

Business licensing reform inquiry – consultation papers

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Restrictions on land use, Zoning practices and effect on the price of housing. Land use planning is an area of government activity where regulation produces results that are patently and manifestly against the public interest.

At issue is the question of freedom of entry and flexibility in allowing land resources to find their most productive use.

Reduce barriers to entry. Let the market determine land use.

Busselton city population is projected to increase from around 33,000 people today, to somewhere between 70,000 and 100,000 people in 2050. House prices are escalating at 6%, as the population grows by 2.5%. House and land supply is constrained by planners.

There is no shortage of cheap housing in Tokyo. Why?

For all its faults, Japan's top-heavy, pro-development style of land use regulation has produced a remarkable urban structure, making Tokyo the undeniable king of the megacities, while avoiding the profound unaffordability of Hong Kong, Vancouver, New York and London.

<https://www.forbes.com/sites/scottbeyer/2016/08/12/tokyos-affordable-housing-strategy-build-build-build/#7daa24b748d5>

To achieve price reductions, these cities would need to implement an open market, deregulating land so that housing supply can meet demand. Assuming that urbanites view this as some crackpot right-wing solution they should look at Tokyo, where it's actually being tried.

Tokyo city (13.7M people) had 142,417 housing starts in 2014, which was "more than the 83,657 housing permits issued in the state of California (population 38.7m), or the 137,010 houses started in the entire country of England (population 54.3m)." Compare this, also, with the roughly 20,000 new residential units in New York City, the 23,500 in Los Angeles County, and the measly 5000 in 2015 throughout the entire Bay Area.

In Minato ward — a desirable 20 sq km slice of central Tokyo — the population is up 66 per cent over the past 20 years, from 145,000 to 241,000, an increase of about 100,000 residents. In the 121 sq km of San Francisco, the population grew by about the same number over 20 years, from 746,000 to 865,000 — a rise of 16 per cent. Yet whereas the price of a home in San Francisco and London has increased 231 per cent and 441 per cent respectively, Minato ward has absorbed its population boom with price rises of just 45 per cent.

The difference is that the Japanese national government decrees that development cannot be constrained by planning regulations. Neighbours cannot complain about your plans for development and the minimum lot frontage is 2 metres and average lot size just 60-80 square metres. People build small and go to two to three stories.

Regulations to preserve old neighbourhoods is virtually unheard of.

Aside from isolated projects here and there, city planning did not begin in Japan in earnest until 1919. Even today, zoning standards are very lax compared to cities in the Americas and Europe. The construction-loving Japanese central government generally runs the show when it comes to land use regulation, with more change-averse localities sidelined in the name of

economic development. Just this week, a new round of zoning de-regulation was announced. Skyscrapers are relatively rare in Japanese cities — though this has been changing gradually over the past half-century — since building height depends on street width, and streets tend to be very narrow. Development in Tokyo, Osaka and other large cities in the Tokaido megalopolis is still much easier than in peer cities in the West like Paris, London, New York and San Francisco.

Appearance of the unplanned city

Alain and I were in Tokyo and Toyama in November. We had long walk in suburban areas. We were stuck by the tolerance for large variations in lot sizes, type of buildings and commercial mix. This results in a kind of messy look, which is not unpleasant when moving around. Planners and city managers seems to concentrate on what they should always do: superb maintenance of road surface, signage and cleanness, but benign neglect for everything within private plot boundaries! what a good lesson for our New York City planners who restrict the type of zone where an «umbrella repair shop» or a « supply for artist retail shop» (no kidding, this is real) should be located!

Recommended listening:

http://mpegmedia.abc.net.au/rn/podcast/2016/10/wka_20161008.mp3

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Housing affordability crisis in Australia

Housing affordability crisis: social divide affects a generation. Men and women of Australia, we have a problem.

That problem is housing affordability and the exclusion that this issue delivers to part of the community in our biggest cities. You will recall my October column in The Weekend Australian Magazine parodying the middle-aged tut-tutting of the spending priorities of the millennial generation.

Perhaps it's time to look at some of the facts behind the affordability crisis.

The best measure of housing affordability at a global level is a series of reports by the US-based consultancy Demographia. The 2017 report released in January looked at 92 cities with more than one million residents across nine countries comparing the median cost of housing with median household income. Sydney ranks second on this list after

Hong Kong with a median multiple of 12.2, meaning that it takes more than 12 years of household income to buy a median house in the harbour city.

Melbourne ranks sixth with a median multiple of 9.5 while Adelaide, Brisbane and Perth all rank within the top 20 commanding median multiples of between 6.1 and 6.6. What gives this dataset impact is its global comparison and the common sense of its data. The median house price in Sydney is now \$1.077 million and the median household income in Sydney is \$88,000. On these figures alone it is apparent the average household cannot afford to buy an average house in Sydney without parental or some other form of support.

Five years earlier in 2012, at the peak of the mining boom, the Sydney multiple was 9.2 while the Melbourne multiple was 8.4. In the last five years household income in Sydney has increased by \$9000 while median house prices have increased by \$439,000. Sydney's post-tax income growth since 2012 does not cover house price growth even with today's low interest rates. House prices are sprinting away from Middle Australia in Sydney and to a lesser extent in Melbourne and in other capitals.

As concerning as this issue is for our nation, and especially for the capital cities that drive the Australian economy, there is another aspect to the Demographia dataset that I find compelling. Maybe Sydney and Melbourne are simply joining the ranks of elite global cities that have always struggled to deliver affordable housing?

How does the cost of housing in Sydney and Melbourne compare with housing costs in global cities like London, New York and Tokyo? The area of Greater London say within the orbital M25 contains over eight million residents in an urban mass that is 60km in diameter. London is a global financial centre. The city has six international airports that connect with 350 global cities. London's richest suburbs like Belgravia and Mayfair attract buyers from the Middle East and Russia. And yet the London housing multiple of 8.5 is less than that of Melbourne let alone of Sydney. London delivers better affordability than Australia's biggest cities.

Rank	City	Median Multiple 2017
1	Hong Kong	18.1
2	Sydney	12.2
3	Vancouver	11.8
4	Auckland	10.0
5	San Jose	9.6
6	Melbourne	9.5
7	Honolulu	9.4
8	Los Angeles	9.3
9	San Francisco - Oakland	9.2
10	Bournemouth & Dorset	8.9
11	San Diego	8.6
12	London (GLA)	8.5
13	Toronto	7.7
14	Plymouth & Devon	7.1
15	London Exurbs (E & SE)	7.1
16	Adelaide	6.6
17	Bristol - Bath	6.2
18	Brisbane	6.2
19	Perth	6.1
20	Miami	6.1
21	Greater NYC (NY, NJ, PA)	5.7
22	Riverside - San Bernardino	5.6
23	Seattle	5.5
24	Portland	5.5
25	Denver	5.4
26	Boston	5.4
27	Warrington & Cheshire	5.1
28	Sacramento	5.1
29	Liverpool & Merseyside	5.1
30	Leicester & Leistershire	5.0
31	Stoke on Trent & Staffordshire	4.8
32	Singapore	4.8
33	Montreal	4.8

34	Birmingham & West Midlands	4.8
35	Tokyo - Yokohama	4.7
36	Dublin	4.7
37	Calgary	4.6
38	Providence	4.5
39	Manchester & Greater Manchester	4.5
40	Las Vegas	4.5

Source: Demographia 2017; KPMG Demographics

Comments on Draft Leeuwin Naturaliste Sub-Regional Planning Strategy that is available here:
<https://www.planning.wa.gov.au/publications/10263.aspx> Submissions have been called for and must be returned by 5pm on **Friday 15 December 2017**.

The author, Erland Happ, proprietor of Happs Winery owns land in Quindalup and Karridale. His academic training is in the discipline of economics. Erl taught in Busselton and Margaret River High Schools for 10 years, has experience as a Shire Councillor, a builder, a full-time potter, a vigneron and wine maker. Erl has a strong interest in climate as it relates to grape culture.

The Leeuwin-Naturaliste Sub-Regional Planning Strategy is an overarching planning document that outlines the Western Australian Planning Commission's approach to future planning and development within the City of Busselton and the Shire of Augusta-Margaret River.

The Nature of the Leeuwin-Naturaliste region

The Capes area has for generations been a holiday destination where many aspire to own a holiday/retirement home. Accelerated population growth has given rise to asset price inflation. The most sought-after locations for homes are in finite supply.

Progressively, caravan parks and camping areas such as those that once existed at Meelup, Dunsborough, and Smiths Beach, have been turned over to luxury accommodation. Holidaying in this area has become more expensive, in part due to low utilization rates. Some 'caravan parks' are de-facto long term rental allotments where small houses of one sort or another are occupied by an underclass of low income earners or retirees.

There is chronic shortage of affordable rental accommodation. At times renters occupy chalets designated for short stay holiday accommodation. These renters may be displaced in peak holiday season.

Local business must deal with extreme seasonality in demand and high labour costs. Penalty rates apply to work on fixed days (Saturday, Sunday and designated Public Holidays) with no opportunity to provide equivalent time off mid-week to avoid punitive rates. Small business owners work long hours. The flip side is that visitors from overseas complain of the high costs of visiting Western Australia.

It's cheaper to holiday in Bali than in Busselton.

ISSUE 1

Planning Criteria

The 'Draft Leeuwin Naturaliste Sub-Regional Planning Strategy' states: "Land use planning in the Leeuwin-Naturaliste sub-region should encourage growth only in appropriate locations. This growth must be carefully managed to encourage the development of efficient, inclusive communities that support a high level of social amenity, whilst maintaining the values that attract people to live and work in the sub-region."

What makes for an 'appropriate location'? Do current settlement patterns 'support a high level of social amenity while maintaining the values that attract people to live and work in the sub-region?'

Buying a block of land and building a house are decisions not taken lightly.

The data provided in the Sub Regional Planning strategy that is extracted below demonstrates the result of people's preferences as they made their personal choices over this five year period.

Between the census of 2011 to 2015 Busselton added 2,915 persons or 16% to its population an average annual rate of 3.2%, slightly exceeding the rate of growth in the greater Perth area that grew at an average annual rate of 2.82% in the ten years to 2015.

Dunsborough added 789 or 17%

Vasse added 746 or 43%

Margaret River added 3516 or 66%

Cowaramup added 1102 or 139%

Witchcliffe added 233 or 776%

Prevelly/Gnarabup added 259 or 65%

Augusta added 362 or 35%

Yallingup added 59 or 6%

Karridale, without a subdivision offering closer settlement lost 8% of its population, a situation that is now being reversed.

Gracetown lost 63 or 21%

Molloy Island lost 241 or 68%

Kudardup lost 142 or 58%

Eagle Bay lost 97 persons or 56%

What's behind this disparate pattern of development?

- West coast communities where lot numbers are static and prices inflated, failed to grow their populations. Yallingup and Eagle Bay where land is tightly held and expensive, stagnated. The Eagle Bay shop closed as the resident population halved. Yallingup's beach café site was converted to short stay accommodation.
- Busselton at 16% and Dunsborough 17%, relatively large beachside communities characterized by high asset prices due to scarcity, have indeed grown but relatively slowly in the context of growth rates elsewhere. According to planners Busselton offers a high level of social amenity 'while maintaining the values that attract people to live and work in the sub-region' but in fact it grew at the slowest rate. Why is this so? Busselton and Dunsborough are traffic choked, busy centres at each end of a ribbon of coastal development. They are hard to get to, recent housing development constrained by the interior wetlands while, to compound the problem, public and private commercial investment is directed at already dysfunctional town centres and the nearby beachfront.
- Smith's Beach has lost its caravan Park and most of its population. Gracetown too fell away. On the other hand, Prevelly/Gnarabup facilitated by a more permissive attitude to subdivision, grew

strongly. However, there is a very high level of absentee ownership in these most favoured coastal locations that are beyond the reach of middle and low-income people.

- Rural inland hamlets exhibited the strongest growth. This was the case in Witchcliffe 776%, Cowaramup 139%, Vasse 43%, Margaret River 66%. The lack of urban amenities in these communities is apparently no barrier to growth. The opportunity to purchase relatively inexpensive allotments in rural surroundings is an evident plus. Unequivocally, it is these smaller inland communities that best maintain the values that attract people to live and work in the sub-region. If one asks people where they would like to live the first preference is to live surrounded by a 'bit of land'. People are thinking in terms of hectares rather than square metres. Natural vegetation is prized. **The favoured locations are relatively small inland hamlets with cheap land in a semi-rural environment served by uncongested transport links to the major regional shopping centres.**

The Draft Leeuwin Naturaliste Sub-Regional Planning Strategy acknowledges these trends but only in part. Section 3.2.2 under the head Housing diversity and affordability in the following words 'The sub-region has a strong supply of high socio-economic housing and lifestyle lots as well as ample proposed greenfield development sites, which generally cater for first home owner and family needs. However, like many others in Western Australia, the sub-region is lacking in affordable accommodation options for purchase and for rent; and smaller, more manageable and efficient housing configurations for single people, people with disabilities, the elderly and those who require supported accommodation.'

The bigger picture

In the past people tended to live where they worked and services tended to be provided close to aggregations in response to demand. Half a century of planning has resulted in cities with dead hearts and expansive suburbs with no heart at all. Today, while the urban workforce departs to their 'dormitory suburbs' on the periphery of the urban area, efforts are being made to reverse the process, notably in locations such as East Perth.

The tendency for the place of work and place of residence to be spectacularly well separated is made possible by cheap energy and transport. This trend is being reinforced by the pattern of recent development in Western Australia. Remote parts of this state are resource rich but spectacularly inhospitable locations for human settlement. As air travel has become more affordable the fly-in-fly-out phenomenon developed. In addition, the information technology revolution enables people to work far away from the industrial or mining activity that employs them.

Transit time, to and from work, the shops and schools represents consumption rather than production. Left to their own devices, people try to improve their standard of living. They don't tolerate inefficiency and waste

The Capes area offers a refuge for anyone that can escape the debilitating tedium of living in the big city and at least briefly the rigour of living in remote mining communities.

Deficiencies in planning

The West Australian Planning Commission is the State Demographer responsible for preparing population forecasts for use by State agencies. By its own admission the WAPC has consistently underestimated the rate of growth of population in the Capes region. I use the term 'the Capes Region' advisedly. It is not co-extensive with the Margaret River wine region. It might be thought to stretch from Cape Naturaliste to Cape Leeuwin and inland to Capel, Nannup and Pemberton, if not further.

Planners need to look more closely at the consequences of their decisions. Rapidly escalating asset prices along the Geographe Bay and other coastal locations are natural. But, middle and low-income earners are disadvantaged. Labour shortages result when this segment of the population cannot afford housing. Increasingly, employers rely on visitors with temporary work permits, a segment that is often living rough, or in cramped conditions.

There is a disconnect between aims and ends. So, called 'efficient, inclusive communities that supposedly support a high level of social amenity' are in fact dysfunctional. There is a finite quantity of high amenity beachfront land on the margin of Geographe Bay that attracts high net worth people to the area. What is available to others is inferior land in low-lying settlements. These locations are favoured by planners based on notions of urban consolidation and 'engineering efficiency' in service provision. In practice detached houses occupy an ever-greater proportion of smaller allocations of land. A sea of roofs, paving and bitumen leaves little space for vegetation. In summer, the air conditioners whirl.

The plan for a 'Busselton Outer Bypass' and the 'Dunsborough Link' are the product of attitudes and beliefs that are patently antagonistic to the interests of the local and wider community. The roads are hard on the margin of the extended settlements. These so called 'bypass' roads are no sooner completed than they become congested, speed limited death traps. With a choice between Caves Road at 80km per hour and the bypass at 100-110km per hour the locals flood onto the bypass using it as the route to town. The big box outlet is the attractor. When located in the town the big box store kills off its convenience store rivals. In the process it will destroy the amenity of the coastal town trapped between the ocean and the wetlands by choking it with traffic. The catchment area for the big box outlet is almost as wide as Cape to Cape and stretches into the hinterland.

What is needed is more dispersed settlements of the Cowaramup type. These settlements should not be extended to dysfunctional ends because at some point they cease to be attractive. The task is to identify more nodes of development to serve the community into the future, nodes served by high speed transport routes that enable access to amenities that exist in or on the outer margins of larger, now less favoured settlements blighted by the prevailing pattern of expansion on the margin. The pattern of townsites and gathering places inherited from a different era represents a preferred alternative to further aggregation at the centre.

The Vision

The natural artery that can act as a high-speed access route for the entire Capes region is Sues Road. Subsidiary offshoots should be planned to offer access to dispersed nodes of development designed to realize the amenity that brings people to the area. Patently the Shire of Augusta Margaret River leads the way in creating the desired settlement pattern while the city of Busselton is hell bent on destroying amenity.

The regional airport should become a development hub for the entire region offering access to commercial big box outlets as well as others that serve the daily needs of passing traffic on the model of the Bunbury Farmers Market. This will yield a superior result to the current policy of accelerating investment on the margins of Queen Street.

CONCLUSION

The Capes region is unequivocally the most desirable part of the state for human settlement. The climate is benign. Opportunities for recreation are numerous. Australia wide, people prefer to live close

to the coast. However, people also prefer rural environments and settlements with a local heart rather than the pattern of ever expanding outer-urban aggregations. Increasingly the three-bedroom two-bathroom house is squeezed onto tiny parcels of land adjacent to rivers of concrete and bitumen with nary a leaf in sight. In this nightmare the development frontier is the ever-expanding fringe. The result is traffic congestion as people access workplaces, services and facilities concentrated in the core.

ISSUE 2: Access to rural land for rural purposes is currently denied those starting off small. Access to land is vital if we wish to facilitate innovative rural enterprises that may begin as 'pilot programs' or hobbies started up by younger people who do not have the wherewithal to purchase land and they may not be favoured by inheritance. Strictures on the subdivision of rural land are inappropriate when existing farming enterprises are failing to adapt to economic forces under current ownership. Dairying, potato growing and grazing are on the way out. Strangely planners deem that constipation is the condition that will maximize productivity. In fact, freedom of entry and exit is required if land is find its most productive uses. If we, as a society, are to realize the benefits of an innovative, 'Free Enterprise' economy we need less government, not more. Adam Smith's message is just as valuable today as in the past. Creative disruption is the source of improvement in community welfare.

If planners don't wish to hand out windfall profits to private landowners the alternative is for the state, local government or a development authority to purchase freehold titles and repurpose the land into suitable lot sizes. However, private enterprise always does a more efficient job of making things happen.

ISSUE 3: The problem with demarcating zones by activity is the restriction on activities that are permitted in a zone. Is there any rational reason why people who desire to live amidst rural surroundings should not be able to rent accommodation provided in the general farming zone? If it's desirable to provide chalets for short term accommodation, rural workers and visitors in the farming zone (as is done in Margaret River) then what is wrong with providing long term accommodation? If a farmer offers space on a farm for transportable accommodation where is the problem? Could farmers themselves not invest in accommodation for others if it offers a better return than investing in a dairy, a hayshed or a machinery shed? Should farmers be denied the investment opportunity available to accommodation providers?

ISSUE 4. Granny flats in the back yards of existing homes situated on suitable parcels of land for holiday or permanent accommodation. Why not?

ISSUE 5: Designing houses for mobility. Why not use sea containers that sit on four points and are readily moved with a tilt tray truck as the basis for affordable but more spacious accommodation. Look at the hermit crab.....moveable accommodation. What changes in planning policies would facilitate that? Is this an industry that could be located at the airport transport hub? Could this industry reinforce links with mining companies?

HOW TO ADAPT

Planning documents like the one under discussion are always long on aspiration but fall well short when it comes to listing the ways and means of securing the desired ends. This document tries to redress that shortcoming.