

GEARING UP FOR GROWTH



**Urban Development Institute of Australia NSW
response to The Lower Hunter over the next 20
years: A Discussion Paper**

May 2013

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EXECUTIVE SUMMARY

The Lower Hunter Regional Strategy creates the policy framework to guide public and private sector investment in infrastructure, services, homes and employment. It is one of the most powerful policy tools available to the State Government to stimulate economic growth and investment in housing. The Lower Hunter Regional Strategy (LHRS) was produced in 2006 and the industry welcomes the release of the long awaited Discussion Paper.

The industry looks to this document to coordinate development in the Lower Hunter. If this document fails to adequately establish a strong framework for development, then development will not proceed. Alternatively, if this document successfully creates a new, powerful framework, then the Lower Hunter will capture the benefits that growth brings with it.

In Australian cities where strategic planning has been consistently implemented over time, residents enjoy a better quality of life, higher amenity and more convenient access to homes, services, transport and employment. Importantly, local and State Governments in these cities are able to provide the efficient delivery of public services and infrastructure in a cost effective manner.

The LHRS review is taking place in line with the development and implementation of a new planning system for New South Wales (NSW). It is critical that the review is timed to coincide with the introduction of the new planning system to ensure that the Lower Hunter benefits from being the first plan drawn up under the new system and that the LHRS has longevity and legislative power.

The UDIA NSW welcomes the opportunity to provide comment on the Discussion Paper. A summary of our recommendations are presented below. For clarity, the order and themes are consistent with the Discussion Paper.

RECOMMENDATIONS

RECOMMENDATION 1

Realistic housing targets should be set in the LHRS to assist in alleviating the existing shortage and produce sufficient houses annually over the life of the plan. Methodologies for preparing production targets need to be amended within the LHRS to achieve this.

RECOMMENDATION 2

The LHRS must include mechanisms to monitor housing construction against agreed housing targets annually. Should these targets not be met, appropriate actions should be taken to remove blockages.

RECOMMENDATION 3

The Strategic Assessment of environmental impacts for the Lower Hunter, currently underway, should be signed off by Commonwealth, State and local governments. The assessment should include environmental compliance requirements and, once met, provisions for additional environmental compliance should be switched off. Given the failure of the LHRS 2006 to adequately address biodiversity management, this Strategic Assessment should be delivered concurrently with the revised LHRS.

RECOMMENDATION 4

Given the failure of the LHRs 2006 to adequately address infrastructure delivery, the Hunter infrastructure Plan should be delivered concurrently with the revised LHRs.

RECOMMENDATION 5

Growth Infrastructure Plans (GIPs) should be prepared in conjunction with LHRs. The GIPs should be publically available and include detailed costings that relate to the capital works programs of each agency involved.

RECOMMENDATION 6

A Regional Infrastructure Fund should be established and financed through the Waratah Bond Scheme. This would help remove the single biggest impediment to housing delivery. The fund would provide loans to build lead-in infrastructure that is fully repaid via a bond style (plus provision for uncertainty) interest rate.

RECOMMENDATION 7

Scrap artificial thresholds for infill versus greenfield development and establish programs to create a better understanding of consumer market preferences for housing.

RECOMMENDATION 8

The Hunter Urban Development Program needs to be implemented as a matter of urgency. This should involve extensive consultation with the development industry.

RECOMMENDATION 9

The Hunter Urban Development Program should be monitored quarterly based on considerations such as water connection information and ABS data amongst other things.

RECOMMENDATION 10

The LHRs review should embrace the planning hierarchies and concepts outlined in the *White Paper: A New Planning System* to ensure that the strategy remains relevant and has longevity, and adds high level legislative power to the LHRs.

1. INTRODUCTION

The Urban Development Institute of Australia - NSW Division (UDIA NSW) is the State's leading property development industry organisation. We represent over 500 organisations from the public and private sectors. Our members include developers, planners, engineers, academics, regulators, and leading professional advisors. A quarter of our members are based in regional NSW. Our extensive Committee and Regional Chapter structure involves more than 150 of the development industry's key stakeholders in policy formulation.

It has been seven years since the LHRS 2006 was issued and the industry firmly believes that an updated plan for the region is warranted. The Lower Hunter is suffering from chronic housing supply shortages created largely from inadequate infrastructure planning and investment together with onerous regulations such as the treatment of biodiversity. A new plan that provides a comprehensive strategy, developed through an integrated planning approach, is required to overcome these impediments and set a clear road map for future growth that will significantly improve housing production levels and affordability in the Lower Hunter.

With this in mind, UDIA NSW's response to the discussion paper primarily focuses on the section *Housing our Growing Population* (Discussion Paper, p13).

UDIA NSW strongly supports the discussion paper finding that issues surrounding the management of biodiversity, the delivery of infrastructure and zoning relative to market preference are key blockages to the supply of housing in the Lower Hunter.

It should be stated at the outset that we do not agree with the assumption that economic feasibility is a supply blockage (Discussion Paper, p14). Economic feasibility is a function of the interaction between demand and supply. Due to housing affordability pressures the market (homebuyers) set the price of a dwelling. If the sum of development costs exceed this market price then developers cannot afford to build these dwellings. This issue, together with housing affordability more generally, requires reclassification in the paper and far more attention than it is presently given.

In light of continued housing affordability pressures and poor dwelling production rates a renewed focus needs to be directed towards:

- The removal of unnecessary barriers to the development in the planning system
- A reduction in taxes and levies that hamper the efficient and competitive delivery of housing
- Cost effective delivery of infrastructure to support housing
- A greater level of certainty regarding biodiversity assessment, offsetting and management.

UDIA NSW believe that a new Planning Act and focus on robust strategic planning, will positively shape the future of the Lower Hunter Region.

2. DWELLING TARGETS

Dwelling targets are a significant component of the LHRS. They provide the basis on which the strategic framework is built including the planning and delivery of infrastructure. This framework will not only facilitate the region's adequate housing supply, but also provide contingencies for the variations in market trends and preferences that will change over time. This framework needs to allow for the generous creation of housing stock, in a variety of locations, and in a diverse range of forms and densities. By doing this, the strategy will ensure ample competition within the market.

The 2006 LHRS dwelling targets have not been met in any single year since the strategy was released. This is not a problem in itself – the issue is there is no regular evaluation mechanism with a clear set of actions to redress the shortfall in production. It should not take seven years to evaluate production levels and establish a new set of policy prescriptions. Dwelling targets within the strategy do not have to change, but the enabling actions to achieve these targets should be fluid.

The approach to dwelling targets adopted in the discussion paper is also flawed. Revised targets should not be set in line with short term trends, but rather based on long term population growth forecasts and policy direction for land supply. These should include offsetting pressures on Sydney in the context of wider planning of the Lower Hunter and the Sydney metropolitan area. However, the discussion paper largely relies on dwelling occupancy rates. Occupancy rates are volatile and are a function of existing distortions in the housing market. It is recommended that population growth be retained as the key variable for forecasting growth. An average occupancy benchmark should also be applied over the forecast horizon to achieve realistic housing targets.

Clearly, a lesson that can be learnt from the 2006 LHRS is that there has been a failure to deliver the dwelling production targets to meet the needs of the Lower Hunter's growing population. The challenge for the new strategy is to avoid a recurrence of this situation.

It is therefore recommended that:

RECOMMENDATION 1

Realistic housing targets should be set in the LHRS to assist in alleviating the existing shortage and produce sufficient houses annually over the life of the plan. Methodologies for preparing production targets need to be amended within the LHRS to achieve this.

RECOMMENDATION 2

The LHRS must include mechanisms to monitor housing construction against agreed housing targets annually. Should these targets not be met, appropriate actions should be taken to remove blockages.

3. HOUSING SUPPLY AND BIODIVERSITY MANAGEMENT

In terms of our natural environment, the Lower Hunter region is markedly different to that of the Sydney metropolitan region. It is a region that is heavily covered in native vegetation and therefore the impacts of various environmental controls are far greater than in other areas of the state.

One of the key weaknesses of the 2006 LHRS is that it identifies land for residential development that is heavily subjected to local, state and federal biodiversity requirements without an integrated strategic conservation plan in place to address these requirements. This is simply unworkable and promotes uncertainty. If land is identified within the LHRS for development, there should be a high degree of certainty regarding lot yield and the offsetting requirements needed. The UDIA NSW recommends that a Strategic Assessment of the Lower Hunter is undertaken in order to identify land suitable for conservation and development, and that this recognition is accepted by all three tiers of government.

The current suite of legislation, tools and policy mechanisms that govern biodiversity offsetting are too complex. They do not provide for consistency or certainty with regard to economic or social outcomes. Under the current offsetting system, a site may require multiple offsets over time to address impacts on new species that are listed subsequent to the original biodiversity offset being negotiated. This is best illustrated in a case study prepared for this submission by a UDIA NSW Hunter member, who is currently applying for a development application on a large parcel of land, west of Newcastle. The case study demonstrates the overly complex offsetting procedure needed to achieve rezoning and development approval for a site identified for urban growth in the LHRS. Details of the case study are included in Appendix 1.

Considering these issues, the Department of Planning and Infrastructure (DP&I) must ensure a greater level of certainty regarding biodiversity offsetting (and associated costs). Otherwise the LHRS will continue to fail in the delivery housing supply outcomes. DP&I must take a leadership role in the management of biodiversity offsetting in order to allow housing to be delivered.

It is therefore recommended that:

RECOMMENDATION 3

The Strategic Assessment of environmental impacts for the Lower Hunter, currently underway, should be signed off by Commonwealth, State and local governments. The assessment should include environmental compliance requirements and, once met, provisions for additional environmental compliance should be switched off. Given the failure of the LHRS 2006 to adequately address biodiversity management, this Strategic Assessment should be delivered concurrently with the revised LHRS.

4. HOUSING SUPPLY AND INFRASTRUCTURE FUNDING

Infrastructure is a key blockage to housing supply. There are particular challenges to infrastructure in the Lower Hunter relating to co-ordination, specification and cost. These issues are discussed in more detail below.¹

4.1. Key Issues with Hunter network infrastructure co-ordination

There is currently no framework for the collection, analysis and presentation of existing and planned network infrastructure capacity across network infrastructure providers within the Lower Hunter.

Historically, there has been a poor relationship between the planning of network infrastructure to service urban growth and the delivery of network infrastructure to service urban growth. Inefficient and poorly directed investment by both developers and network infrastructure providers has occurred in the Lower Hunter due to:

- Network infrastructure providers not understanding each other's existing and planned capacity to service identified urban growth areas
- Network infrastructure not being delivered as planned to service identified urban growth areas
- The spatially broad nature of the Hunter's multiple potential development fronts.

It is critical that a new system for infrastructure coordination is created. This system must:

- Collect existing and planned network infrastructure capacity across all network infrastructure providers;
- Present existing and planned network infrastructure capacity in a way that is easily understood by the development industry, network infrastructure providers and urban planners working within councils and State government departments
- Be made publically available, and regularly updated
- Incorporate a formal feedback loop to monitor the performance of planned and actual delivery of network infrastructure. The coordination program should also aim to quantify the cost and identify accountability for the failure to deliver infrastructure as planned. Infrastructure co-ordination will prove a meaningless exercise if one network infrastructure provider fails to deliver new capacity as planned.

Identification and funding of key growth network infrastructure is critical to the success of delivering the strategy's dwelling targets, and this is acknowledged in the discussion paper.

The Hunter Infrastructure Plan as outlined in the discussion paper and the Growth Infrastructure Plans (GIPs) as outlined in the *White Paper for A New Planning System* may go some way to solving the infrastructure scheduling issue. However, both these plans will only work if the information is available publically on a full disclosure basis. It is critical that these plans are closely aligned to agency capital works programs and have the detail available to appropriately set regional infrastructure charges.

¹ To clarify, in the context of our response to the Discussion Paper, and particularly in relation to the blockage of housing supply, the term infrastructure refers to network infrastructure such as wastewater, transport (usually road), water, energy (usually electricity) and telecommunications.

It is recommended as part of the LHRS review that a Growth Infrastructure Plan is prepared for the Lower Hunter region.

4.2. Infrastructure Funding

Regions have different development drivers to those of major metropolitan capital cities. There is often insufficient scale to raise funds required for infrastructure and the agencies are normally outposts of headquarters in Sydney that require clearance before decisions are made. Average weekly earnings are also typically lower, shifting the housing affordability metrics. It is argued that a regional approach to funding infrastructure is required to act as a catalyst to development in the Lower Hunter.

Over recent decades, developers across NSW have been increasingly required to self-fund key pieces of growth network infrastructure. As a result the Lower Hunter has consequently experienced difficulty in delivering affordable residential land to the market. The Sydney metropolitan area has experienced the same difficulties. However, the impact of infrastructure funding on the delivery of affordable land in regional areas is exacerbated because revenue streams from land sales are significantly lower and sales periods longer, than projects in metropolitan areas.

This problem increases the risk of peak funding debt constraints preventing development projects from attracting capital investment. Regional areas compete with metropolitan areas for project financing. When returns are higher in metropolitan areas, these areas 'out bid' regional areas, and achieve access to finance as first preference.

To overcome this funding constraint, alternatives to traditional infrastructure financing models are required. One alternative that is being considered by UDIA NSW is a NSW Government Regional Infrastructure Investment Loan Scheme, to provide finance for infrastructure to regional developments. This model would allow developers to apply for funding of critical infrastructure where it can be demonstrated that the investment will be a catalyst for the delivery of affordable land. The fund would be repaid on a pro-rata basis. Potential key terms for the fund include:

- Loans are secured by land with lenders covenants over each lot
- As each lot is settled the loan relating to that lot would be fully repaid
- Interest is calculated monthly on the outstanding balance and included in lot payment
- Maximum loan term is 10 years
- Rates are set at the 10-year State Government bond yield.

The Government could raise monies for the fund from the bond market as part of the Waratah Bond scheme. This type of scheme would overcome many of the issues of frontloading infrastructure payments and the economic feasibility of developments particularly in greenfield estates.

It is therefore recommended that:

RECOMMENDATION 4

Given the failure of the LHRS 2006 to adequately address infrastructure delivery, the Hunter infrastructure Plan should be delivered concurrently with the revised LHRS.

RECOMMENDATION 5

Growth Infrastructure Plans (GIPs) should be prepared in conjunction with LHRs. The GIPs should be publically available and include detailed costings that relate to the capital works programs of each agency involved.

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5. HOUSING MIX AND AFFORDABILITY

It is critical that the LHRS has a high-level view of the housing mix that will be required over the life of the plan. This does not necessarily mean setting specific targets for infill versus greenfield development. What is required is a more intimate understanding of market preferences with respect to the type of housing Hunter residents will require over their lifetime, along with market entry price points. It is critical that this research effort is extended to involve academia, the Government, industry and the community.

5.1. Validating Housing Research

In order to make an accurate market-based analysis of housing demand, sufficient and diverse housing supply across various locations and at various price-points is required. The recent lack of Lower Hunter housing supply, and lack of diversity in the Lower Hunter housing market, has severely hindered the ability of analysts to make reliable, evidence-based commentary on housing market preferences.

In the absence of real market data, DP&I has outlined research that will be undertaken to better inform the LHRS, such as analysis of centres and housing markets, including housing market preferences. Such an approach is welcomed with the following qualifications:

- Any research, studies and surveys should be conducted in a manner similar to an academic study, allowing for peer-review of scope, methodology, data collection, interpretation of results and formulation of recommendations. In this manner, a transparent and accessible “body of knowledge” regarding housing demand and preferences would be established
- There is a need to ensure that this research is not for its own sake. If policy and planning controls are either created or existing controls removed based on this research, there needs to be a formal feedback loop built into this process.

5.2. Introducing an Urban Development Program for the Lower Hunter

The monitoring of actual Lower Hunter growth, and the response of market demand to supply, needs to be improved. The lack of an Hunter Urban Development Program (UDP) is a major impediment which impacts on all stakeholders. To overcome this deficiency, UDIA NSW recommends the following:

Better communication of short-term supply

- Publish the number of vacant lots within and outside release areas
- Publish the pipeline of DAs submitted and DAs approved within and outside release areas
- Publish the rate of lots (including strata plans and community title) registered within and outside release areas. These registered lots should relate to new dwellings growth and the demolition of any existing dwellings should be taken into consideration
- Undertake regular economic feasibility studies which explore the viability of residential construction, and detailed analysis of development variables, on a regular basis.

Better communication of long-term supply

- Detailed analysis is required to understand the impact of various local planning regulations on the potential delivery of all forms of housing. For example, there are extensive amounts of 2(2) zoned land in Lake Macquarie, suitable for medium density residential development. This land, however, is sterilized for feasible development by planning regulations such as DCP minimum lot areas, minimum frontage, slope and heritage conservation
- Conduct detailed analysis of impediments created by biodiversity legislation, land supply or infrastructure funding
- Conduct detailed analysis of long term development feasibility trends.

Better communication of demand

Hunter Water connection data is currently used by the DP&I to measure actual growth. At best, Hunter Water connection presents a narrow view of actual growth, and is a de-facto measure of the actual growth.

Actual measures that new research could incorporate on a regular basis include:

- The rate of lot registrations both within and outside release areas
- The rate that lots are sold together with the rate of pre-sales. UDIA NSW notes this data is available spatially from NSW Land and Property Information
- The rate of dwelling commencement and completion, both within and outside Release Areas, ensuring that the program isolates additional new dwellings, rather than incorrectly recording knock-down and rebuilds, for instance
- The issue of occupancy certificates.

RECOMMENDATION 7

Scrap artificial thresholds for infill versus greenfield development and establish programs to create a better understanding of consumer market preferences for housing.

RECOMMENDATION 8

The Hunter Urban Development Program needs to be implemented as a matter of urgency. This should involve extensive consultation with the development industry.

RECOMMENDATION 9

The Hunter Urban Development Program should be monitored quarterly based on considerations such as water connection information and ABS data amongst other things.

6. CONCLUSION

The urban development industry has long awaited the review of the LHRS and we look forward to working with DP&I in this review process. We have provided responses to the various questions raised in the Discussion Paper and these are documented in Appendix 2. The UDIA is of the firm view that getting the LHRS right is absolutely crucial to the positive social, economic and environmental futures of the Lower Hunter. We are therefore keen to be engaged on the subsequent processes to achieve a sound Strategy.

Please find a copy of the Hunter State of the Land Report which we released in 2010 in Appendix 3. You will note from this report that many of the concerns raised in this submission build on the concerns we were raising three years ago.

UDIA NSW understands that the *White Paper: A New Planning System for NSW* outlines policies that will act in concert with the LHRS to vastly improve the suite of information available to, and the regulations applied to, the development industry. Although the White Paper is yet to be passed by parliament, it is recommended that the LHRS be the first Regional Growth Plan and Sub-Regional Delivery Plan to be taken forward as a model for implementing the Strategic Planning Framework recommended in the White Paper.

UDIA NSW and its members, therefore look forward to an ongoing role in the process as the LHRS review process is finalised. We urge the Government to closely consider the above discussion and recognise the critical role the urban development industry plays in supporting the Government's objectives to make NSW 'number one' again.

For further information, please contact Nadine Hipps, UDIA NSW Hunter Manager, on (02) 49201732 or at nhipps@udia-nsw.com.au

RECOMMENDATION 10

The LHRS review should embrace the planning hierarchies and concepts outlined in the *White Paper: A New Planning System for NSW* to ensure that the strategy remains relevant and has longevity, and adds high level legislative power to the LHRS.

APPENDICES

Appendix 1: Bio-diversity Case Study 1

Case Study – Biodiversity Offsetting

Rezoning and Concept Plan applications were made to the Department of Planning and Infrastructure for a site identified in the Lower Hunter Regional Strategy (LHRS) for Urban Growth. Following a thorough ecological assessment, a biodiversity offset was negotiated with the Office of Environment and Heritage for an area that was identified in both the LHRS and Lower Hunter Regional Conservation Plan (LHRCP) as forming part of a green corridor. An obligation to deliver the offset site to the NSW Government was included in the terms of the Voluntary Planning Agreement that accompanied the eventual rezoning of the site.

Subsequent to the rezoning, the Concept Plan was approved by the Planning and Assessment Commission. The proponent then sought to lodge a Development Application for the site which would be assessed under Part 4 of the EP&A Act. Notwithstanding the above lengthy and thorough rezoning and Concept Plan application process, and the associated biodiversity offset, Part 4 of the EP&A Act requires a further assessment of the environmental impacts of the proposed development.

At its most basic level, it could be assumed that the Development Application would simply be able to rely on the environmental assessment studies and reports prepared to date however there are a number of issues with this. Firstly, if the proponent chose to lodge a Development Application that only covers part of the rezoned site, say for stage 1, and then a new species or community is listed prior to lodging a DA for any future stages, the proponent would face the prospect of having to obtain further offsets with respect to any impacts on the newly identified species or community which would in essence render the original biodiversity offset of little or no value to the proponent.

In order to avoid this occurrence, the proponent could seek to lodge a DA for the entire site. The issue with this approach is that it further delays any development of the site as the DA becomes much more complicated, it increases the up-front outlay by the proponent (both in terms of the costs associated with the required consultant reports as well as the Council application fees) which will have a negative impact on the project feasibility, and also represents far greater resource requirement for the council in assessing the more complicated DA.

As with any business, cashflow is critical to the feasibility of a development project. Therefore, any process that unnecessarily increases the upfront costs is flawed and should be reviewed. In light of the studies and assessments carried out at the rezoning and Concept Plan application stage and the fact that both the development and offset sites were located within areas identified in the LHRS and LHRCP for their intended purposes, the rezoned development site should carry some form of 'Bio-certification' that turns off the TSC and EPBC Act for any future development of the site that is consistent with the objectives of the zoning.

This would provide multiple benefits through simplifying the DA process, reducing associated DA costs, and require less resourcing from council.

Appendix 2: UDIA NSW Response to Discussion Paper Questions

UDIA NSW - RESPONSE: LOWER HUNTER REGIONAL STRATEGY: DISCUSSION PAPER - QUESTIONS

Housing our growing population				
The new Lower Hunter Regional Strategy will guide how housing is delivered:				
	Questions	Yes	No	Comments
1	Should the Strategy place more emphasis on development in existing urban areas – if so, where are the best places for this?	X		More emphasis on how the growth in existing urban areas is going to be realised is required as the current strategy does little more than nominate where growth in existing urban areas should take place. The existing strategy is that it does not have a delivery mechanism.
2	How should the Strategy distribute housing targets across the Lower Hunter's LGAs?			Based on agency feedback/ programs and extensive consultation with the five Councils which make up the Lower Hunter. Getting buy in from all the key stakeholders is the key to getting realistic, achievable targets.
3	How can the Strategy ensure local council planning supports housing delivery?			By consulting with each Council in developing the new strategy and requiring that local strategies are consistent with and support the new regional strategy. Where a Council fails to deliver on the targets set in the Regional strategy, then a review should be undertaken to determine if the planning powers of Council should be removed.
4	Should the Strategy identify a role for the NSW Government to be more actively involved in the delivery of housing in existing areas?	X		A delivery mechanism is required otherwise the new strategy is likely to fail. Direct involvement by Urban Growth NSW may be one means of intervening to bring about the outcomes envisaged in the new strategy.
5	How can the Strategy ensure a sufficient supply of affordable housing?			A delivery mechanism which ensures that the infrastructure required to facilitate the delivery of affordable housing is one key means by which the new strategy can assist in increasing the supply of affordable housing. Another key factor is the extent/ quantum of development levies which must be accommodated.
6	In what locations should the Strategy set minimum housing density requirements for highly accessible land?			Minimum density provisions should be specified in all release areas/ growth corridors/ urban renewal precincts/ etc. Otherwise highly accessible land may be developed at less than optimal densities.

Providing jobs and economic opportunities				
The new Lower Hunter Regional Strategy will support economic opportunities, productivity and jobs growth.				
	Questions	Yes	No	Comments
1	How can the Strategy facilitate a productive and sustainable Lower Hunter economy?			By ensuring that infrastructure is delivered where and when it is required. This may necessitate coordination between service agencies and where needed intervention to guarantee that the intent of the strategy can be achieved.
2	How can the Strategy facilitate access to jobs across the Region?			By ensuring that employment lands are located in close proximity to residential areas wherever possible and encouraging mixed use developments so that employment and housing coexist.
3	How can the Strategy ensure infrastructure investment promotes economic growth?			By aligning infrastructure planning and land use planning so that they reinforce one another.
4	How can the Strategy support emerging sectors such as sustainable energy industries?			By identifying the preferred locations for industry/ sector clusters and providing encouragement for the development of these areas.
5	What important economic connections should the Strategy focus on?			Productivity and Population Growth are two of the three key ingredients in the Commonwealth Governments Intergenerational Report (2010) which seeks to put forward a solution to the challenges the nation faces given the ageing of the population. The Hunter faces similar challenges and needs to ensure that there are strong linkages between residential growth areas/ employment lands/ infrastructure provision.
6	Should the Strategy preserve more land around economic assets such as the Port of Newcastle, Newcastle Airport and the University of Newcastle to encourage economic clusters?	X		The key employment/ economic nodes such as the airport, port and University of Newcastle need to be recognised in the regional strategy and allowance made for the growth/ consolidation of these employment generators. Economic clusters should be encouraged by the regional strategy which should provide leadership in this area.
7	Which locations should the Strategy identify for potential industrial clusters?			Key Transport Nodes (such as the port, airport and major arterial road and rail junctions) should be identified and land set aside for the future growth and development of these areas as employment clusters.

Providing efficient transport networks				
The new Lower Hunter Regional Strategy needs to plan for efficient transport connections in, out and around the Lower Hunter.				
	Questions	Yes	No	Comments
1	What priorities should guide the Strategy's link with the Long Term Transport Master Plan?			Productivity considerations, liveability issues and sustainability requirements should dominate as promoted in the Urban Policy developed by the Commonwealth Government for Australia's major urban centres.
2	How should the Strategy focus on new transport corridors to growing areas?			Consideration needs to be given to road, bicycle, walking and rail corridors in the context of growth areas.
3	How can the Strategy encourage more people to use public transport?			This is not the role of the Strategy.
4	How should the Strategy and the Long Term Transport Master Plan improve access to Newcastle Airport, the Port of Newcastle and major activity centres?			By facilitating the upgrading of existing access corridors and/ or establishing new corridors where appropriate.
5	How can the Strategy maintain quality transport services into Newcastle CBD?			This is not the role of the Strategy.
6	How can the Strategy promote walking and cycling?			By encouraging walkability as a key consideration when designing and constructing new residential neighbourhoods.
7	Where would investment in improved transport bring the greatest benefits to in the Lower Hunter?			Road and Rail infrastructure investments which support economic growth and productivity improvement.
8	Which key connections should be included in the Strategy?			Inter regional as well as intra regional connections are critical to the success of the new strategy.

Providing the infrastructure we need				
	The new Lower Hunter Regional Strategy will improve the planning and timely provision of infrastructure in the Lower Hunter and align the planning of land use and transport.			
	Questions	Yes	No	Comments
1	How can the Strategy better ensure timely delivery of new infrastructure to support new growth?			By the preparation and implementation of Infrastructure Plans. These can be at a regional level (eg) Hunter Infrastructure Plan or at a growth area level (eg) Growth Infrastructure Plans
2	Which important corridors should the Strategy identify and protect for future infrastructure?			Rail, road, and service corridors to accommodate major water mains, sewer lines, power lines, telecommunications, etc.
3	How can the Strategy best protect and support key economic infrastructure?			By ensuring alignment with State and Commonwealth Infrastructure Plans.
4	If the Strategy identified a need for detailed infrastructure plans for new growth areas, would this assist the timely delivery of infrastructure to new areas?			
5	What should be included in the Strategy to ensure essential infrastructure is in the right place at the right time?			Alignment with Infrastructure Plans and a mechanism to ensure deliver of targetted infrastructure in a timely and cost effective fashion.
6	How can the Strategy help councils to prioritise and deliver local infrastructure?			This is not the role of the Stategy.

Providing access to lifestyle assets				
The new Lower Hunter Regional Strategy offers an opportunity to create better places and improve social inclusion.				
	Questions	Yes	No	Comments
1	How can the Strategy address disadvantage in specific places and which places should be a priority?			No comment.
2	Should the Strategy set targets and standards for levels of service, or are there other ways to improve access to opportunities?			No comment.
3	How can the Strategy better promote cultural opportunities across the Lower Hunter?			No comment.
4	How can the Strategy ensure an adequate supply of adaptable and accessible housing for older people?			No comment.
5	How can the Strategy help local councils manage and adapt recreational facilities and open space?			No comment.
6	How should the Strategy assist the development of local social impact assessments of new development?			No comment.

Protecting our environment and building the resilience to natural hazards				
The Lower Hunter Regional Strategy will shape our pattern of growth in a way that protects important environmental assets and strengthens our ability to deal with climate change and natural hazards.				
	Questions	Yes	No	Comments
1	How can the Strategy protect the environment and conserve biodiversity while also meeting the economic and housing needs of the growing population?			By setting aside areas for conservation and development based on a sound strategy and then ensuring that these areas are delivered.
2	How can the Strategy support environmentally sustainable development?			See above.
3	How can the Strategy help mitigate and adapt to climate change?			By ensuring that climate change mitigation and adaption considerations are incorporated into the new strategy
4	How can the Strategy help improve energy and water efficiency for residential, commercial and industrial buildings?			Not the role of the Strategy.
5	How can the Strategy improve our approach to planning and development in areas at risk from natural hazards?			By identifying areas at significant risk from natural hazards and ensuring that they are appropriately managed.
6	How can the Strategy encourage growth while also protecting our environment, lifestyle and natural assets?			By striking a balance and following a rigorous consultation process which takes on board genuine issues raised so that community engagement is more likely to be meaningful

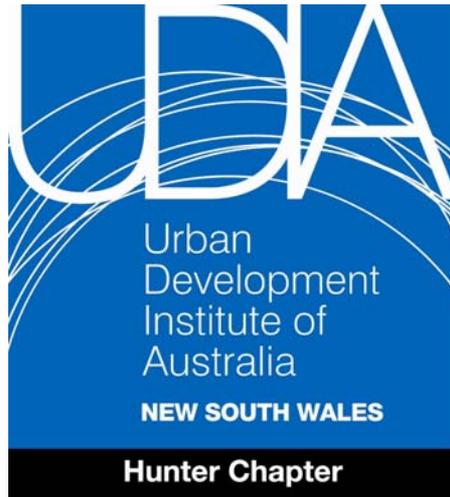
Protecting productive rural and resource lands

Protecting productive rural and resource lands				
	The new Lower Hunter Regional Strategy must provide new land for housing while also preserving and valuing land for biodiversity, agriculture and resources.			
	Questions	Yes	No	Comments
1	How should the Strategy balance the need for land for housing and jobs and land for other needs?			No comment.
2	Should the Strategy identify and protect specific areas of the Lower Hunter's rural landscape as having particular significance for agriculture, heritage or cultural values?			No comment.
3	How can the Strategy protect water catchments?			No comment.
4	How should the Strategy deal with potential impacts of resource extraction and mining, for example newly emerging coal seam gas extraction projects?			No comment.

Connecting with surrounding regions				
The new Lower Hunter Regional Strategy will improve connections with Sydney and its adjacent Regions.				
	Questions	Yes	No	Comments
1	How can the Strategy promote improved connections and relationships between the Lower Hunter and Sydney?			No comment.
2	What should be included in the Strategy to improve connections between the Lower Hunter and its adjacent regions?			No comment.
3	How should the Strategy improve the economic, road and rail, and communication links between the Lower Hunter and its adjacent regions?			No comment.
4	Should the Strategy pursue opportunities for decentralising government services to regional NSW?			No comment.

Delivering the Strategy				
The new Lower Hunter Regional Strategy will improve connections with Sydney and its adjacent Regions.				
	Questions	Yes	No	Comments
1	How can the Strategy ensure there is clear accountability for delivery in terms of the agency responsible and the timeliness and success of each action?			By establishing performance measures and timelines which must be adhered to. Failure to achieve the performance measures within the designated timelines would mean that another authority would step in and assume responsibility for these tasks.
2	Will clear performance measures in the Strategy help to test the progress and success of each action?	X		
3	What kind of monitoring framework should the Strategy adopt to track and report on progress?			An annual monitoring program which provides publically available reports.
4	What kind of integrated monitoring can be used across the new Strategy, State Infrastructure Strategy, Hunter Infrastructure Plan and Long Term Transport Master Plan to ensure the delivery of integrated planning?			One that uses performance measures, establishes timelines and clearly identifies actions to be taken in the case of non compliance (eg) failure to deliver may result in allocation of the tasks to another agency.
5	Should there be a specific body, authority or person nominated to oversee and be accountable for the delivery of the new Strategy?	X		Otherwise delivery may not happen.
6	What should the role of local councils be in preparing and delivering the Strategy?			Councils should have performance measures just like Stage government agencies and be held accountable for delivery.

Appendix 3: UDIA NSW Hunter State of the Land Report



Lower Hunter State of the Land Report 2010

INTRODUCTION

The Lower Hunter is the sixth largest urban area in Australia and one of the State's major centres of economic activity. Delivering adequate supplies of new housing to the Lower Hunter is now an economic and social imperative.

The Lower Hunter is home to a deep-water port, a booming resources sector, a skilled workforce, particularly in manufacturing, enjoys strong population growth and has an unemployment rate of only 4.1% - which is lower than the national average.

Despite these strong characteristics, housing supply in the Hunter has been dropping steadily over the last five years, with the total number of houses built in 2007/08, less than a third of what was produced in 2004/05. The Lower Hunter is facing a chronic housing supply shortage, which, if not addressed immediately by policy makers, will lead to a dramatic decline in housing affordability right across the region.

The UDIA NSW Hunter State of the Land Report is intended to bring to light the chronic undersupply of housing to the region over the last 5 years, and provides recommendations to policy makers on housing delivery. The report also provides the industry evidence to forecast housing production from new greenfield release areas over the next three years, which further demonstrate the need for a shift in thinking from the state government and local councils to meet the region's demand for housing.

CURRENT HOUSING PRODUCTION

The Lower Hunter Regional Strategy is the NSW Government's principal strategic document for guiding growth in the Region. The Strategy outlines a range of priorities and targets for the region around key areas, including population, housing, employment, and conservation.

The Strategy predicts that the Lower Hunter will grow by an additional 160,000 people in the 25 years from 2006 – 2031, creating demand for an additional 115,000 new homes. This equates to 4,600 homes a year, 60% of which to be delivered in new release areas, with the balance provided in infill locations.

The table below shows where the Regional Strategy forecasts dwelling production will occur to 2031:

Lower Hunter Regional Strategy 2006 – 2031 Key Figures at a Glance

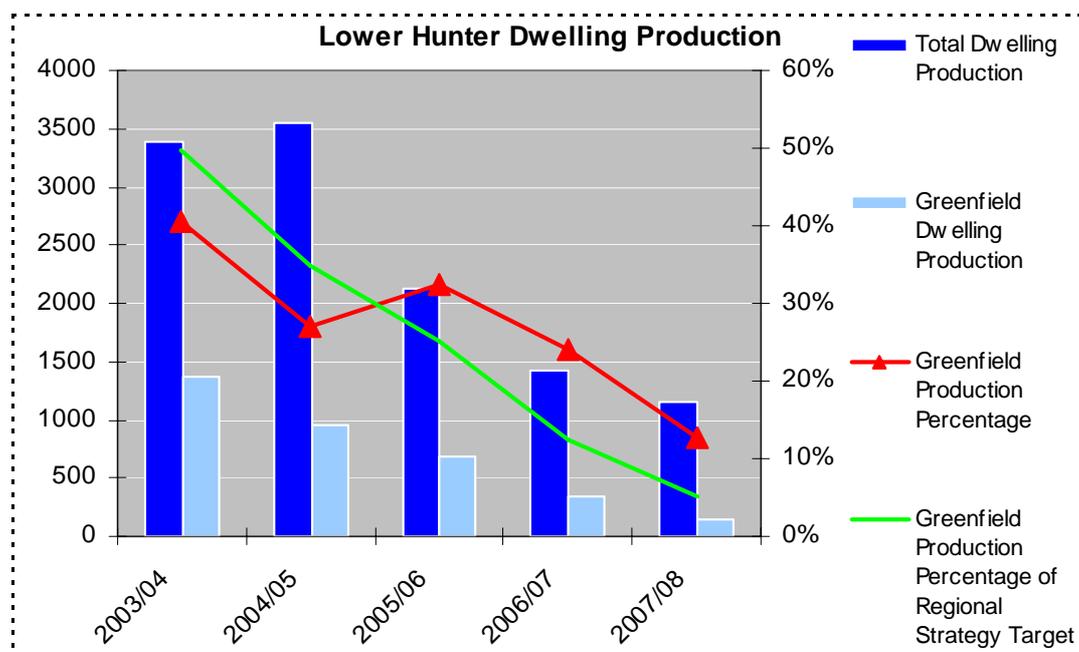
- 160,000 more people
- 115,000 new dwellings
- 4,600 new dwellings required per year
- 60/40 greenfield/infill dwelling split
- 2,760 new greenfield dwellings required per year
- 1,840 new infill dwellings required per year

LGA	Centres and Corridors	Urban Infill	Total Infill	New release	Total dwellings
Cessnock	500	1500	2000	19700	21700
Maitland	2000	3000	5000	21500	26500
Port Stephens	3300	2000	5300	7200	12500
Newcastle	12200	2500	14700	5800	20500
Lake Macquarie	14000	7000	21000	15000	36000
Total	32000	16000	48000	69200	117200

Due to a number of factors, dwelling production has been well below target for all dwelling types in all local government areas across the Region. The figures below show the extent of the decline in housing production:

- Current levels of dwelling production have averaged approx. 1560 dwellings per annum since the release of the Strategy in 2006. This result is less than 35% of the total dwelling production required to meet the Regional Strategy targets.
- Greenfield dwelling production figures have plummeted from 1371 dwellings in 2003/04 to just 145 in 2007/08 (later figures aren't available). This result is only 5% of what is required to meet the Regional Strategy targets.
- In 2007/08 greenfield release areas produced only 13% of the Region's housing – as opposed to the 60% target – but only 5% of what was required to be produced in greenfield release areas.

The graph below shows the dramatic decline in dwelling production since 2003/04 and shows the contributing share of greenfield development slump to unprecedented lows:



Source: Metropolitan Development Program, 2008/09

The development industry believes this sustained and dramatic decline in dwelling production to be the result of a number of key factors:

- a lack of certainty in the planning and rezoning processes has discouraged investment from developers in new greenfield sites – the problems associated with Catherine Hill Bay and Huntlee are but two examples of Government assessment processes that have stalled and even discouraged investment in the region;
- a lack of coordination from infrastructure and service agencies has resulted in rezoned land being significantly delayed, with associated holding costs impacting the viability of projects;
- a lack of transparency from infrastructure agencies as to their capital works programs has meant that developers are effectively 'in the dark' as to where public investment will occur to meet housing demand;

- the absence of an Urban Development Program to monitor regional housing supply and future dwelling production has meant that there is not a clear picture for either the public or private sector on how the market is performing, and where and when infrastructure will be provided to facilitate development;
- no Government agency has responsibility for delivering housing outcomes, which results in developers having to negotiate with agencies and councils without the confidence that their project will proceed because it is consistent with the Regional Strategy;
- a lack of certainty around development contributions, both at a state and local level has meant that developers cannot invest in projects with the confidence that costs will not escalate and compromise the viability of the development; and
- the overzealous conservation requirements placed on land identified for future urban use has impacted development yields and made potential projects unviable.

FUTURE LAND SUPPLY

The Lower Hunter Regional Strategy claims that *“sufficient release area land has been identified in the Strategy to supply 69,000 dwellings (60 per cent of total dwellings required).”* The Strategy further declares that, *“There is currently active planning underway toward release and development of at least half of this potential supply.”*

The Regional Strategy identified as a key action for housing that the Department of Planning *“Implement an Urban Development Program to monitor housing supply and demand, including the quality of planning and development, and coordinate the staged release of new release areas, infrastructure and human services.”* The Strategy was released in 2006, yet the Urban Development Program (UDP) has yet to produce any public information to suggest that this work has been completed, or is underway.

By way of comparison, the Illawarra UDP Update was released in 2010, and provides a relatively comprehensive picture of past, current and future housing supply in the Region. The image below from the UDP shows the benchmarks that have been established for land supply, and performance against these targets:

Stage	1 Strategy	2 Rezoning	3 Servicing	4 Subdividing	5 Sale
	<ul style="list-style-type: none"> • Area included in Illawarra Regional Strategy or endorsed local strategy 	<ul style="list-style-type: none"> • Planning of land uses, excluding areas not developable • Infrastructure contributions 	<ul style="list-style-type: none"> • Extension of trunk network of water, sewer and power* • Sequencing and servicing plans 	<ul style="list-style-type: none"> • Approval of application • Construction of works • Title registration 	<ul style="list-style-type: none"> • Marketing of land to builders and home purchasers
Supply Year Benchmark	15 years	8 years	7.3 years	No benchmark	No benchmark
Lot Benchmark	11,400 lots	6,080 lots	5,548 lots		
Current Status	31,622	13,272*	5,972	NA	NA
Lead Responsibility	NSW Government	NSW Govt and councils	Utility & developers	Councils & developers	Developers

The Sydney Metropolitan Development Program 2008/09 (MDP), released in April 2010, provides a sub-section in the Report about the Lower Hunter region. The MDP provides the following estimates of land supply in the Lower Hunter:

NSW Gov – Metropolitan Development Program 2008/09 Lower Hunter Greenfield Release Areas – Zoning and Servicing Timetable				
	Zoned and Serviced	Zoned and Serviced Next 5 Years	Zoned and Serviced Beyond 5 Years	Total Potential
Cessnock	730	11,920	8,150	20,800
Lake Macquarie	6,057	8,179	4,593	18,829
Maitland	3,198	3,100	10,945	17,243
Newcastle	1,437	0	4,750	6,187
Port Stephens	1,378	2,362	7,250	10,990
Lower Hunter Total	12,800	30,311	30,938	74,049

UDIA NSW strongly believes that these figures mask the extent of the problems with housing delivery in the Lower Hunter. The figures in the MDP reveal a fundamental disconnect between what on paper looks like a healthy dwelling supply pipeline, and the simple fact that the Lower Hunter is undersupplying the market by 3,000 homes per annum, year on year.

One of the fundamental misconceptions of policy makers is that land identified for urban use will result in a commensurate number of dwellings on the ground. The Regional Strategy assumes that because 69,000 new residential lots have been identified, that following the rezoning and approval processes, 69,000 new homes will be built. The reality is quite different.

The following case study shows the impact on development yield from the layers of conservation requirements placed on a site at rezoning and DA stages:

Case Study Northlakes Residential Estate, Cameron Park					
<ul style="list-style-type: none"> ▪ Total Site Area: 324ha ▪ Estate forms part of the Northlakes Urban Release Area (NURA) and was identified to cater for future urban growth in Lake Macquarie in 1990. ▪ Intensive investigations over 6 years culminated in a rezoning in 1996 which allowed for 198ha of residential 2(a), with remaining uses predominantly environmental protection and open space. ▪ Post rezoning masterplanning determined a residential yield of 1800 lots. ▪ This yield was reduced significantly through the DA process – due principally to riparian corridors determined by the relevant NSW Government Department. ▪ Subsequently, total residential yield for the entire site will only be 1500 lots. 					
	Area (Ha)	Rezoning Lot Yield	Rezoning Lots per Ha	DA Lot Yield	DA Lots per Ha
Overall Site	324	1800	5.5	1500	4.6
Area Zoned Residential	198	1800	9.0	1500	7.5

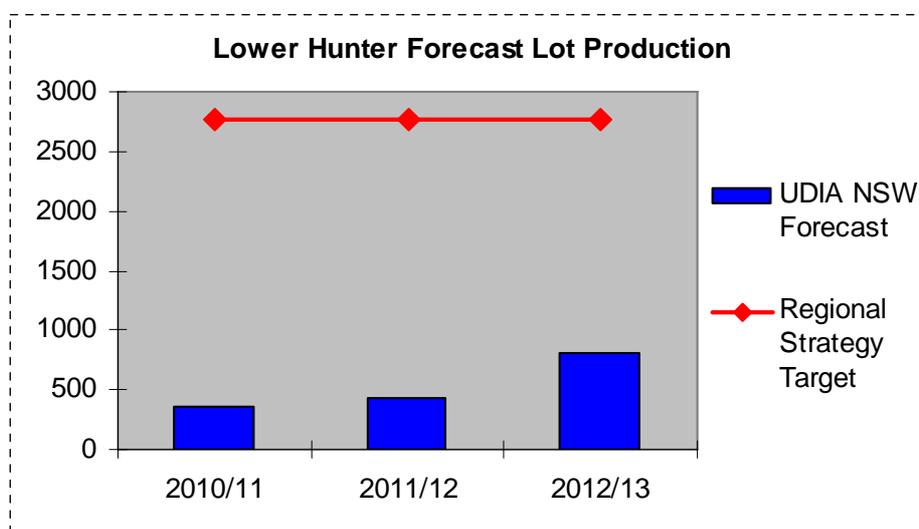
The Case Study highlights the need for direct industry involvement in the preparation and monitoring of the Hunter Urban Development Program. If inflated figures are being used to justify infrastructure investment, then agencies will become reticent to program capital programs that result in under-utilisation of assets for long periods of time. Similarly, if the figures provided in the UDP are not reliable, or no figures are provided at all, which is currently the case, the development industry cannot invest in new release areas with the confidence that projects will be serviced in a timely and cost effective way.

In the absence of greenfield lot production forecasts from the NSW Government, the UDIA NSW Hunter Chapter has prepared its own forecast, based on industry knowledge and awareness of current and likely market conditions over the next three years. The figures are provided below:

UDIA NSW FORECAST GREENFIELD LOT PRODUCTION				
	2010/11	2011/12	2012/13	Three year total
Maitland	310	310	310	930
Cessnock	0	30	110	140
Lake Macquarie	0	40	330	370
Newcastle	50	50	50	150
Port Stephens	0	0	0	0
Total	360	430	800	1590

The analysis undertaken by the UDIA NSW Hunter Chapter Committee shows that only 360 lots are forecast to be developed in 2010/11, from a total of only seven release areas. These numbers increase gradually in 2011/12 as three more release areas come online, to a total of 800 lots in 2012/13, from 15 active release areas.

The image below shows the contrast between the UDIA NSW forecasts, and what is required from new release areas to meet the production targets in the Lower Hunter Regional Strategy:



The fact that in 2010/11 only 7 release areas will be producing greenfield residential lots is a very poor reflection of the coordination processes employed by the Government to ensure that housing delivery happens in the Lower Hunter. A complete change in focus is required to lift housing delivery to an issue of high priority within State and local Government.

While it is acknowledged that infill sites have been producing a higher proportion of the Region's housing than was foreshadowed in the Regional Strategy, dwelling production in these areas has not come close to meeting the Strategy targets, and cannot be relied upon to avoid direct action to address the issues with greenfield release areas.

CONCLUSION AND RECOMMENDATIONS

This Report reveals the dire state of the new housing market in the Lower Hunter. On the evidence available, the chronic undersupply of housing is the direct result of a failure from Government to provide an attractive and stable environment for investment, and to ensure that private investment in greenfield release areas will be matched by timely and cost effective investment in public infrastructure.

A complete change in focus is required from the NSW Government and Local Councils to address these issues. The Lower Hunter will continue to grow as a major regional centre for resource investment and manufacturing, creating demand for housing. If the Government does not seek to address the housing shortfall that is growing in the region, housing affordability will deteriorate significantly, and will impact on the economic productivity of the Hunter, as people are priced out of the housing options available to them.

UDIA NSW provides the following recommendations for the consideration of policy makers to address the Lower Hunter's housing supply challenges:

RECOMMENDATIONS

1. The Department of Planning must undertake an immediate and thorough review of the Lower Hunter Regional Strategy on account of significantly lower housing production.
2. The NSW Department of Planning immediately reinvigorate the Hunter Urban Development Program (UDP) with direct involvement from key stakeholders in the urban development industry. The UDP be publicly released on an annual basis and continually monitored and updated to provide a realistic picture of the current and future state of housing supply in the Lower Hunter.
3. The Hunter Urban Development Program be used as the principal evidence basis for infrastructure investment in the Lower Hunter.
4. As an immediate priority, Hunter Water Corporation produce publicly accessible short and medium capital works programs for its water and sewer infrastructure investment that are directly linked to forecasts provided in the Hunter Urban Development Program.
5. As a medium term priority, UDIA NSW recommends that all relevant infrastructure and service agencies be required to produce Growth Servicing Plans or a similar program to provide a clear and transparent program of infrastructure investment and delivery that is linked to the Regional Strategy and Urban Development Program.

Acknowledgements

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