

29 April 2024

Tim Crosdale
General Manager
Port Stephens Council
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Raymond Terrace NSW 2324

via email: housing@portstephens.nsw.gov.au

RE: File Number PSC2023-03961-0002 – Draft Local Housing Strategy

Dear Tim,

The Urban Development Institute of Australia NSW (UDIA) is the peak industry body representing the leading participants in urban development across NSW through our over 450 member organisations. UDIA's members are developers, consultants and councils, and we are proud to count Port Stephens Council (Council) as a valued member.

We appreciate the opportunity to provide feedback on the Draft Port Stephens Local Housing Strategy (Draft Strategy).

As a key stakeholder and representative of the industry that will deliver outcomes under the Local Housing Strategy, UDIA appreciates the stakeholder engagement and effort behind the Draft Strategy. The Draft Local Housing Strategy provides a useful assessment on the housing situation, and we commend Council for appropriately identifying the main housing challenges facing Port Stephens, including faster-than-projected population growth, general undersupply across typologies, high prices, lack of transport, environmental issues (flood and bushfire risk, biodiversity and drinking water catchments), heritage, aircraft noise, agricultural land preservation and low market incentives to invest in the local government area (LGA).

These are difficult challenges. UDIA aims to work constructively with Council to address the challenges and deliver the housing supply needed in the Port Stephens LGA.

In that spirit, we offer the following recommendations to strengthen the Draft Strategy in order to meet its objectives. Our submission provides further details.

UDIA recommends:

- 1. Identify areas that can deliver in excess of the dwelling target of 11,100 homes in order to place downward pressure on housing affordability and in recognition that a) not all identified sites will be developed, and b) NSW Government is expected to release a new target this year that could be higher.**
- 2. Place the identified development sites within the supply pipeline categories identified by DPHI's 'Housing Supply Pipeline Audit: Technical Note' to ensure an ongoing development supply pipeline and to ensure consistency with the approach taken by the NSW Government.**
- 3. Revise dwelling densities for greenfield development down from 45d/ha and 30d/ha to 15d/ha consistent with the *Greater Newcastle Metropolitan Plan*, market preference and deliverability.**
- 4. Revise dwelling densities for infill development down from 100d/ha in the Raymond Terrace Town Centre in recognition of some of the significant constraints, such as heritage.**
- 5. To provide confidence to industry and support investment, obtain in-principle support from the NSW Department of Planning, Housing and Infrastructure that the Strategy will be endorsed. In-principle support should be confirmed prior to reporting the Draft Strategy to Council post-exhibition.**
- 6. Establish a local Urban Development Program (UDP) made up of council, government and industry representatives, which meets on a quarterly basis to update the Housing Supply Plan.**

Summary

UDIA would support a Local Housing Strategy that:

1. identifies land in excess of the dwelling target,
2. maps land that is identified as being required,
3. is endorsed by Council and the NSW Department of Planning, Housing and Infrastructure, and
4. is developed in consultation with the development industry (housing providers).

In the *Hunter Regional Plan 2041* (HRP2041) released in 2022, the NSW Government identified that Port Stephens will need an additional 11,100 dwellings to accommodate population growth over the next 20 years. In accordance with the SGS Economics & Planning, October 2019, 'Housing Preferences in Port Stephens' report, 75% of the dwelling target is to be greenfield and 25% is to be infill. UDIA commends Council for the industry consultation to date and we were grateful for the opportunity to assist with the mapping of future dwelling locations.

However, we are concerned the Draft Port Stephens Local Housing Strategy (Draft Strategy) only identifies areas to achieve 7,100 dwellings which is a 4,000-dwelling shortfall below the HRP2041 target of 11,100. We caution it is widely expected that NSW Government will soon be releasing updated dwelling targets for all local government areas, and the Port Stephens target may very well be adjusted higher than the 11,100 cited.

UDIA further contends the identified shortfall is likely to be even greater because of the unlikelihood of achieving the dwelling density expectations that the Draft Strategy assumes for the identified areas.

UDIA member experience in Port Stephens and neighbouring LGAs shows that the Draft Strategy's assumption of 45 dwellings per hectare (d/ha) for greenfield sites and 100d/ha for the Raymond Terrace Town Centre are extremely unlikely to be achievable. These very high-density dwelling targets are significantly out of step with the 7.6d/ha currently being achieved in Port Stephens greenfield areas generally and are also inconsistent with the existing character of Raymond Terrace specifically.

UDIA is concerned that the Draft Strategy does not adequately address how to achieve the HRP2041 target of 11,100 dwellings. This could mean Port Stephens loses out on the investment that comes from housing starts. This will only contribute to the NSW housing crisis, which is already evidenced locally by increased homelessness and housing unaffordability across Port Stephens.

To deliver the housing needed, UDIA urges Council to amend the Draft Strategy to incorporate our recommendations to identify further supply; categorise the supply pipeline; revise density assumptions; obtain DPHI endorsement; and establish a local UDP. These recommendations are detailed below.

Supply

To enable targets to be met, the Draft Strategy should identify areas not only to meet, but also to exceed the dwelling target of 11,100 new homes by 2041. This is to accommodate two important considerations:

1. A contingency factor is needed in recognition that expected yield rarely translates directly to final yield.
2. NSW Government will soon be releasing updated dwelling targets for all LGAs, and these are expected to be higher across the board. Council should ensure the Local Housing Strategy can be readily updated to adjust to the new dwelling target, so it is not misaligned with NSW Government direction before it is implemented.

The Draft Strategy should reflect the *Hunter Regional Plan 2041* statement, that planning needs to allow "for a contingency (i.e., additional dwellings)... to account for the likely reduction in overall yield as sites are subject to more detailed assessment that refine the developable area."

The *Hunter Regional Plan 2041* recognises that dwelling capacity does not directly translate into delivered homes. This is due to many factors that can erode or even completely derail a development project's viability throughout the planning and delivery process. This process of reduction in developable yield is described by Mecone as the 'the development funnel'.

The Draft Strategy only identifies sites with capacity to deliver 7,100 (instead of 11,100) dwellings. UDIA urges Council to identify development areas that can deliver over and above the 11,100 target. To assist, in this submission UDIA has provided details of areas for an additional 8,145 homes.

Locations that could provide additional housing include:

- a. Kings Hill – Potential for an additional 2,800 homes (ATTACHMENT 1),
- b. Wallalong – Potential for over 4,000 homes (ATTACHMENT 2),
- c. Medowie – Potential for an additional 823 homes (ATTACHMENT 3),
- d. Karuah – Potential for an additional 220 homes (ATTACHMENT 4), and
- e. Raymond Terrace – Potential for an additional 302 homes (ATTACHMENT 5).

All Maps in the Draft Strategy should be updated to include a legend, scale bar, north arrow and place identifiers (i.e. street names), so they are clear to interpret.

If the locations listed above, and identified in Attachments 1–5, were included in the forecast figures, it would result in an additional 8,145 homes, which would fill the undersupply gap and provide a further contingency. UDIA views these contingency dwellings as an insurance policy to ensure Port Stephens is able to deliver enough dwelling supply to meet demand and keep prices affordable.

Recommendation:

#1 – Identify areas that can deliver in excess of the dwelling target of 11,100 homes in order to place downward pressure on housing affordability and in recognition that a) not all identified sites will be developed, and b) NSW Government is expected to release a new target this year that could be higher.

Categories / Tiers

Once enough areas have been identified to cater for the 11,100-dwelling target, then these sites need to be placed into the supply pipeline categories identified by the Department of Planning, Housing and Infrastructure, February 2024, 'Housing Supply Pipeline Audit: Technical Note – A step by step guide to preparing a Housing Supply Pipeline Audit'. Those categories are:

- Tier 1a – Development ready,
- Tier 1b – Short term zoned supply,
- Tier 2b – Zoned,
- Tier 3 – Under consideration for rezoning,

Tier 4 – Strategically identified, and
Tier 5 – Investigation areas

Zoned sites must be part of the dwelling projections, such as the entirety Kings Hill Urban Release Area (URA) and Raymond Terrace. An endorsed housing strategy that does not include zoned land significantly undermines business confidence to invest. The strategy must be an enabler for investment, rather than a disabler.

The Strategy must also identify sites that have already been identified through adopted strategies, such as: 1) The rural residential and long-term residential opportunities identified in the Medowie Strategy (p.89) (ATTACHMENT 3); and 2) land identified for housing must be consistent with the Karuah Place Plan (p.26) (ATTACHMENT 4).

Recommendation:

#2 – Place the identified development sites within the supply pipeline categories identified by DPHI’s ‘Housing Supply Pipeline Audit: Technical Note’ to ensure an ongoing development supply pipeline and to ensure consistency with the approach taken by the NSW Government.

Densities

As Council seeks to encourage higher density in Port Stephens, UDIA offers the following constructive comments aimed at enhancing deliverability.

Greenfield

Density targets beyond 15d/ha within greenfield locations are not realistic for a LGA on the periphery of a regional centre, such as the Port Stephens LGA. This is primarily because of constraints due to environmental and design limitations on the land in question.

This is demonstrated through the delivery of recent projects both in Port Stephens as well as the neighbouring LGA of Maitland. The Maitland LGA has been achieving a Gross Developable Area (GDA) of 8d/ha and Net Developable Area (NDA) of 9d/ha. The most recent greenfield developments located in Port Stephens LGA are listed in the table below. On average, these are similar to the density outcomes in Maitland LGA.

Development	GDA	NDA	Dwellings	GDA d/ha	NDA d/ha
Waterside Pastures	63	63	50	1	1
The Bower	127	58	406	3	7
The Gardens	21	19	213	10	11
Potters Ln	24	24	300	10	10
Henning Rd	8	7	75	7	7
48 Rees James Rd	6	6	19	3	3
The Iron Bark	30	12	113	4	9
Watermark Estate	13	9	102	8	11
Holdom Rd	6	5	44	7	9
Average				5.9	7.6
Tallowood	21	12	300	14	25
Average				6.7	9.3

Note: the NDA of 25d/ha at Tallowood is an outlier, being a seniors' living development at Medowie.

The above developments evidence what is achievable in Port Stephens for greenfield land development. We believe that the density expectations in the Draft Strategy for the following sites are unrealistic and must be revised downward to reflect the lower density that is achievable and expected given market preferences:

- Fullerton Cove (currently 45d/ha),
- Ferodale Road (currently 30d/ha), and
- The Timber Mill (currently 30d/ha).

We also note that the above densities are inconsistent with the desired character stated in the Draft Strategy. For example, in relation to Ferodale Road, the Draft Strategy states that 'In the future, residential character would be defined by a focus on detached and low-rise housing' (p.29). However, after 20d/ha, a necessary step change in design occurs from detached housing to courtyards, rear loaded garages, zero lot boundaries and community title. Therefore, calling for 30d/ha at Ferodale Road is inconsistent with the Draft Strategy's identified character for Ferodale Road.

Further to this, the Medowie Traffic and Transport Plan, which informed the Port Stephens Local Contributions Plan, was based on densities between 10-15d/ha. The Draft Strategy doubles this density yet does not demonstrate how this higher density would flow through to infrastructure and associated local contributions.

Raymond Terrace Infill

Industry feedback notes that the following are impediments to delivering infill development in Raymond Terrace. UDIA recommends addressing these issues as outlined and adjusting the Draft Strategy's 100d/ha target downwards to reflect these constraints.

Item	Issue	Recommendation
Raymond Terrace Heritage	The Raymond Terrace Heritage Conservation Area (HCA) is an impediment to the redevelopment of land in the town centre. It covers an area of the town centre that	Review the HCA, so that this land is provided with the

Conservation Area (HCA)	Council is seeking to encourage an intensification of residential accommodation.	greatest opportunity for redevelopment.
Council Ownership	<p>Council owns significant undeveloped parcels of land in the Raymond Terrace town centre.</p> <p>The Port Stephens Council, 2015, 'Raymond Terrace and Heatherbrae Strategy' identifies this Council owned land to be as follows:</p> <ul style="list-style-type: none"> • North side of King St – 8,000sqm • Raymond Terrace Sports Field Site – 35,000sqm • Bourke St Extension – 14,000sqm • Corner of Glenelg & Port Stephens St – 2,000sqm • Corner of Adelaide & William St – 12,000sqm 	<p>Council provide confidence to other landowners in the town centre by investing in the redevelopment of its own land portfolio.</p> <p>The Honeysuckle Project in Newcastle is an example of how an initial \$115M injection by Government through the Building Better Cities Program has generated economic impact of over \$2.1B.</p>
Consumer Demand	<p>The Draft Strategy identifies 100d/ha for the Raymond Terrace Town Centre.</p> <p>The Landcom, May 2011, 'Residential Density Guide' identifies that a step change occurs between 50d/ha to 60d/ha from a two-storey detached, zero lot, duplex and attached housing to apartments, which are greater than three storeys.</p>	The highest building in the Raymond Terrace town centre is two stories and so Council must be realistic about the potential for density in the town centre.
Zoning	<p>Land that is identified as the Raymond Terrace CBD (ATTACHMENT 5) that has been forecast for 960 lots is zoned a mixture of the following land-use zones:</p> <ul style="list-style-type: none"> • E1 – Local Centre (McDonalds), • E2 – Commercial Centre, • E3 – Productivity Support, • RE2 – Private Recreation (Bowling Club) • R2 – Low Density Residential, and • R3 – Medium Density Residential <p>Residential accommodation is not permissible within the zone E3 – Productivity Support and RE2 – Private Recreation; the McDonalds is unlikely to be redeveloped for housing within the life of the Draft Strategy; and the land zoned R2 – Low Density Residential along Hunter St is reflective of its regular inundation from flooding, so the zone seeks to not encourage intensification of housing.</p>	Adjust expectations based on zoning and site characteristics.

Recommendations:

#3 – Revise dwelling densities for greenfield development down from 45d/ha and 30d/ha to 15d/ha consistent with the *Greater Newcastle Metropolitan Plan*, market preference and deliverability.

#4 – Revise dwelling densities for infill development down from 100d/ha in the Raymond Terrace Town Centre in recognition of some of the significant constraints, such as heritage.

Endorsement

The Draft Strategy seeks to outline Council's expectations for new housing needs in Port Stephens over the next 20 years, and how to meet those needs. The development industry is the delivery mechanism to supply that new housing. The development industry invests where the demand is clear and where the risk is manageable. Risk is lower where there is a clear strategic line of sight signalling where state and local government are more likely to support a development proposal consistent with their strategies.

UDIA emphasises that industry will respond best – i.e., industry will invest to deliver the necessary housing supply – if the Local Housing Strategy is endorsed by the NSW Department of Planning, Housing and Infrastructure (DPHI). A Strategy without endorsement from the Department lowers confidence that a planning proposal in accordance with the Strategy will receive a gateway determination.

UDIA urges Council staff to obtain in-principle support from DPHI prior to reporting the Draft Strategy to Council for final approval.

We again emphasise the point made under "Supply" above, that updated dwelling targets are expected to be released soon by NSW Government. To support endorsement, we urge Council to anticipate a higher target and ensure the Local Housing Strategy can be readily updated to adjust to the new dwelling target.

Based on our experience, the chances for DPHI endorsement would be significantly improved if *Appendix 1 – Greenfield Housing Criteria* and *Appendix 2 – Rural Residential Criteria* were removed. We note that DPHI prefers maps. If a site has merit, then it should be mapped in the Local Housing Strategy, so resources can be concentrated.

Recommendation:

#5 – To provide confidence to industry and support investment, obtain in-principle support from the NSW Department of Planning, Housing and Infrastructure that the Strategy will be endorsed. In-principle support should be confirmed prior to reporting the Draft Strategy to Council post-exhibition.

Urban Development Program

The Lower Hunter & Greater Newcastle Urban Development Program (UDP) is the Lower Hunter's only source of data on the availability of development sites. However, since being identified by the *Lower Hunter Regional Strategy* in 2006 and then established in 2018, the UDP has only produced one report.

This lack of information impacts market efficiency. Market efficiency refers to how well prices reflect all available information. The Efficient Market Hypothesis argues that markets are efficient, leaving no room to make excess profits by investing since everything is already fairly and accurately priced.

The efficiency of a market is affected by the number of participants (landowners and developers), depth of analyst coverage (reporting), information availability (public reporting), and limits of trading (developments). Under assumptions of rationality, when all traders have the same information, prices move automatically with very little trading. Without this information, the Lower Hunter is an inefficient market, and housing prices are too high.

UDIA will soon be releasing the NSW results of the *UDIA National Housing Pipeline* research project aimed at identifying sites that are unconstrained and where there are intentions to develop, allowing councils and agencies to focus efforts where housing will be delivered.

UDIA recommends that Port Stephens Council establish a local UDP made up of council, agencies and industry, which meets on a quarterly basis to update its Housing Supply Plan. UDIA invests in evidence-based research like our National Housing Pipeline project and the detailed work of our Hunter Committee to inform the Lower Hunter & Greater Newcastle UDP. We would like to contribute our industry knowledge to a Port Stephens local UDP.

Recommendation:

#6 – Establish a local Urban Development Program (UDP) made up of council, government and industry representatives, which meets on a quarterly basis to update the Housing Supply Plan.

Conclusion

UDIA stands ready to facilitate collaboration with the development industry and we look forward to working in partnership with Port Stephens Council to deliver the housing needed. For any follow up, please contact UDIA NSW Regional and Policy Manager Elizabeth York on eyork@udiansw.com.au or 0434 914 901.

Kind Regards,



Gavin Melvin
A/CEO

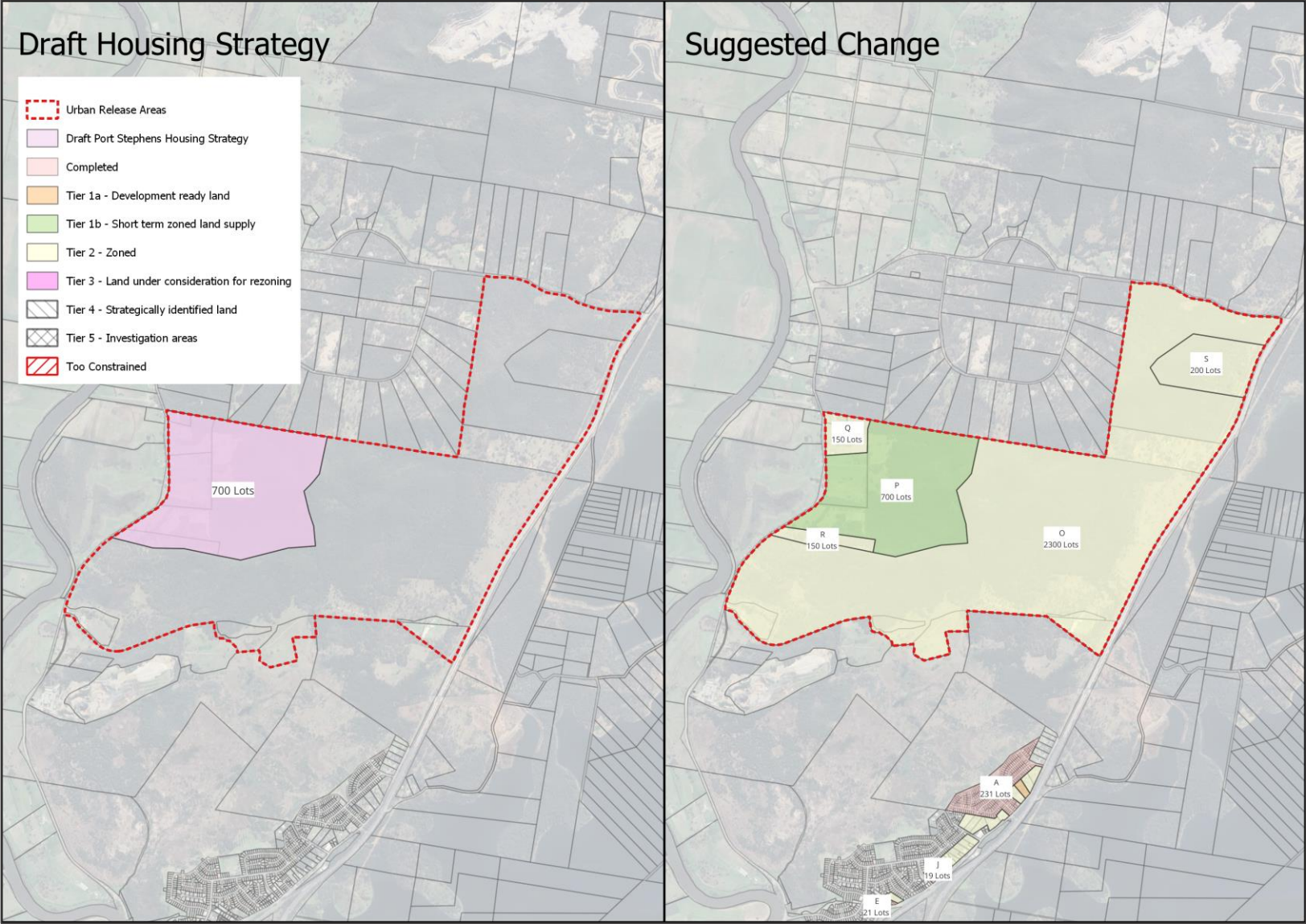
References

1. Port Stephens Council, 2024, 'Draft Local Housing Study', Source: [link](#), Accessed: 19 April 2024.
2. Port Stephens Housing Preference Survey, SGS Economics & Planning, October 2019.
3. Raymond Terrace and Heatherbrae Strategy.
4. *Hunter Regional Plan 2041*.
5. *Greater Newcastle Metropolitan Plan 2036*.
6. Landcom Residential Density Guidelines.
7. Mecone Mosaic, September 2023, Source: [link](#), Accessed: 19 April 2024.
8. NSW Department of Planning, Housing and Infrastructure, February 2024, 'Housing Supply. Pipeline Audit: Technical Note', Source: [link](#), Accessed: 19 April 2024.

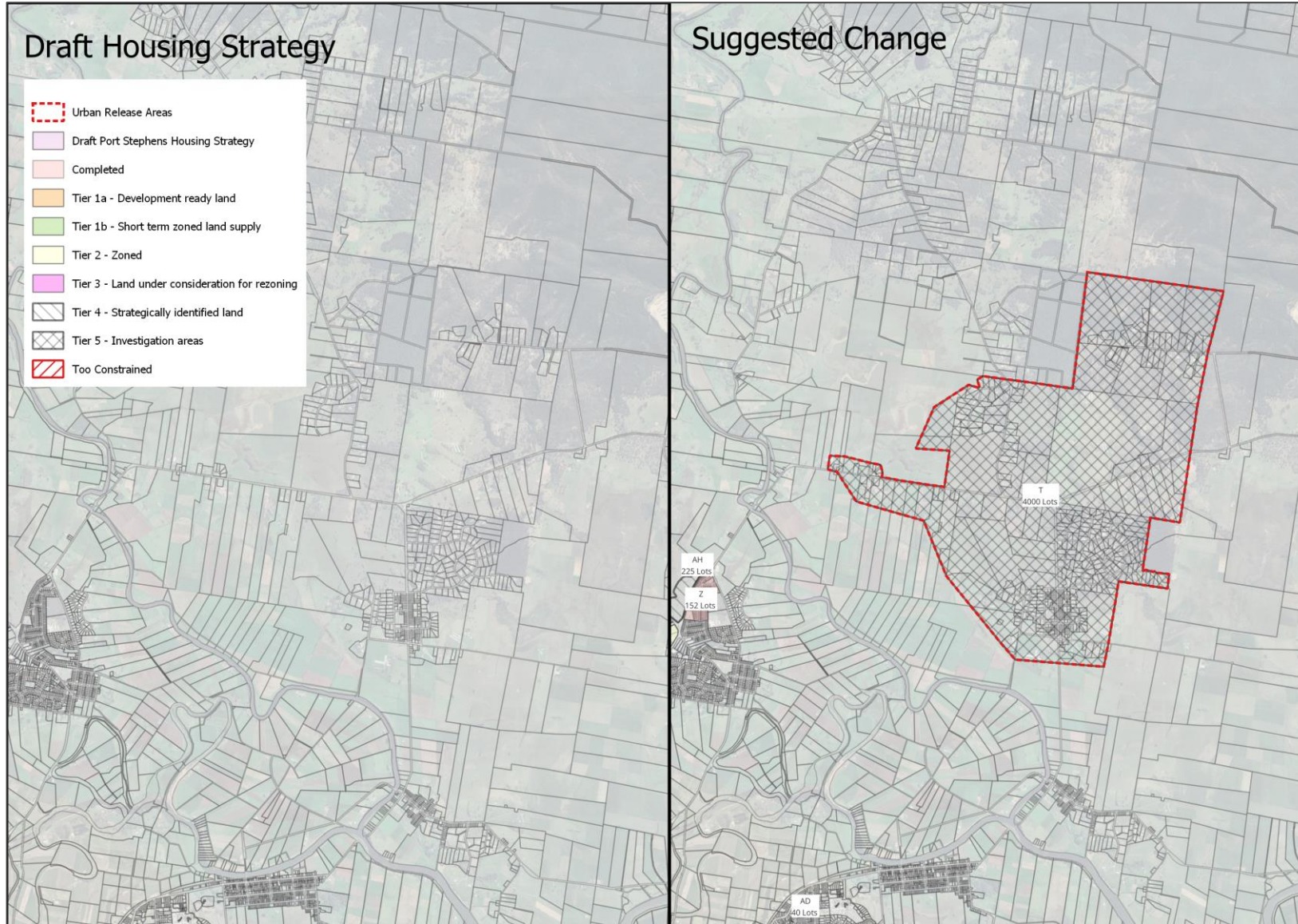
ATTACHMENTS 1 – 5

Please note: Due to the scale of these maps, all the relevant data is not available in these images. UDIA can provide the shape files and/or different scale maps if this would assist Council.

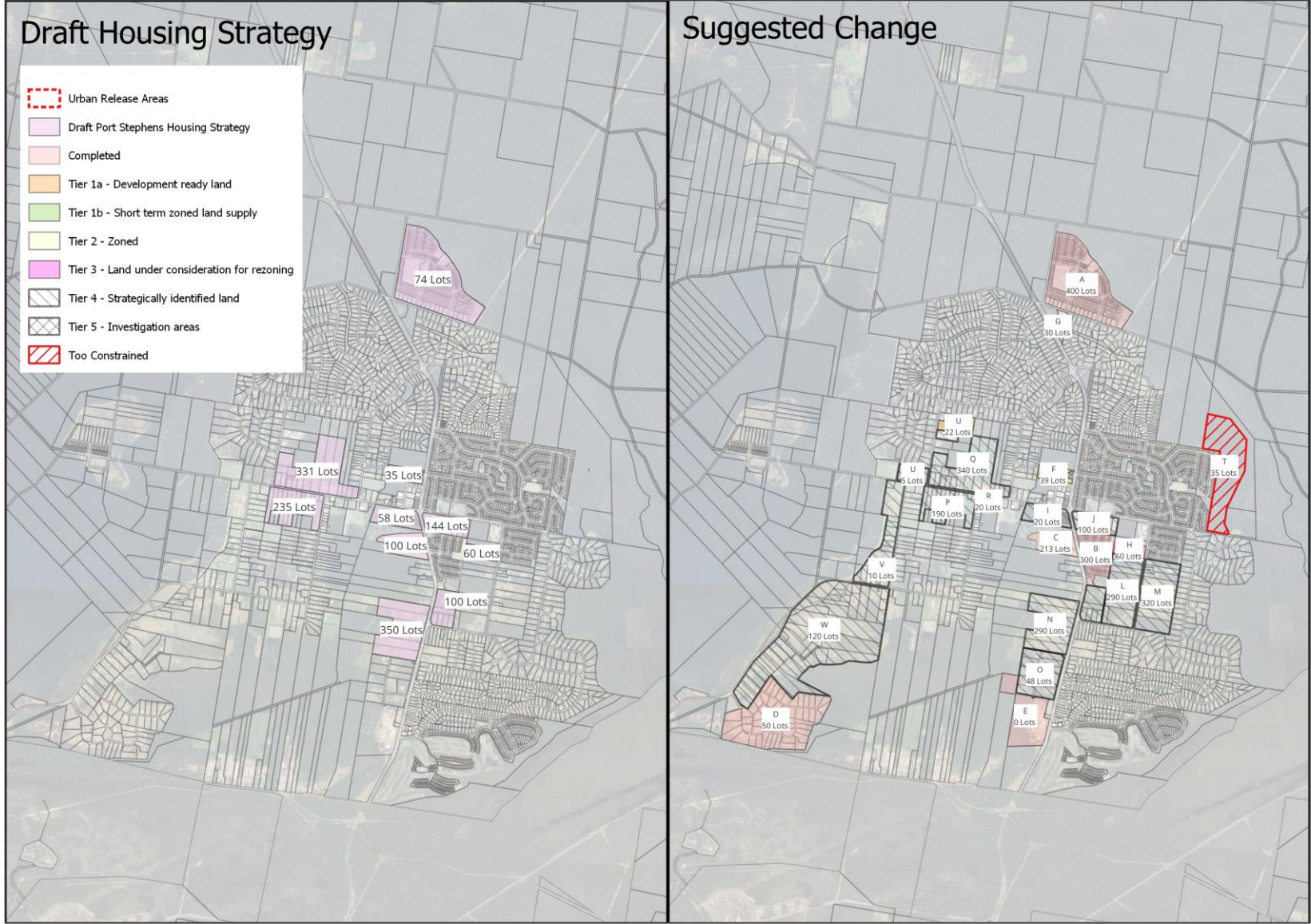
1 – Kings Hill



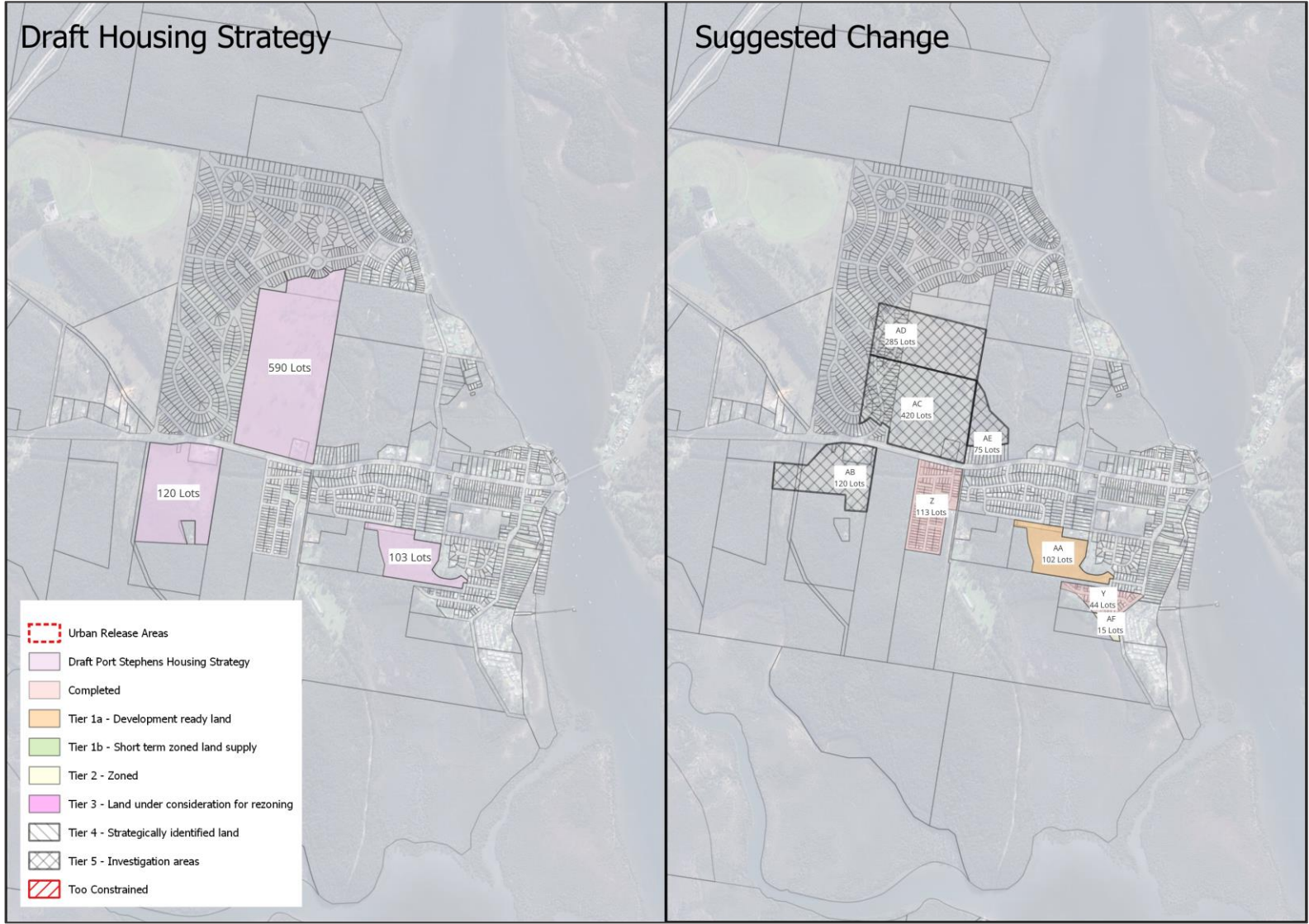
ATTACHMENT 2 – Wallalong



ATTACHMENT 3 – Medowie



ATTACHMENT 4 – Karuah



ATTACHMENT 5 – Raymond Terrace

