From the Chief Sustainability Officer

Auckland is a great city with great aspirations – however this statement comes with two rather significant caveats.

First, it isn’t great for everyone, so addressing inequality becomes a real social, economic and moral imperative. Second, one can’t simply coast passively through greatness.

Auckland is witnessing unprecedented population growth and demographic change, serious and inevitable climate impacts and a troubling decline in important indicators like water quality. Of course these all play out in an international context as well, reverberating back to Auckland alongside other accelerating changes in global power dynamics, technological innovation, migration and urbanisation. Everything is changing.

Through that dynamism, actively sustaining greatness means making the right calls that anticipate and de-risk the future and put us on track for enduring success. Failing to do so, simply put, will spell out our collective demise.

So what are the right calls, then? In previous issues of this quarterly, I’ve highlighted promising ways to deliver our aspirations – the circular economy, transport choice, density done well, green infrastructure and green buildings. Yet the single most effective ‘right call’ is to put our money where our mouths are. Our friend and renowned urbanist Brent Toderian says, “The truth about a city’s aspirations isn’t found in its vision. It’s found in its budget.”

We just kicked off public consultation on both Auckland’s 10-year budget and our refreshed strategic direction (the Auckland Plan 2050). Thus, the timing is right in this issue to explore our true aspirations and how we invest long-term in a greater Auckland. If you’re an Aucklander, I encourage you to have your say at akhaveyoursay.nz. This issue also contains my sustainable city investor checklist, meant to help link aspiration with investment – or at least help bin projects that aren’t winners.

Also in this issue, I touch upon gleanable successes other cities have had in not just keeping up with growth and change but using them to transform into better, fairer and more prosperous versions of themselves. There are clearly some trends in sustainability financing to bring into and adapt to the New Zealand context. Quickly.

Let me know what you think. And let’s not just aspire to greatness, let’s actually make the right calls – and investments – to get ourselves there.

Ngā mihi

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Planning for the long-term with Auckland’s Long-term Plan

Every three years, Auckland embarks on an exercise that’s at least three things:

1. mundane and part of the churn of what local governments have to do
2. fraught with political tension and internal turmoil
3. fuelled by passionate civic engagement, incredibly exciting and potentially transformational.

Yes, it’s budget time. This year, Auckland plans out ten years of investment, making very real and really tough decisions on what we value – and therefore, where Auckland’s collective money goes. Our elected members will be locking in billions of dollars of funding through our 10-year budget, and while this sounds like plenty of money to play with, turns out it runs out pretty quickly.

So, parks or pools, roads or rubbish, bikes or buses?

Luckily, it doesn’t need to be quite this dire – but this is where the past creeps up on us a bit and puts the heat on. For instance, those land-use decisions to blow out our urban area to relieve some of the growth pressure? Well, the $150,000 price-tag per dwelling for bulk infrastructure in the greenfield areas adds up to several billion and it has to come from somewhere. Those development contributions that should help cover all or most of that?

Well, not so much – try about a quarter of it. All of us publicly subsidise a large portion of this investment and the more we continue our rapid growth without recouping the full development costs, the fewer dollars remain for other essential investments. So in a way, the ten year budget process started a while ago and we’re running to catch up to decisions we’ve already made.

How do we catch up and get ahead of the curve? There are at least four things to consider:

1. Ruthlessly prioritise

Projects and programmes are like little kids in a way – they cost money, it’s often hard to say no and there’s almost always someone who loves them no matter what. But let’s not be fooled by a project’s cuteness or the tenacity of a protective project owner. We need to be rigorous, ruthless and regimented in selecting the best projects that deliver...
the best outcomes and generate value (and replenish capital – and not just financial, but social, natural and other capitals) over the longest time.

Amplifying benefits and generating value means operating like a Swiss Army knife. If one dollar can do five things, it could be four projects that aren’t needed. For instance, instead of building a bigger pipe to reduce stormwater flooding, then trying to cram in a walking or cycling path and then running out of room (and money) to plant needed trees, why not take a holistic approach to plan and use green infrastructure that works with natural systems and delivers all of these for less?

There are also what I’ll call Virtually Ideal Projects – things like urban trees, cycle and walking infrastructure, green stormwater infrastructure. They don’t cost much (relatively), consistently deliver several times the benefit of their cost, and help transform cities for the better. These projects should constitute a new business as usual throughout Auckland and the 10-year budget should be littered with them.

2. Boldly say no

This is admittedly the same tenet as ruthlessly prioritising – but so critically important that it should be listed twice. What are we actively choosing not to fund anymore? Yes, it’d be wonderful to fund it all, but we simply cannot. So what drops off? Because the process can be complex and the list of projects diverse and endless, it’s often easy to default to the same general approach each subsequent cycle and just roll over the same general budget. But we should ask ourselves: is that approach getting us where we need to get to (spoiler alert: no) or part of the problem (hint: you bet)? Some investments just aren’t worth their salt, especially in a changing Auckland and a changing world. An example might be a questionably expensive piece of arterial (take Mill Road or Penlink), rolling out park and rides in areas close to the city centre, or even trying to fit-out new greenfield areas with exceptional public transport when it might cost far less and be needed more urgently now in an urbanised area. Also worth a look: “bringing forward” a programme to deliver benefits more quickly (e.g., water targeted rate) is noble and necessary – but are the projects that this rate will fund scrutinised and fit for purpose?

3. Cleverly prevent projects

New approaches to asset management or policy changes could eliminate the need for a particular investment – for instance, pricing roadway use or parking could reduce demand and squeeze assets more. Lowering speed limits in urban areas (especially alongside good design) can cheaply reduce serious injuries and fatalities. And – if we took a wide-enough approach – we could argue that more energy efficient and healthier homes prevent strains on health infrastructure, the business community and the school system. The cheapest investment is the one we don’t need to make!

4. Find fairer funding

Auckland Council borrows money, as almost all local governments do, to fund capital assets that have a long-term benefit. It’s an aim toward ‘intergenerational equity’ so that both current and future generations of ratepayers benefitting from an asset help share the cost.

Of course there are clear limits to using debt, as council is committed to maintaining its AA and Aa2 credit ratings and has set a borrowing limit at 270% of operating revenue (the debt to revenue ratio).

But, of course, all ratepayers don’t benefit equally from a particular investment. As we try to catch up and get ahead of the investment curve, Auckland Council is rightly considering a few additional mechanisms to help get that balance right.

Targeted rates add transparency by locking the use of the funds to why they were collected and is often based on a property’s capital value, reflecting a greater share for those with a higher likely ability to pay. Water quality, natural environment, and waste targeted rates are proposed in the LTP.

A Regional fuel tax requires users pay according to how much they travel, so those who have more impact (e.g., on infrastructure, congestion, the climate) pay more. The tax may bring additional benefits by reducing the demand for travel, although smarter road pricing like motorway or congestion charges would be a step further.

Beyond these new funding proposals and outside the direct scope of the budget consultation, it would be prudent to ensure other mechanisms are in place – like how and what Auckland Council collects as development contributions for major growth infrastructure and what major policy or planning decisions are on the horizon – keep getting a hard look. That way, we can move further toward transparency, intergenerational equity and fairness – and not slip backward into a predictably similar situation in the coming decades.
The vision for Auckland

Like many cities, Auckland sets out its broad, long-term strategy for managing growth and change over the next 30 years; it’s also a legislative requirement.

Essentially a sustainability framework, our long-term strategy seeks to enhance social, environmental, cultural and economic well-being in the face of high population growth, increasing inequity and greater environmental pressures like climate change.

Significant work was done to refresh the Auckland Plan done in 2012 so that it’s more integrated, focused, accessible and can better drive decision-making.

There are six main inter-related outcomes for Auckland. These outcomes go deeper into a few high-level directions and set of focus areas for each. For instance, under the

Six outcomes for Auckland

1. Belonging and participation
All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential.

2. Māori identity and wellbeing
A thriving Māori identity is Auckland’s point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders.

3. Homes and places
Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public places.

4. Transport and access
Aucklanders will be more easily able to get to where they want to go, and will have choices about how they get around.

5. Environment and cultural heritage
Aucklanders preserve, protect and care for the natural environment as our shared cultural heritage for its intrinsic value and for the benefit of present and future generations.

6. Opportunity and prosperity
Auckland is prosperous, with many opportunities, and delivers a better standard of living for everyone.
environment and cultural heritage outcomes is a direction to ensure Auckland’s infrastructure is future-proofed. Likewise, under that is a focus area to use green infrastructure to deliver greater resilience, long-term cost savings and quality environmental outcomes.

A vital part of the Auckland Plan 2050 is the “development strategy,” a tool to shape Auckland’s growth and deliver better outcomes and affordability for all Aucklanders. The development strategy focuses on four main things:

1. intensifying existing urban areas and focusing most of our growth there
2. establishing new communities
3. limiting growth in rural areas and
4. creating flexible and adaptable business areas.

There are three main points to make about the Auckland Plan 2050. First, it’s meant to be far more integrated with an expectation that subsequent action plans, strategies, programmes, projects and the like are also integrated. This sounds easier than it is in practice – integrated thinking requires new and smarter approaches, systems-based thinking and the highest degree of collaboration across the organisation and beyond. It’s hard! I’ve been doing it this way for decades…. But we must be up for that and tolerate nothing less than that if we are to deliver on Auckland’s promise.

The second point is simply that strategy matters. You’ll see from the examples above that while the plan stays quite high-level and even adaptive (as they do – look to others around the world), it’s specific enough to provide sufficient direction and focus in its interpretation and implementation.

There should be no excuses, once this is signed off and agreed, that we’re all unambiguously pulling the same basic direction. The mandate from the top should be: either align with the direction or stop doing it and get out of the way. Which is the beauty of strategy – it’s the long set of guardrails we need to ensure every little inch we progress on the specifics in the short term actually gets us closer to where we need to go – without accidentally lurching us over a cliff.

Final point: the proper integration of the 10-year budget and Auckland Plan 2050 is, for all practical purposes, incomplete. The new plan is a perfect lens from which to view future investment. It’s not so clear in the consultation document (where the budget is first followed by the plan). That said, it’s a bridge this quarterly is trying to help assemble, and we can look to smart and perceptive public comments and the deliberations of decision-makers to help draw them better together.
Sustainable city checklist for the armchair investor

Former US Vice-President Joe Biden once said “Don’t tell me what you value, show me your budget, and I’ll tell you what you value.”

Back to the fierce reality of now. Yes, you’ve considered the strategic vision document for your city or business – a first key step in considering budgets. But how does one sort through the raft of proposed projects, programmes and portfolios in a budget process? Behold: the sustainable city checklist for the armchair investor. While simple check-box technology won’t actually decide which specific projects should be in or out, these relatively simply questions can help bridge the divide between visionary city aspiration and delivery on the ground.

Does an investment/package and its procurement process:

- Directly address social and economic disparities, poverty, inequality or injustice?
- Advance Māori well-being and provide for Te Tiriti o Waitangi outcomes?
- Consider social return on investment?
- Help build a resilient, skilled and talented workforce?
- Provide or enhance public space that is inclusive and accessible?
- Increase or enable travel choices by public transport, walking or cycling?
- Future-proof infrastructure and apply sustainable design principles to prevent negative impacts and meet anticipated changes in climate, demographics and preferences?
- Restore environments and deliver improved sustainability outcomes and co-benefits (e.g., public amenity, safety, social) including beyond the project area?
- Assess and prevent cumulative impacts and risks alongside other projects in the same area?
- Directly address climate change, both mitigating/reducing emissions and adapting/building resilience across the whole life of the project/investment package?
- Consider impacts of climate change on whole of life cost?
- Account for a range of multiple benefits, even if some aren’t able to be fully quantified?
- Incorporate robust community engagement and ownership, including in the development, delivery and ongoing maintenance of the project/investment package?
International trends in sustainability financing

1. Enabling others: C40 cities finance facility

Many if not all sustainability issues are inequity issues. Nations have been debating whether and how to steer investment from richer countries to poorer ones, as the needed and potentially cheaper solutions (and benefits) are often in places without the means to afford them. This is true for a major global problem like climate change which can be seen as an amplifier of inequality. Without access to finance, many cities and nations are far more limited in reducing emissions by, for instance, funding public transport systems or in building climate resilience into things like public infrastructure.

Enter C40 and the Germans. In late 2015, the C40 Cities Climate Leadership Group (C40) and the German Federal Ministry for Economic Cooperation and Development launched the C40 Cities Finance Facility (CFF). The CFF supports C40 Cities in developing countries to reduce emissions and increase climate resilience by mobilising finance, providing technical skills and assistance and connections to funding opportunities to unlock up to USD $1bn of sustainable infrastructure. It is funded by the US, German and British governments with involvement of the Inter-American Development Bank with an aim to share best practices, develop capacity and build partnerships.

2. Attracting investors: Green bonds

Green bonds are simply bonds where the proceeds finance or refinance climate or sustainability projects and their related (and measured) outcomes. Green bonds could finance public transport or cycling infrastructure, highly energy efficiency buildings or building upgrades, or water and stormwater infrastructure. In 2017, a record USD $155.5bn of green bonds were issued, projected to reach $250-$300bn in 2018.

There are two common frameworks – the Green Bond Principles or the Climate Bond Initiative – that help a qualified third party certify an institution’s bonds as “green.” Yields and ratings are similar to other investments – in some cases, green bonds have attracted better pricing, and the market is trending that direction with increased demand from investors.

Green bonds are only just beginning to catch on among cities (and C40 cities). With Toronto, Johannesburg, Mexico City and Gothenburg among those who have issued them, Auckland has a great chance to jump into the lead pack.

3. Getting matched: Peer-to-peer lending

Marketplace, crowd or peer-to-peer (P2P) lending is a way to match lenders and borrowers, typically online. By lowering the overhead costs typical of financial institutions like banks, lenders can earn higher returns while borrowers can borrow at lower interest rates. This arrangement has been harnessed by a variety of renewable energy finance platforms, providing energy investors of a variety of scales steady returns of between 4.5 and 7 per cent. Morgan Stanley Research predicts global volume of P2P lending to reach USD $290b by 2020, with others forecasting $1 trillion by 2025.

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