

Port Hedland (West End) Voluntary Buy-back Scheme

THIRD PUBLIC CONSULTATION MEETING – PORT HEDLAND, 9 DEC 2019

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Objectives for today

Share my conclusions, which will be the basis of my advice to the Government on

- the design of the buy-back offer
- other related issues to make this work for the future of Port Hedland

Continue to invite your comments and further questions

- Nothing out of bounds

Next steps

- Final meeting (same as this one) in Perth on 12 December
- My advice to Government due 20 December
- Government decisions early next year
- Updates on the PDC website in the meantime (pdc.gov.wa.au)

Why is this happening – a recap

Dust Taskforce recommended

- Living/working with dust levels up to $70 \mu\text{g}/\text{m}^3$ (average over 24 hours) is ok
- Industry regulated to this level throughout Port Hedland
- Where industry cannot meet this level without exceedances (West of Taplin St)
 - New regulations, based on independent monitoring, to ensure increased mitigation
 - Long term residential land uses (over 3 months) discouraged
 - Long term exposure by sensitive receptors not permitted

Kevin Michel MLA recommended a voluntary buy-back scheme

- Based on representations from Progress Association
- Funded by industry and based on the ALCOA/Wagerup precedent
- Minister MacTiernan, on behalf of the Government, agreed
- Industry and Pilbara Port Authority agreed
- Consultant appointed to design the scheme

What I have heard

Despite being proposed by local groups, not all property owners (and especially many residents) agree with the scheme

- Many enjoy living in the West End, and within reason, tolerate the dust
- Many others would rather the dust exceedances be completely eliminated, and life return to “normal”
- Many don’t want to be confronted with having to make the choice
- Many aren’t ready to deal with the Pilbara-wide drop in property values

Many (most?) property owners don’t think the financial offer will be enough to compensate them

- For what they believe their properties are worth, or should be worth, or will be worth one day
- For the inconvenience, stress and complexity of having to find an alternative (residence, or investment)
- For triggering the loss on their own personal balance sheet
- For the feeling that they are being “pushed out”, against their will

There is considerable scepticism (cynicism?) about industry and the Port’s intentions

- Creating a wasteland, doubling BHP’s stockyard, building a Chinese Naval facility
- Avoiding their obligations to mitigate dust from their operations

What I have learned (I)

The drop in residential property values in the West End has not (yet) been affected by proposed land use changes, or the announcement of the buy-back scheme

- Thoroughly tested by the WA Valuer General
- Being retested independently by Australia's leading property analysts, CoreLogic

The concept of “replacement value” inherent in any buy-back scheme is not well understood or accepted

- The idea is to be able to replicate your current situation (residence, investment) in a similar location which will not be affected by new dust related planning restrictions in the future
- At no cost, ideally with some extra cash compensation

Taken together, these two things mean (understandably) that many property owners are suspicious and/or angry that they are being asked to consider exiting their current properties at the bottom of the cycle

- When in fact it really doesn't matter – in any down market you sell cheap, but by cheap at the same time

KARRATHA VS PORT HEDLAND RESIDENTIAL PROPERTY SALES

between 1 Jan 1999 - 10 Nov 2019

Choose Port Hedland suburbs to inclu...

Multiple selections

Choose Karratha suburbs to include

Multiple selections

Filter by Sale Date

01/01/1999 10/11/2019



Filter by Use

R

Filter by Land T...

All

Filter by Land Area

1 1000



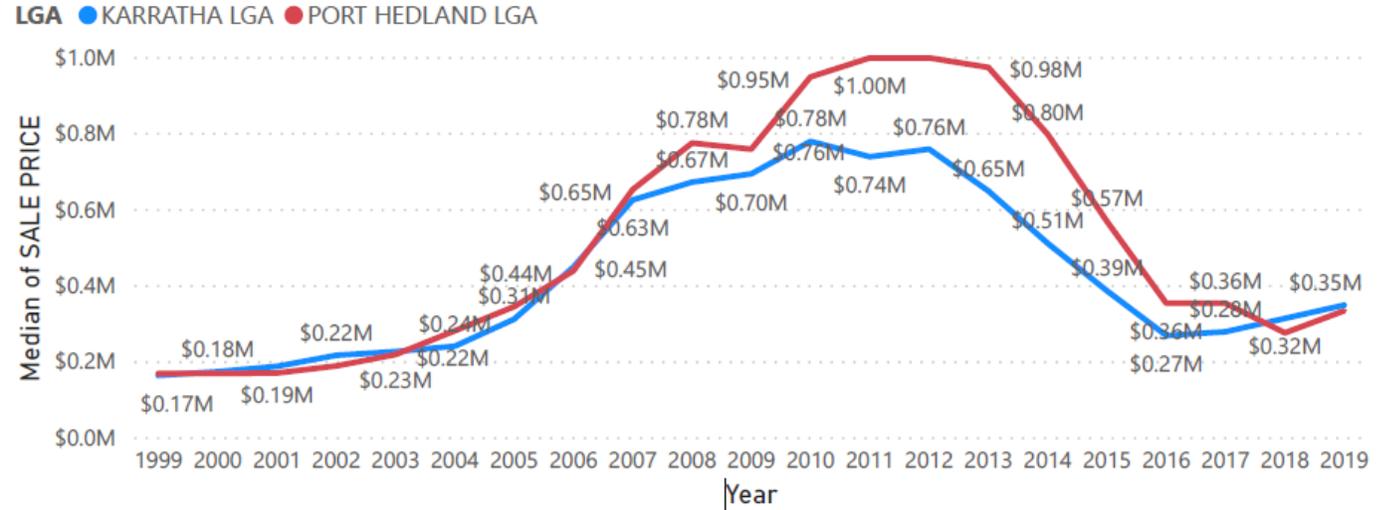
Port Hedland Summary

\$351,000
Median Sale
1807
Sale Count

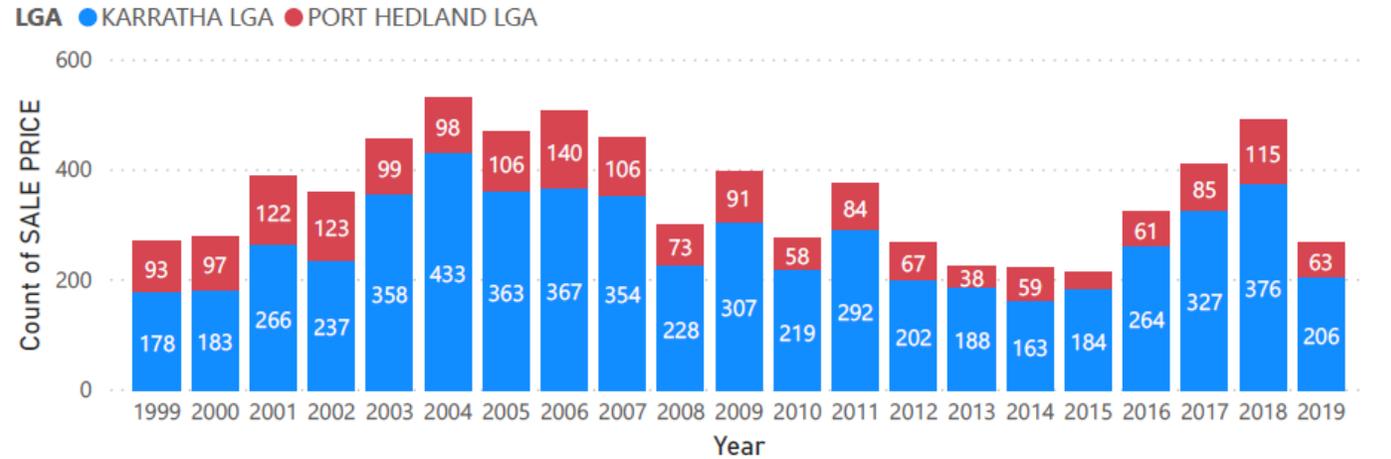
Karratha Summary

\$360,000
Median Sale
5695
Sale Count

Median Sale Price by Year



Number of Sales by Year



LAND ID	LAND TYPE	STREET NO	STREET NAME	STREET SUFFIX	SUBURB	PROPERTY USE	SALE PRICE	SALE DATE	LAND AREA	NO BEDS	NO BATHS	YEAR BUILT
741P211477	NON-STRATA	1	ANDOVER	WAY	BULGARRA	R	\$599,000	11 August 2006	779	4	1	1978
741P211477	NON-STRATA	1	ANDOVER	WAY	BULGARRA	R	\$790,000	13 February 2008	779	4	1	1978
456P49116	NON-STRATA	1	ARCHIPELAGO	RD	BAYNTON	R	\$435,000	13 July 2018	648	4	2	2008
42P29457	NON-STRATA	1	ARMSTRONG	DR	BAYNTON	R	\$500,000	11 October 2017	725	4	2	2004
42P29457	NON-STRATA	1	ARMSTRONG	DR	BAYNTON	R	\$1,150,000	17 December 2007	725	4	2	2004

Port Hedland Residential Sales and Volumes In/out Dust Classified Area

Choose Port Hedland suburbs to inclu...

PORT HEDLAND

Filter by Use

R

Filter by

- Select all
- BUILT STRATA
- NON-STRATA
- SURVEY STRATA

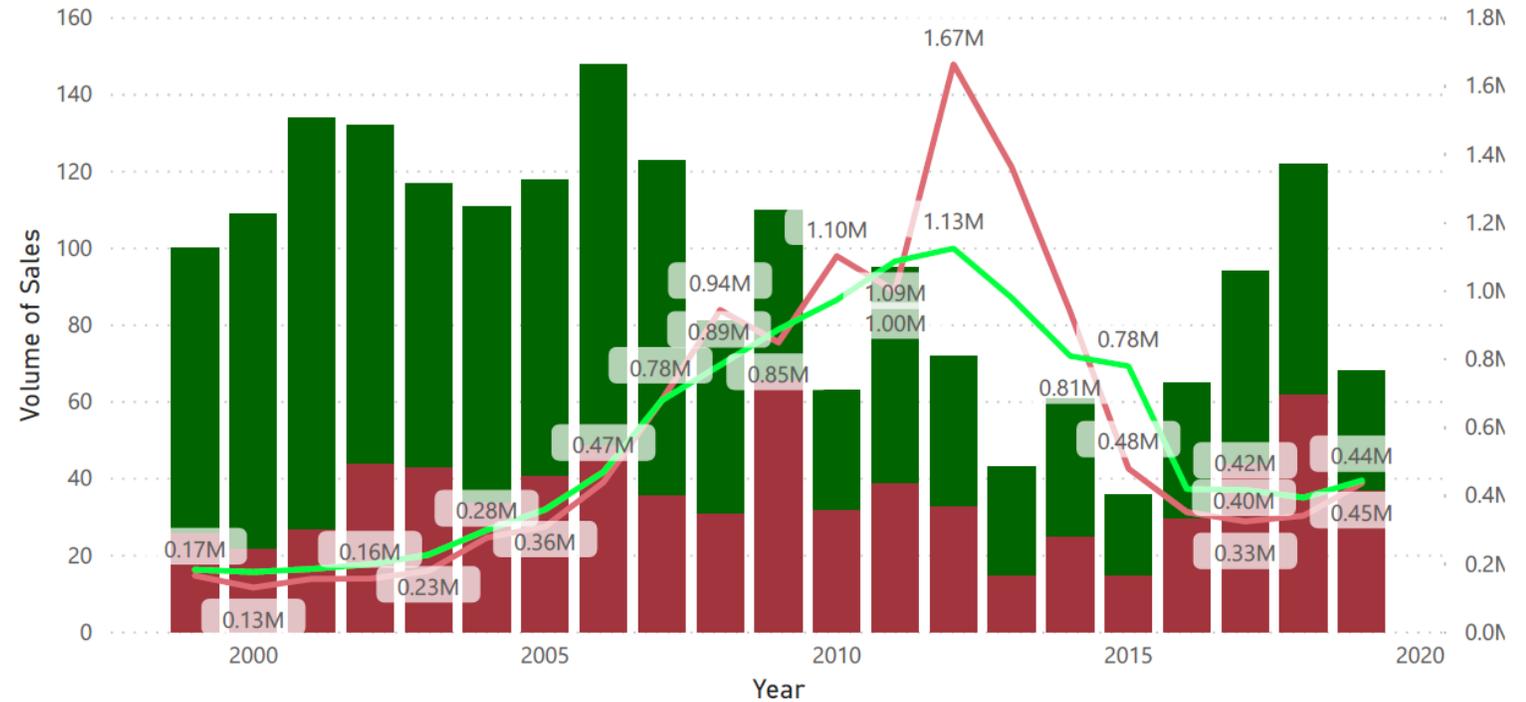
Filter by Sale Date

01/01/1999 10/11/2019



Port Hedland Median Sale and Number of Sales

Dust Affected ● Classified Dust Affected ● Not Dust Affected ● Dust Affected Median Sale \$ ● Not Dust Affected Median Sale \$



LAND ID	LAND TYPE	STREET NO	STREET NAME	STREET SUFFIX	SUBURB	PROPERTY USE	SALE PRICE	SALI
1224P214561	NON-STRATA	3	BAYMAN	ST	PORT HEDLAND	R	\$64,810,900	16 S
202P72702	NON-STRATA	1	EDGAR	ST	PORT HEDLAND	R	\$2,600,000	31 J
96P223065	NON-STRATA	29	KINGSMILL	ST	PORT HEDLAND	R	\$2,500,000	4 Oc
1750P211338	NON-STRATA	54	MCPHERSON	ST	PORT HEDLAND	R	\$2,470,000	1 Ju

What I have learned (II)

Management of Port Hedland (including industry contributions) is not yet delivering on the potential

- For today's and tomorrow's residents, investors, businesses and visitors

A properly developed Maritime District can be a huge attraction and drive further amenity and growth in the town

- And there is realistic demand (for tourism, for hospitality, for modern commercial space, for contemporary specialist training facilities, and much more)
- Including for those existing residents who want to stay

Making all of this work well (beyond the mechanics of the buy-back scheme) involves many moving parts

- Industry, Port, Health, Environment, Planning, Town, investors, and more

But there is tremendous interest, and a lot of work going on, by industry and all parts of government to make this happen

What the voluntary buy-back scheme is – and is not.

It is:

An opportunity for residential property owners to relocate without financial penalty

Based on personal choice, with full information on implications of staying for personal health and property values

Open for several years, with no penalty for delaying the decision

It is not:

A means of recouping property values that existed at the peak of the construction boom

A windfall for recent property speculation

A “free pass” for industry and the port to avoid its obligations ongoing, and improved, mitigation

How it will work

Property owners who wish to participate will be made an offer for their property

- Based on a market value unaffected by the coming planning changes
- With a substantial premium to acknowledge the inconvenience
- Plus additional amounts to offset transaction costs

Participating property owners will be able to appoint an independent valuer to advise them on the offer

- From an agreed panel, at no cost
- Where the independent valuation is within 10% of the offer, the higher figure will apply

Property owners can decide to participate at any time over the life of the scheme

- Likely to be five years
- With value of offers indexed to overall Port Hedland “unaffected” market increases

Where participation in the scheme could trigger genuine financial hardship, the scheme should support access to independent financial advice

- For example, to enable loans to be renegotiated with lenders

Related Conclusions

Scheme should be administered by an independent buy-back and development authority

New residential property should be developed in the East End, to create options for West End owners and to prevent a spike in Port Hedland property prices

Property owners should be provided with clear “plain English” health, regulatory and planning advice so they can make informed decisions on whether or not to participate in the buy-back scheme

Industry should do a much better job of “owning” exceedances, explaining the causes in real time, together with what they are doing about it

The Town of Port Hedland should cause to be developed a consistent supply of residential property, of different types and at different price points, to accommodate and accelerate population growth in Port Hedland

Government agencies providing critical infrastructure and capacity (health, education, transport etc) should do so consistent with this growth, and anticipating it.

Comments?
Questions?
Suggestions?
