

11 March 2022

Lucy Larkins
Senior Strategic Planner
Central Coast Council
2 Hely Street
Wyong NSW 2259

By email: Lucy.Larkins@centralcoast.nsw.gov.au

Dear Lucy,

RE: Central Coast Local Housing Strategy – Discussion Paper

The Urban Development Institute of Australia NSW (UDIA) is the peak industry body representing the leading participants in urban development in NSW. Our more than 450 member companies span all facets of the industry from developers, consultants, local government and state agencies and we are proud to count Central Coast Council (Council) as a valued member. UDIA advocates for the creation of Liveable, Affordable and Connected Smart Cities, with our local focus on housing, jobs, infrastructure and sustainability for the Central Coast.

UDIA is pleased to offer our comments on the *Central Coast Local Housing Strategy – Discussion Paper* (Discussion Paper) currently on exhibition. We are grateful for the extension in time to provide our input.

UDIA is always encouraged to see Council undertaking strategic analyses to understand and plan for the needs of the local community. The Discussion Paper is backed by an extensive draft “Existing conditions report” (Report) prepared in September 2021 by HillPDA. The Report does accurately summarise many of the current key issues for housing supply on the Central Coast; however, we note the scope and severity of several of these issues have been exacerbated by recent changes to housing market conditions which are not fully captured in the Report or the Discussion Paper.

We note that the Discussion Paper’s exhibition coincides with the exhibition of the *draft Central Coast Regional Plan 2041* (draft CCRP). The final CCRP 2041 may result in significant changes to the Central Coast Regional Plan which could impact on the underlying assumptions used to develop a Local Housing Strategy. We encourage Council to revisit those assumptions as the final Local Housing Strategy is developed.

In the meantime, the Discussion Paper poses important questions, and we are pleased to offer background information as well as direct responses to the questions to assist Council in updating its understanding of the residential development pipeline and industry views on the Central Coast.

UDIA welcomes ongoing consultation as Council progresses its planning for local housing and other strategic considerations and we would like to assist wherever possible.

Background

UDIA is always encouraged to see Council undertaking strategic analyses to understand and plan for the needs of the local community. In this instance, we are concerned that Council may not have a realistic appreciation of current housing market conditions on the Central Coast and may be unsuitably relying on old data that does not reflect the significant increase in demand experienced over the past two years locally.

The Discussion Paper relies on a draft Existing Conditions Report prepared by HillPDA in September 2021. The Report and the Discussion Paper are built around assumptions from the adopted *Central Coast Regional Plan 2036*, but Council's exhibition of the Discussion Paper coincides with the Department of Planning and Environment's (DPE) exhibition of the *draft Central Coast Regional Plan 2041* which will significantly revise the current Central Coast Regional Plan once finalised. This makes it difficult to respond meaningfully to the Discussion Paper.

Nonetheless, we commend Council for undertaking the baseline work involved to produce the Discussion Paper and we appreciate the opportunity to respond to the series of questions it poses. We note that UDIA has made a submission to the draft CCRP which we encourage Council to read. That submission can be found on our website at this [link](#).

We do agree with the key issues identified in the Report, most notably the Report's Top Housing Issues #1 and 2:

1. ***Continuing rapid population growth is placing pressure on the housing market. The Central Coast LGA population grew by approximately 20,448 residents in the decade to 2020. DPIE estimates that this growth will accelerate to an average of 4,000 additional residents per annum between 2021 and 2036.***
2. ***Recent housing growth in the LGA has not kept pace with demand or projected housing need, potentially creating a shortfall in housing supply. This has likely been exacerbated through additional migration to the LGA during the COVID-19 Pandemic. Developers have cited a lack of land, environmental constraints and slow approval processes as factors contributing to a stifled housing supply.***

UDIA's own research and our members' experience on the ground fully support these statements.

Throughout the Central Coast, demand for housing has increased to unprecedented levels in recent years. Developers report long wait lists for any new housing and almost every development industry consultant in the region is currently reporting a high level of enquiries and overflowing workloads. Higher demand for housing is attributed not only to low interest rates and government incentives, but also to trends responding to the pandemic, with migration away from Sydney's higher density and house prices, looking to move to the Central Coast for more affordable lifestyle and space. Sydney's outward migration was confirmed in our UDIA/URBIS Home Purchaser Sentiment Survey 2021¹, where 33% of Sydney respondents indicated an interest in moving outward, whether to outer suburbs or to the regions.

Recent improved connectivity out of Sydney via the NorthConnex project and M1 improvements have made the Central Coast even more attractive, not only for housing but also for employment land. Fresh market activity, such as \$120 million in sales for employment land at Jilliby², \$18.5 million sale for 20 ha of undeveloped industrial land in Halloran³ and other sales indicate that employment land is in high demand on

¹ UDIA 2021. [UDIA/URBIS Home Purchaser Sentiment Survey 2021](#)

² AFR 2022. [Winarch makes \\$120m flipping Central Coast industrial site](#)

³ RealCommercial 2022. [147 Mountain Road, Halloran, NSW 2259 - Industrial & Warehouse Property For Sale](#)

the Coast. This should be seen as an indicator of potential jobs growth in the region, requiring more housing to keep pace with increased demand as a result.

In response to high housing demand over the past two years, developers have sought to increase production where possible, bringing forward planned stages to deliver more dwellings to the market sooner. Unfortunately, resource issues at Central Coast Council have prevented approvals from converting to target completion numbers in a timely way, and approvals themselves are slowing.

As a result, the Central Coast is falling behind on meeting its supply needs, as judged by market indicators of demand. Housing affordability has eroded on the Central Coast at a faster pace than in Sydney. We are now seeing clear signs of housing stress on the Coast not seen before, that are worse than what we are seeing in Sydney. Residential vacancy rates are at less than 1% compared to Greater Sydney at 2.1%.⁴ House value growth⁵ and rental price growth⁶ have risen higher than Greater Sydney as well.

In short, prolonged baseline demand has consumed much of the available short term housing pipeline and has exacerbated housing affordability issues on the Coast. A large proportion of the greenfield residential development projects in the remaining pipeline are constrained, by enabling infrastructure or biodiversity issues and cannot be relied upon for supply unless those constraints are resolved. Likewise, approved high density projects are not converting to supply quickly for myriad reasons, including infrastructure and finance issues. The Report highlights this point in Top Housing Issue #9:

9. ***Maintaining a long term supply of zoned and serviced residential land may require new opportunities for housing development to be identified.*** *Reviewing the planning controls near key centres could encourage housing development in areas with high amenity and good access to jobs and services. Remnant large lot areas near newer centres could be investigated for future development. Removing constraints from already zoned land that has not progressed to development may also provide additional potential for dwellings. Planning controls that encourage dual occupancy and secondary dwellings, can allow these housing forms to contribute to the housing market, while maintaining the low density character of much of the LGA. Containing housing growth within the current urban area can minimise environmental risks and protect rural and environmental land from the impacts of urban development, but there are few opportunities for new release areas to the east of the Motorway, suggesting a clear strategy is needed to guide the future planning of housing.*

The Report further states:

...analysis suggests that there is adequate zoned land supply in the Central Coast to meet short and medium term demand. However, this will require the substantial supply of land that is currently zoned and available for medium and high density development, to be taken up in the market. This supply has existed for some time, yet there has been little take up to date. Strategies to incentivise development in key locations would assist in enabling this potential to be realised. Improved take up of housing development opportunities within the established urban area would then go some way to relieving pressure on the need for additional residential land to be released, allowing the current urban footprint to be maintained and avoiding the need to expand to the west of the M1 motorway. This must be qualified, as some stakeholders have indicated that the housing potential in existing greenfield release areas is overstated as it does not accurately consider the impact of environmental constraints.” (p12)

⁴ [SQM Research 2022.](#)

⁵ [CoreLogic 2021](#)

⁶ [CoreLogic 2021](#)

We concur with the Report's analysis that existing zoned land cannot be relied upon to deliver the supply called for in the Regional Plan. This is largely because of constraints due to lack of enabling infrastructure, and biodiversity issues. We believe that the combination of constraints on existing zoned land plus accelerating demand will mean new development areas, including west of the M1, should be considered sooner. With a major transport asset like the M1, it does not make sense to have communities only positioned to the east and it is wise to start planning now for this growth.

Our UDIA Building Blocks Report – Central Coast⁷ outlines the constraints to delivering existing zoned land, which has led to the undersupply currently being experienced. Chronic undersupply of housing on the Central Coast will put continuing increased upward pressure on local house prices, just as the NSW Government is looking to the Coast to supply housing that is relatively affordable within the Sydney Megaregion, soon to be measured under the new Greater Cities Commission (GCC).

UDIA is strongly supportive of thinking about the housing supply pipeline not just in terms of zoned land, but also in terms of its viability to supply the market, i.e., measuring the supply of *development ready land*. A much more realistic way to consider the supply pipeline is to include the status of servicing/infrastructure provision as well as biodiversity arrangements on each parcel of zoned land. We strongly recommend that Council adopt this definition and measure supply in terms of dwellings that are *approved and fully serviced with biodiversity arrangements in place*.

UDIA research partner Research4 has shown that to keep prices affordable a housing market must have double the capacity of development ready land compared to current demand. This capacity contingency allows developers to quickly meet demand with development ready supply, keeping prices stable. The lag time in developing new housing supply means that, unless the housing market is primed now with strategies to support supply that can quickly match a change in demand, we will see increasingly chronic affordability issues on the Central Coast. As we have witnessed locally in the past two years, prices will rise sharply in times of high demand without this contingency supply buffer.

The draft CCRP has proposed a new framework to better plan for new housing areas by creating an Urban Development Program (UDP) for the Central Coast and working to better align infrastructure and servicing needs early in the planning process. UDIA is strongly supportive of creating a UDP and we are encouraged by the new approach to planning suggested in the draft CCRP. We look forward to working closely with Council, DPE and other stakeholders to finalise those details and work together on the future UDP.

There are some unique challenges presented in the Central Coast given the severe financial and resourcing constraints currently facing Council. It took several years since amalgamation for Council to produce a bare-minimum consolidated LEP that leaves important issues still unresolved. It is encouraging that the consolidated LEP is now with DPE for endorsement and should be determined soon, but then Council has a big job to comprehensively revise its LEP to align with updated strategic plans. Industry is frustrated by the slow progress on the LEP, which makes it difficult to progress development projects. We have recommended to DPE that it provide resources to assist in delivering a new Central Coast LEP.

We are aware that Council's severe financial situation means that they are unwilling to accept new assets on their balance sheet, due to the impacts of depreciation and maintenance for accounting profit and loss. This is a very difficult situation, which we are told is likely to be the case for many years. An alternative solution to delivering local infrastructure must be found if local housing is to meet the needs of the community.

⁷ UDIA 2021. [UDIA Building Blocks – Central Coast](#)

With Australia's borders reopening, demand for new housing is expected to continue to grow throughout the Megaregion, and the NSW Government is looking to the Central Coast as a critical player in supplying the new housing and jobs needed. Unfortunately, unless Council makes major changes to better support delivery of supply, the Coast will fall short of being able to provide the housing needed to support its growing population.

UDIA would like to work with Council as it progresses its Local Housing Strategy to ensure the region has an adequate supply buffer of diverse, development ready housing areas that are approved and fully serviced with biodiversity arrangements in place.

Supply should be measured in terms of dwellings that are approved and fully serviced with biodiversity arrangements in place. Council should plan for 100% supply contingency to keep downward pressure on affordability.

UDIA offers the following responses to the Questions proposed in the Discussion Paper.

1. *Should Council require some apartments to be developed as accessible dwellings (suited to older people and people with a disability)?*

The failure to provide enough seniors housing must be addressed to meet the growing need and current undersupply of seniors housing.

UDIA believes that formal requirements are not necessary to achieve this aim. The market will respond with suitable housing if planning controls allow for the necessary flexibility.

Council should be aware that any requirements on individual dwellings would have the potential to increase costs through larger apartment sizes due to increases in circulation area and bathroom sizes. Those decisions should be left to the market.

There is a strong list of developers ready to meet the high demand for seniors housing on the Central Coast. However, they are frustrated by the lack of adequate land under the existing LEP that limits availability through zoning and other constraints.

Seniors living would benefit from special consideration by the UDP to determine how to accelerate delivery of more seniors housing. If alternative, suitable retirement living lands are found, this could free up the 43,000 larger homes occupied by 80+ year-olds forecast for the Central Coast through to 2041, allowing families to use family homes and providing seniors dedicated housing designed for the needs of their age group, with extended family and friends living nearby.

We note our members report that demand from local seniors seems to favour villa-style accommodation over medium to high rise apartment living. Greater emphasis could be placed on releasing land within communities to cater for seniors with 'specific to age' housing in areas adjacent to where they have lived.

2. *What should Council do to facilitate the provision of more affordable housing?*

Firstly, Council should facilitate the delivery of adequate market housing supply to put downward pressure on affordability overall.

- Council should prioritise resourcing to its planning and assessment functions to support timely approvals and construction.
- Council should appropriately balance environmental, social and economic considerations to ensure adequate housing supply.
- Council should deliver local infrastructure including roads, water and sewer that will unlock residential supply.
- Council should review its planning controls and other policies to ensure they support adequate housing supply. As an example, one typology that is in high demand with lower income residents as well as seniors is manufactured home estates (MHE). Council policies currently prevent the construction of manufactured homes onsite and this is impacting on the delivery of these projects. Council seems to be an outlier in preventing onsite construction, which is a disincentive to supply.

Second, Council should consider utilising Council-owned land to deliver affordable housing in partnership with Community Housing Providers, and to work with Land and Housing Corporation (LAHC) to review their portfolio on where more density could be achieved locally. We discourage Council from imposing any new or more stringent design requirements on affordable housing, which will significantly impact on development feasibility. This is an extremely important consideration for affordable housing developments, where the capacity to pass on price increases to purchasers does not exist.

Third, Council should work with the development industry to provide incentives to deliver more affordable housing across the LGA. Council should consider allowing boarding houses and co-operative living in the R2 zone.

3. *Should Council encourage the redevelopment of more medium density dwellings, including townhouses and retrofitting secondary dwellings?*

UDIA supports the provision of more medium density dwellings throughout the LGA. More flexible planning controls, including smaller lot sizes can support higher density in greenfield areas. Council must also deliver timely local infrastructure to support increased density.

4. *As working from home becomes more common, do we need to design our homes differently to provide workspaces, or are our existing dwellings adequate?*

Whilst it is an interesting question, UDIA sees no role for Council here; the private sector is already providing an appropriate response to this question as new dwellings are designed to meet this demand. The NSW Productivity Commission notes that where purchasers can see an aspect of what they are buying, then there is a “strong case for these issues to be left primarily as matters of consumer choice.”⁸ New controls that are not supported by market demand, would merely increase dwelling size and costs, decreasing affordability.

5. *Which areas do you think are well suited to additional housing? Which centres do you think are suitable for higher density housing?*

We agree with the draft CCRP which identifies Gosford CBD, Tuggerah, Wyong, Greater Warnervale and Greater Lake Munmorah, plus other potential growth areas are well suited to additional housing. We also agree with the draft CCRP that higher density infill areas are likely in Umina, Woy Woy, Avoca, Terrigal, Erina, Narara, East Gosford and Karagi. We note that the CCRP may have overlooked opportunities for greater density in West Gosford, east of the shopping centre and Erina Valley.

We would ask, has Council assessed the capacity of infrastructure (i.e, roads, water, sewer, open space) to meet increased demands as existing areas densify? Such an assessment should underpin consideration of where to focus increased density.

The draft CCRP identifies that the Watagan District, which includes land west of the M1 motorway, “*should be protected should new development fronts be required*” in the future. UDIA supports the draft CCRP’s commitment to develop a place strategy for Central Coast Plateau to ensure future decisions are informed by comprehensive data and information.

⁸ NSW Productivity Commission 2021. [Productivity Commission Green Paper](#) p236

UDIA believes that the Central Coast has vast potential for growth. It seems inevitable that the area west of the M1 will play a role in supporting that growth. With a major transport asset like the M1, it does not make sense to have communities only positioned to the east and it is wise to start planning now for this growth. UDIA looks forward to engaging with Council, DPE and stakeholders through the UDP and place strategy process to investigate those opportunities.

6. Do you agree with the housing vision outlined in Council's LSPS?

The housing vision in the LSPS states:

By 2036, [the Central Coast] will have a diversity and choice of housing types and sizes to accommodate the growing community. Housing areas that are well connected to local jobs and social infrastructure will become desirable and competitive, pushing up housing densities to accommodate the market. Take up will be focused in the centres with existing zoning capacity, helping them to become more vibrant and better serving to the surrounding communities. Our housing provision will have occurred in an equitable manner that ensures all communities remain connected to transport, services and employment.

Overall, we agree with the vision which is quite positive; however, given the current undersupply and ongoing constraints to delivering zoned land, we are not confident in the Central Coast's ability to achieve the vision. We recommend that Council approach the NSW Government for assistance in being able to adequately deliver infrastructure and approvals to support the growing housing demand.

We do not consider that the LSPS accurately reflects the increasing demand for housing on the Central Coast, which we believe will require the Central Coast to add to its existing zoned capacity even as density may also increase. To keep downward pressure on affordability, Council should build in a 100% contingency for development ready land compared to market demand. This capacity contingency would allow developers to quickly meet demand with development ready supply, keeping prices more stable. The lag time in developing new housing supply means that, unless the housing market is primed now with strategies to support supply that can quickly match a change in demand, we will see increasingly chronic affordability issues on the Central Coast. As we have witnessed locally in the past two years, prices will rise sharply in times of high demand without this contingency supply buffer.

7. What types of housing do you think will be most beneficial to the wider community? What can be done to ensure that housing is sustainable?

UDIA believes that all forms of housing are beneficial and have an important role to play in creating a diverse community. Developers will respond to market demand if Council's planning controls are flexible to permit it.

UDIA NSW recognises and supports the NSW Government's pathway to NetZero. Our members are leaders in providing energy and water efficient developments that benefit residents and the broader community alike. Increased environmental standards when introduced will have an immediate impact on the cost of delivering new homes and must be worn by either the developer or new home buyer. Therefore, it is crucial that Council and the NSW Government work with industry to establish a pathway forward on this agenda, to enable a staged approach which delivers improved outcomes and a more timely and efficient manner, without negatively impacting on housing supply and delivery.

8. Should housing development be contained to the existing urban area to protect land for agriculture and to maintain the scenic qualities for the Central Coast, or should we allow the urban area to expand into the rural area?

This question has already been resolved in the draft CCRP which sets out a framework to guide the roll out of housing for the next 20 years.

In particular, the draft CCRP identifies that the Watagan District, which includes rural land west of the M1 motorway “should be protected should new development fronts be required” in the future. See our related comments under Question #5 above.

9. *How can we better balance the challenges of the Central Coast’s growing population whilst at the same time protecting the natural environment and neighbourhood character of our existing residential areas?*

UDIA believes that delivering a healthy pipeline of development ready land requires biodiversity issues to be resolved in a way that protects and enhances the biodiversity of the Central Coast. Biodiversity issues should be resolved early in the planning process, and more certainty should be provided for development throughout the process.

We strongly support DPE’s Central Coast strategic conservation planning program and we are strongly recommending to DPE that this work be accelerated to provide more certainty for landowners and industry.

In the meantime, for most of the Central Coast’s identified urban development areas, biodiversity assessment is on a site-by-site basis under the Biodiversity Conservation Act (BC Act), Koala SEPP and any local council policies.

UDIA commissioned a report⁹ last year by the ecology firm EMM to attempt to understand the quantum of biodiversity offset requirements across the residential and employment zoned land in the Central Coast and Hunter, and to then calculate the cost for meeting biodiversity offset requirements for the development of that land. EMM estimated a total ecosystem offset cost of \$327 million for development across the Central Coast region.

UDIA and EMM showed that the current biodiversity offset system is holding back the supply of homes and failing to deliver good biodiversity outcomes. Resolving biodiversity issues is becoming increasingly difficult under the Biodiversity Conservation Act 2016 (BC Act) and biodiversity is a major constraint to the development pipeline in the Central Coast.

We believe that biodiversity issues should be addressed early in the planning process. We recommend that the issue of “avoidance” of areas of high biodiversity value, and addressing Serious and Irreversible Impacts (SII), should be dealt with up front during the rezoning phase. Once addressed during rezoning, the question of “avoidance” must be turned off for development purposes and “avoid” should not be re-opened during the development assessment stage (except to address any new SII findings). The only issue to be addressed during the assessment stage should be minimising and offsetting.

Importantly, UDIA also believes that new or updated threatened species mapping, e.g., for swift parrot, should not be used as a determinant that SII exists on a site. Rather, the maps should only be used as the trigger for the SII assessment.

⁹ EMM 2021. [Issues paper on the NSW Biodiversity Offsets Scheme](#)

In our recent UDIA NSW Pre-Budget Submission, we have recommended several steps the NSW Government should take to address biodiversity constraints, including establishing a Biodiversity Offset Bank and investing in faster strategic conservation planning for the Central Coast. Ultimately, the governments must take a more strategic approach to deliver the Coast's biodiversity, economic and social needs and UDIA is keen to work collaboratively with Council and DPE to achieve better outcomes.

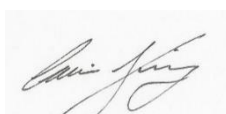
Conclusion

UDIA would like to work collaboratively with Council as you progress the Local Housing Strategy. Should you have any questions or wish to arrange a meeting for further discussion, please contact UDIA Regional Manager Elizabeth York at eyork@udiansw.com.au or 0434 914 901.

Kind Regards,



Steve Mann
Chief Executive
UDIA NSW



Caine King
Chairman
UDIA NSW Central Coast Chapter