were identified that underpin this growth and can be used by cities to create their own positive magnetic pull.

1. Attract Young Wealth Creators

Identify and establish a unique relationship between the city itself and the particular group of young wealth creators you aim to attract.

Target groups that have a logical link to the city.

The city's point of attraction must be genuine – based on the city's heritage.

2. Physical renewal

Ongoing physical renewal keeps cities interesting and new

Consider the housing required by your group of young wealth creators, its density, location and access to public transport.

A strong downtown area can strengthen the magnetic pull of the entire city.

3. City Identity

Cities that attract young wealth creators have a strong and clear city identity that residents connect with.

Without a clear city identity it is difficult for people to understand what a city stands for and its attraction.

Through concerted effort you can create a city identity if it does not exist.

4. Connected

Magnet cities are well connected to other cities – easy to get in to and out of.

The city must first have regained some magnetism before transport links are helpful, otherwise they provide easier links for residents to leave.

Visitors help build magnetism and are potentially tomorrow's residents.

5. New Ideas

Magnet cities nurture new ideas

If possible leverage off academic institutions to bring changes to the city.

Be specific about the industry clusters you want to support, then focus and support this development.

6. Fundraisers

Magnet City governments attract private investments, research grants and public funds for the city.

Progressive magnet cities offer their own risk capital to attract investment and funds.

Significant improvement of a city requires public and private money working together.

7. Strong Leaders

Reinventing a city requires strong mayors and civic leaders.

Magnet city leaders had to stay true to the vision in the face of public dissent.

Magnet city leaders all worked more collaboratively with residents, investors, developers, businesses and universities than is the norm.

CASE STUDIES

Magnet City case studies provide us with insight into how these cities have changed their magnetic pull to become thriving and vibrant.

We have looked at four of the case studies of cities who were all in decline, but through a combination of forming a strong identity, infrastructure improvements and innovative ideas they now contribute significantly more to GDP and are known for the Young Wealth Creators they attract.





MALMO, SWEDEN

POPULATION: **656,000**

City Identity

Resident consultation to realise their new identity - 'urban sustainable laboratory'.

Physical Renewal

New urban district powered entirely by renewable energy that is architecturally, environmentally and socially progressive.

Connected

Built Øresund Bridge connecting the city to Copenhagen and the airport – quick and easy flow in and out of Malmo.

Outcome

Increase in GMP of 8.94 percent from 2005 to 2010. City is a magnet for science and technology orientated entrepreneurs.

Funding

Borrowed to fund initial city beautification to generate impetus. Leveraged city owned land to attract government investment in a University. Leveraged a European Housing Expo for developers to invest in the city and build visionary examples of sustainable living.



PITTSBURGH, USA

POPULATION: **1,200,000**

Attract young wealth creators

The Universities played a key role; they specialised faculties, brought in world leaders in science, technology and health and established institutes that drew researchers and developers to the city.

Physical Renewal

Addressed quality of life projects making the city walkable, utilising river walkways and cycle lanes and built stadiums.

Cultivate new ideas

Institutes developing leading-edge technology and undertaking ground-breaking surgeries that receive global recognition.

Outcome

The economy is growing at a rate of 4.6 percent against national average of 2.5 percent for US metropolitan economies. Magnet for researchers and developers.

Funding

Funds from faculty closures used to bring in world leading scientists. Imposed a \$52 per person per year tax on anyone working in downtown to cover the costs of emergency and core municipal services. Funded stadiums through one percent sales tax.



CHANGWON, SOUTH KOREA

POPULATION: **752,000**

City Identity

Environmental Capital of Korea. An ambitious task with their high pollutant levels. All projects were geared towards this goal but maintained a link with their industrial heritage. Visual campaigns about projects underway in the city.

Physical Renewal

Combined three cities together under one Mayor, each with their own focus; cultural, recreational and research and development. Leveraged the climate and beaches and built a Mediterranean style mega-resort. Refurbished unused downtown into artist quarter.

Cultivate new ideas

Real-time bus information system with LED time boards, banned car use for all civic staff and launched a cycling scheme. Reorganised government systems to a pro-business process.

Outcome

Between 2010 and 2013 GDP increased by \$7.9 billion. Magnet for artists, researchers and developers.

Funding

Negotiated with vacant building owners 60 percent market rent for two years – artists rent free. Continued with discounted rent for artists. Artist centre attracted interest of global art dealers who stayed. Central government funding for 'smart buildings'.



BILBAO, SPAIN

POPULATION: **979,000**

Physical Renewal

Changed the function of the urban core, from an industrial focus to tourism, residential and commercial. Cleaned up the river to be a usable part of the city, pedestrianized large boulevards and doubled pavement widths for walkability. Limited inner city parking and built carparks on the outskirts encouraging people to come in sustainably. Built new airport, award winning metro system and innovative architecturally significant buildings to support identity of culture and creativity.

City Identity

From a derogatory nickname to international recognition for culture and creativity. Secured the Guggenheim Museum through significant investment – put Bilbao on the world stage. Persuaded educational institutions to establish themselves and promote technology and start-ups.

Fundraisers

Future tax receipts as collateral against debt plus private investment. Encouraged educational institutions and research institutes to locate to the city without financial support. Funded not-for-profits to encourage creative residents to stay.

Outcome

Basque Country contributed 6.3 percent to national GDP, significantly more than other cities. Magnet for a technology and a start-up focussed economy.

Funding

Loans were secured against an increase in the water rates paid by residents and businesses. Port relocated using debt raised against future income. Wiped unpaid taxes for the private riverfront companies in return for their relocation. Used this large land holding to secure credit line and sell sections to developers under the master plan design. Architectural buildings financed through long term debt.



The case studies show how individual cities have responded and won.
New Zealand cities have the opportunity to learn from this.

Links

Magnet Cities – Decline, Fightback, Victory.

By Caroline Haynes and Vanessa Langley.

kpmg.co.uk/creategraphics/07_2014/Magnet_cities/index.html#3/z

KPMG UK – Magnet Cities

kpmg.com/uk/magnetcities

Simon Hunter

nz.linkedin.com/in/simonmhunter

Contact

Simon Hunter

Principal, Advisory Performance

E: simonhunter@kpmg.co.nz

M: 0274 899 737

Maree O'Neill,

Senior Advisor, Advisory

E: mareeoneill@kpmg.co.nz

T: 09 367 5886

Vanessa Forshaw

Senior Advisor, Advisory

E: vforshaw@kpmg.co.nz

T: 04 816 47 23