

RESTORING AFFORDABLE HOUSING: AN ADVOCATES TALE

Hugh Pavletich

27 June 2016

Update – 31 October 2016

BREXIT ... THE FALL OF THE BUREAUCRATIC WALLS OF THE WEST

I am writing this article in the week following the Brexit vote in the United Kingdom.

An historic event.

Expect this momentous event to capture people imaginations around the world ... and most importantly ... embolden them to take back control of their own lives and institutions.

The British people have demanded to be treated with respect ... and have the right to govern themselves restored.

There was the fall of the Berlin Wall in 1989 ... that to date has released hundreds of millions ... indeed billions ... of people from poverty.

With Brexit last week, what we are now seeing, is the start of the fall of the bureaucratic walls of the West.

UNAFFORDABLE HOUSING A NONSENSE ISSUE

The bureaucratically induced and totally unnecessary housing affordability issue in the West, is in essence, institutional and professional failure at the local level ... [Suffocating Bureaucracy & Failed Institutions](#) .

Some years ago, the UK Daily Mail investigated a London Council.

It was a shocker ... [The Great Inertia Sector](#) .

Unaffordable housing occurs when units of local government lose control of their costs ... and from that ... the capacity to meet the infrastructure responsibilities to their communities.

There is nothing ideological about it.

Ideological language is employed by all involved, both within the public service and with their props outside of it, to mask the institutional and professional failure.

Structural failures and costs out of control are just that.

There are two types of local government in this world – the small and the bad.

Once you take the 'local' out of it, you bugger it.

Bureaucratically bugger it ... to be precise ... as the bloated structure allows them to take control.

The solutions are simple ... first ... do not allow local government to mess about with land supply ... second ... force them to finance infrastructure appropriately with bond financing.

And don't 'wet-nurse' them.

Only the local community can effectively sort them out.

The days of poorly schooled and too often indoctrinated 'idiot elites' meddling ... and understandably worsening problems ... are rapidly drawing to a close.

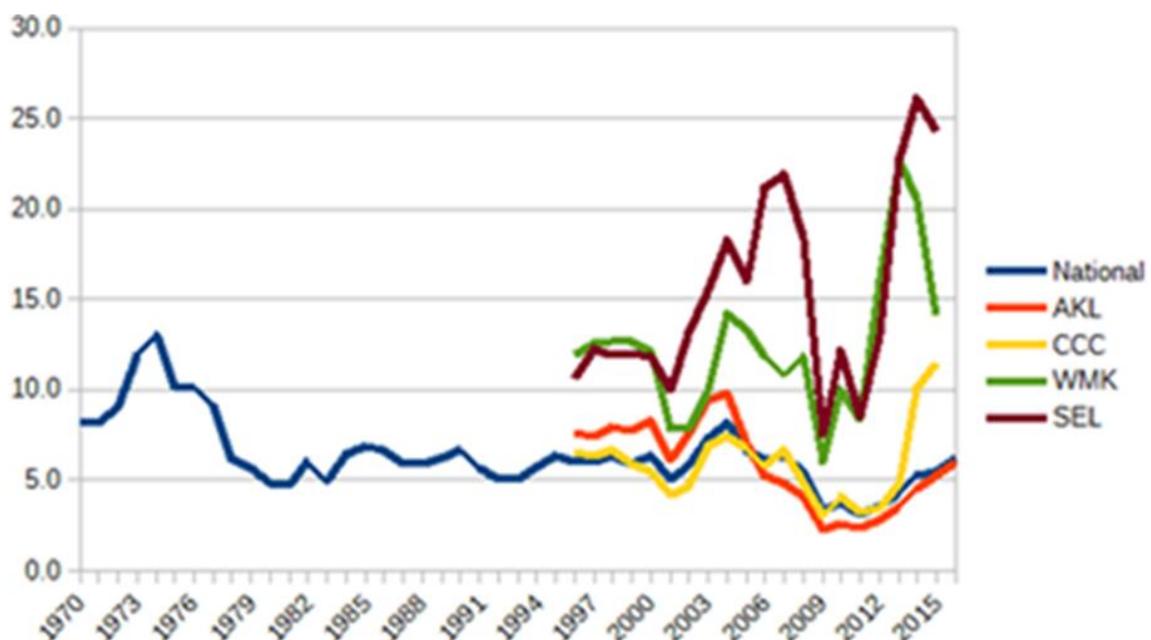
Brexit is showing how.

THE GRAPH THAT SAYS IT ALL !

Recently Donald Ellis of North Canterbury New Zealand, prepared a graph of New Zealand's building consent performance since 1970 ... and the local government areas of the bureaucratically bloated and dysfunctional Auckland and Christchurch ... and the smaller and functional (populations about 50,000) Waimakariri and Selwyn ... since 1996.

The graph employing the standard industry measure of the consent rate per 1,000 population per annum.

Building consent information was sourced from ... [Building Consents Issued - Statistics New Zealand](#) ...



On a population basis, New Zealand today is producing about half the new residential consents it was back in the early 1970's.

Rather amusingly ... the industry is currently 'stretched', because it has been bureaucratically bugged with low productivity / high pricing back in to the Stone Age of cottage building.

Materials pricing is a nonsense ... generally well in excess of international levels.

The costs are way out of control.

There is a saying in the industry 'Get the land price wrong ... and everything else is wrong.'

Normal disciplines will not be restored until land supply and infrastructure are sorted out by the dithering Dad's Army in the political system.

12 years on, these 2 issues have still NOT been sorted.

The responsiveness and stellar performances of the smaller units of local government of Selwyn and Waimakariri to the south and north of Christchurch are remarkable.

Some months these local government units have produced 30+ and 20+ consents per 1,000 population per annum respectively.

Indeed Selwyn has been in world record territory at times !

While the Christchurch earthquakes recovery is well recognised as a major political and bureaucratic disaster, that will likely cost well in excess of \$NZ46 billion when it should have been about \$NZ20 billion (for some of the reasons outlined within [Council Stalled Recovery](#) mid 2011 ... and solutions [Christchurch: The Way Forward](#) mid 2012), it would have been an even greater political and bureaucratic disaster, if the essential 'new housing supply vents' of Selwyn and Waimakariri Council had not been there.

Without the smaller functional local government units of Selwyn and Waimakariri, Christchurch housing would easily have bubbled out to in excess of 10x household incomes ... up there with Auckland's level today ... [Housing campaigner predicts spiralling house prices will be Key's 'Waterloo' | Stuff.co.nz](#)

According to the latest *Real Estate Institute of New Zealand Monthly Report*, Auckland's median house price is about \$820,000 ... Christchurch about \$420,000.

As the *Annual Demographia International Housing Affordability Survey's* illustrate over recent years, Greater Christchurch housing has hovered around 6x household incomes ... and will likely become increasingly affordable over the coming years.

Residential rents fell over the past 12 months by about 8% ... and this trend will continue as well.

Greater Christchurch is New Zealand's emerging Opportunity City ... as affordability is restored.

HOW THE DEMOGRAPHIA HOUSING SURVEY CAME ABOUT ... AND WHY

Towards the end of 2004, an industry friend and then Chief Executive of the Queensland Division of the Urban Development Institute of Australia, Brian Stewart, , communicated with me and asked if I had any ideas on how to get through to the public and politicians of South East Queensland, on why it is not a good idea to strangle land supply.

My involvement in the industry (refer brief biography at the end of each years Demographia Survey ... <http://www.demographia.com/dhi.pdf>) was as a commercial property developer, former industry leader and advocate on local government and land use issues.

I had been successful years earlier during the early 1990's, in advocating for opening up land supply in my home city of Christchurch, New Zealand ... and not surprisingly, [house prices flatlined through the 1990's until 2003](#) (check 'House Sales' graph via link) .

They 'blew up' after that ... [thanks to the incompetent New Zealand Labour Government at the time](#) ... a bureaucrats protection service.

It was just so blatant ... and destructive..

The property protectionists within the industry were not amused with Christchurch land supply being opened up. I have not been forgiven to this day by some of them ... near a quarter century later !

The best way to bore people in the public arena is to discuss tedious processes relating to urban planning issues.

Most of it is 'make believe' drivel anyhow ... based on dishonest government funded research.

Generally ... people are wise to that. And increasingly so ... as polling illustrates.

People are however very interested in the housing market and in learning more about why house prices are what they are.

Affordable housing and sound urban governance with honest urban planning go hand-in-hand.

In the decades following World War 11, it was well known and understood that house prices should not exceed 3x annual household incomes, requiring mortgage loads of about 2.5x.

With a wife and two small children, we bought our first new home in Christchurch during 1978, on my SINGE EARNER income of \$NZ8,000 per annum for \$NZ24,000, with a mortgage of \$NZ20,000.

The new house was 3x my SINGLE EARNER income with a mortgage of 2.5x.

We did not know any different then !

This is still the case in middle North America today, as the *Annual Demographia International Housing Affordability Surveys* illustrate ... year after year (12 to date 13th out 23 January 2017).

If housing exceeded that, there are clearly structural impediments to supply of new housing that needed to be dealt with.

To be clear ... super clear ... land supply and proper debt financing of infrastructure.

When asked the question by Brian Stewart of the Queensland UDIA about effective communication of these issues back late 2004, I was well aware of the Harvard University Joint Center For Housing Research Median Multiple Tables, of the major United States metros, going back to 1980 (sadly currently off-line).

It was very clear those normal housing markets in middle North America during a normal building cycle, oscillated through the mid-2x gross annual household incomes ... and following a study trip to Houston mid-2008, [where I spoke as well at the American Dream Conference](#) , I wrote a clear structural definition of an affordable housing market ...

DEFINITION OF AN AFFORDABLE HOUSING MARKET

For metropolitan areas to rate as 'affordable' and ensure that housing bubbles are not triggered, housing prices should not exceed three times gross annual household earnings. To allow this to occur, new starter housing of an acceptable quality to the purchasers, with associated commercial and industrial development, must be allowed to be provided on the urban fringes at 2.5 times the gross annual median household income of that urban market (refer Demographia Survey Schedules for guidance).

The critically important Development Ratios for this new fringe starter housing, should be 17 - 23% serviced lot / section cost - the balance the actual housing construction.

Ideally through a normal building cycle, the Median Multiple should move from a Floor Multiple of 2.3, through a Swing Multiple of 2.5 to a Ceiling Multiple of 2.7 - to ensure maximum stability and optimal medium and long term performance of the residential construction sector.

As this [superb slideshow](#) by Barbara Tennant of Tennant Design of Houston illustrates ... with more dense inner-city development, all forms of development benefit where there is true market pricing for land.

Get the fringe land pricing right ... the only sufficiently responsive inflation vent ... and the rest of the land pricing will come right through the urban area.

Just check out listings at the [Houston Association of Realtors](#) ... it's latest [Monthly Report](#) ... and too ... [Houston new homes source](#) .

Let the numbers do the talking.

So, following prompting by Brian Stewart of the Queensland UDIA late 2004, I asked academics in New Zealand, if we could get an annual median multiple survey underway of the metros of what is loosely termed the Anglosphere.

I was politely told it was a silly idea and that median multiples are irrelevant.

I had to look elsewhere around the world for support.

Thankfully, demographer and international transport expert Wendell Cox of [DEMOGRAPHIA](#) , St Louis, Illinois, USA came on board.

The *Annual Demographia International Housing Affordability Survey* was born !

While we prepare this Survey on a voluntary basis year after year, we have been very well 'rewarded' with its exponentially growing support and influence.

It is enormously heartening.

This *Annual Survey* is the 'foundation' for people and policy makers in their local communities, to return to discussing housing markets in responsible structural terms ... as this writer [outlined in the Sydney Morning Herald and Melbournes The Age April 2011](#) ... and too ... with [Leaky Homes And An Architect's Musing's](#) and [GETTING PERFORMANCE URBAN PLANNING IN PLACE](#) ..

So if Brian Stewart of the Queensland Division of the Urban Development Institute of Australia hadn't asked me that question back late 2004, likely, the *Annual Demographia International Housing Affordability Survey* would not have been created.

We owe Brian Stewart of Queensland, Australia, a great deal !

NEW ZEALAND GLOBAL LEADER RESTORING AFFORDABLE HOUSING

Now ... some 12 years on ... Heather du Plessis-Alan of New Zealand RadioLive with this writer, discussed progress both within New Zealand and elsewhere ... ['Talking housing affordability across the globe with Hugh Pavletich'](#) ..

Around the same time, there was an important Editorial within the left-leaning The Listener ... ['House In Order'](#) ... which commenced with ...

The writing's on the wall for local authorities over housing supply – and this time it's not just the graffiti of central government bluster that can be cleaned off and disregarded.

We now have a grand coalition in favour of greenfields housing development, with Labour joining the Government in backing the abolition of Auckland's urban limits and forcing the council to consent to more home building.

Auckland is going to spread whether its council likes it or not.

That almost certainly goes for other territories facing housing shortages and overpricing. The tacit message here is, if councils continue to block or delay the freeing up of new land for housing, the Government will legislate to force them, with the full support of the lead Opposition party. ... read more via hyperlink above ...

Highly regarded journalist Rebecca Macfie of The Listener had covered the issue very comprehensively 3 years earlier, with ['Big Bang Theories'](#) .

The above earlier comprehensive article, editorial and my discussion with Ms du Plessis-Alan of Radio Live, followed announcements by the Opposition New Zealand Labour Party and The Greens, that they supported the abolition of urban limits (reported [here](#) . [here](#) , [here](#)).

Labour supports the bond financing of infrastructure as well ... as explained within this recent New Zealand Herald editorial ... [Labours bond proposal makes sense](#) .

This was all a further strengthening of 'The Great Consensus' in New Zealand that got underway mid last year ... and is covered within the appropriate section at [PERFORMAMCE URBAN PLANNING](#) .

In advocacy terms however, the 'tipping point' in New Zealand was 29 October 2012, with the New Zealand Governments '[Housing Affordability Announcement](#)' ... and ... [Govt responds to housing affordability report](#) by Deputy Prime Minister and Finance Minister Bill English ... with the focus on ...

- land supply
- infrastructure financing
- process ... and
- construction costs.

Dr Nick Smith was appointed Housing Minister early the following year ... 2013 ... '[Nick Smith tasked with affordable housing](#)' .

Further information on his initiatives is available at his website ... [beehive.govt.nz - Hon Dr Nick Smith](#) .

Over recent years there has been a [build-up of engagement by New Zealand institutions and other groups on housing and local government issues](#) ... particularly the Reserve Bank, Treasury and Productivity Commission.

Since 2011 Finance Minister [Bill English](#) and Reserve Bank Governor [Graeme Wheeler](#) have been constantly 'in the news' discussing these issues ... warning of the dangers and broad destructiveness of housing bubbles.

Reserve Bank Graeme Wheeler was working with the World Bank in the United States when the Global Financial Crisis 'hit' in 2007.

Graeme Wheeler has an acute understanding of the destructiveness of housing bubbles ... and with Finance Minister Bill English and other prominent public officials such as NZ Treasury Secretary [Gabriel Makhoul](#) , the ability to effectively articulate these concerns.

LIKE BREXIT ... PUBLIC OPINION IS THE BIG DRIVER

The 'big driver' however has been public opinion, with a Television One Colmar Brunton Poll late 2012 (around the time of the major Government announcement to focus on land supply, infrastructure financing, process and construction costs) finding 63% of New Zealanders concerned about excessive housing costs ... which had blown out to an unprecedented 76% recently ... as reported by TV3 Newshub / Reid Research with '[John Key's Government has failed New Zealanders on housing](#)' .

On 18 November 2014, Andrew Little was appointed the new Leader of the NZ Labour Party.

Following his famous 'Let's Cut The Crap' speech in the Parliament (where he made a particular point of praising the Governments Finance Minister Bill English and Housing Minister Dr Nick

Smith for their integrity), he sent out the following email communication to Party members on the same date ...

From: Andrew Little, Labour Leader

Date: Tue, Nov 18, 2014 at 5:59 PM

Subject: Housing

To:

As someone who's shown an interest in issues affecting Kiwis, I wanted you to be one of the first people I wrote to in my new role as Leader of the Labour Party.....

And that's why I'm writing today. Thousands of people recently completed a survey about the state of housing in New Zealand. A staggering 97% of people reported that they're concerned about the country's housing crisis.

But housing's an issue this government just doesn't seem to want to fix. They should be lowering house prices by building new homes. Instead, they're planning on selling off our limited stock of state houses, and removing the safety net which makes sure all our kids have a warm, dry roof over their heads.

As one of my first actions as Leader of the Labour Party, I'm going to launch a housing campaign. But I need to know how much people are willing to get involved, so I can decide how much of our limited resources we should put into the campaign.

It is the poor, low waged and disadvantaged who really got thrashed with this unnecessary housing inflation.

To illustrate ... in the poorer east of Christchurch, older housing that in the mid 1990's had been \$NZ60,000 through \$NZ100,000, had inflated by about 2008 to \$NZ300,000 through \$NZ400,000.

Mr Little's constituents had been thrown on to the rental scrap heap ... while speculators shut them out of the market and milked them for all it is worth.

All thanks to dumb and unresponsive urban planning ... with the equally dumb economists and parrots for their paymasters in the commercial sector, selling this poverty creation as ... remarkably ... wealth creation !

No wonder the Deputy Editor of The Telegraph in the United Kingdom gave the economists another 'blast' recently ... [If economists want to be useful again they need to redeem themselves](#) (google search title if blocked).

Heath had earlier dealt with housing issues ... [We must let Theresa May build more houses – or the rage of the renters could tear Britain apart](#) ... and ... [The real ticking time bomb for the Tories is home ownership](#) (again ... google search these titles if blocked).

A speculators dream.

... UNDERSTANDABLY ... DEEPENING INSTITUTIONAL DISTRUST

Not surprisingly ... coupled with these polling trends with respect to housing, is the on-going plummeting public satisfaction with the performance of local government.

And sadly too ... a deepening distrust in institutions and professions.

The consequences of this are still poorly understood.

A 2014, Local Government New Zealand / Colmar Brunton poll which Local Government New Zealand deliberately stalled reporting on by a remarkable 12 months ... ['Poll shows local government has a reputation problem'](#) ... found just 28% public satisfaction with local government.

LGNZ to date has failed to report on further polling. Why ?

However ... other polling (such as Victoria University and Auckland Council) indicates satisfaction with local government has further slumped to around 15%.

This is a shocker for the larger units of local government, when it appears public satisfaction with some of the smaller ones is about 80% !

In a recent comprehensive poll, Auckland Council public satisfaction hit a rock bottom 15% ... ['Auckland Council hits the bottom of the barrel'](#)

Peter Cresswell of Not PC blogs report on the Victoria University poll ... ['NZers distrust in government is growing'](#) .

Over the last year or so, the poorly thought through 'bureaucratic initiatives' of the NZ (Anti) [Local Government Commission](#) (why hasn't this been shut down ?) for the amalgamation of the local authorities within the Wellington, Hawkes Bay and Northland regions ... "bombed".

The whole lot of them.

How gratifying.

The voting public was acutely aware of the amalgamated disasters of Auckland and Christchurch.

Like the British and Brexit, they knew which way to vote !

The wisdom of a well-informed and engaged public.

The British sitcom [Fawlty Towers](#) has serious Antipodean competition recently with the 'basket case' Christchurch City Council Draft Housing Policy, I labelled within a recent General Email as 'The Twilight Zone Of Idiocy.'

There was no need for me to add anything further to this fiasco ... [the hour long video show](#) ... from Page 103 [the Council Agenda](#) ... and some outline information on the staff member leading this, a Mr Cottam [here](#) and [here](#) .

THE DEMOCRATISATION OF INFORMATION

This public opinion on local government and housing issues has shifted over a long period of 12 years ... assisted by relentless grounded advocacy and an increasingly well informed and engaged public and media.

People do care.

The key here is ... if the public is provided with credible and clearly understood information, they will become increasingly emboldened and engaged and make sound decisions.

With the internet, thankfully, we are now living in the era of 'the democratisation of information' ... where the best ideas win.

The internet and social media are the best disinfectants for democracy I am aware of.

No longer do the establishment, vested interests and the dying heritage media have the capacity to manipulate and shut out quality information and good ideas.

An increasingly better informed and engaged public is now in the driver's seat.

Thankfully.