



City of Newcastle

Draft Local Housing Strategy

UDIA Response

September 2020

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ABOUT THE UDIA

Established in 1963, the Urban Development Institute of Australia is the leading industry group representing the property development sector. Our 500+ member companies in NSW include developers, engineers, consultants, local government including City of Newcastle, and utilities. Our advocacy is focussed on developing liveable, affordable, and connected cities.

INTRODUCTION

The Urban Development Institute of Australia – NSW Division (UDIA) welcomes the opportunity to provide a submission into the exhibition of the Draft City of Newcastle Local Housing Strategy (draft Strategy) and its Implementation Plan.

UDIA congratulates City of Newcastle (CN or Council) on the release of its draft Local Housing Strategy. The City of Newcastle is a vibrant place to live and work, and the LGA is critical to achieving the growth objectives of the Hunter Regional Plan 2036 (HRP) and the Greater Newcastle Metropolitan Plan 2036 (Metro Plan). The development industry welcomes the chance to work with Council to support the delivery of housing in the LGA that meets the needs of its growing population.

While UDIA generally supports the Objectives and Actions of the draft Strategy, we appreciate this opportunity to comment and offer our recommendations for improvement and clarification. This submission highlights the key issues that we have identified on behalf of our members which include a range of major developers operating within the City of Newcastle.

UDIA makes the following recommendations to Council with regard to its draft Housing Strategy:

- 1. The LSPS should be updated to reflect the final LHS to ensure clear and consistent objectives.**
- 2. Be cautious not to undermine delivery of appropriate supply of detached low density housing while encouraging infill development.**
- 3. Council should balance social, economic and ecology factors in applying biodiversity conservation policies, to ensure housing supply is not undermined.**
- 4. Deliver a local Urban Development Program that is updated at least annually and publicly available to deliver and monitor growth of housing and employment land, with clear accountabilities, working in partnership with industry.**
- 5. Adopt a merit-based approach to planning proposals and maintain flexibility in considering sites.**
- 6. Encourage housing diversity, enable emergence of new housing types, engage with industry and proceed cautiously in developing an Affordable Housing Policy.**
- 7. Adopt an incentive-based approach for Affordable Housing in collaboration with industry.**
- 8. Engage closely with industry to create flexible planning controls that enable vibrant mixed-use precincts that reflect future opportunities and emerging housing types.**

GENERAL COMMENTS

Population, Demographic and Housing Supply Projections

UDIA commends CN for commissioning and utilising background studies to inform its findings, objectives and actions. UDIA believes that strategies and plans should always be based on strong evidence to understand the local government area's (LGA) housing supply, demand and preference circumstances.

We note some inconsistencies in the draft Strategy's assumptions compared to other publicly available data for Newcastle LGA:

- Page 16, Figure 4 provides historical population. The 2006-2016 population estimates do not match the ABS data for Newcastle LGA.
- The draft Strategy states that the proportion of people in retirement age (65+) will increase from 15% (2016) to 17% (2041). According to the ABS Census data the proportion of people in retirement age in 2016 was 16% of the CN population. Using the common planning assumption projection from DPIE, the proportion of people in retirement age at 2041 is estimated to be 20%. Accordingly, the draft Strategy may have underestimated the number of residents who will require aged care facilities.
- Page 45 of the draft Strategy states that the "only remaining opportunities in CN for rezoning to accommodate residential subdivisions are the E4 Environmental Living at Minmi and Black Hill." We are aware of at least one additional opportunity that exists at Wallsend / Elernmore Vale which is currently being investigated. CN may wish to update this comment as well as Figure 3 on page 14 to show all of these sites.

Monitoring, Review and Consultation

UDIA supports aligning the review of the Local Housing Strategy (LHS) with the review of the Local Strategic Planning Statement (LSPS) and Community Strategic Plan (CSP) every four years. We recommend that upon adoption of the final LHS, the LSPS should be updated to reflect the final LHS in order to maintain clarity and avoid potential conflicting messages for residents and industry.

We also strongly support Council's intention to review its Local Housing Strategy Implementation Plan on an annual basis. We commend Council's acknowledgement that the impacts of the COVID-19 pandemic are unknown, and that the Strategy will be updated as relevant data becomes available. There is considerable anecdotal evidence to support the potential for population increases as more flexibility in work from home arrangements encourage greater migration from Sydney; it will be interesting to see how this plays out.

The draft Strategy makes no mention of efforts to undertake consultation with stakeholders including the property and development industry to develop the draft Strategy. While UDIA was not directly

consulted in the development of the draft, we appreciate the opportunity to provide our feedback now during the public exhibition period. UDIA highly values the collaborative and constructive relationship we have built through regular stakeholder engagement meetings with CN and representation on the Liveable Cities Advisory Committee. We encourage Council to directly engage earlier with stakeholders, including UDIA, in the process of developing its proposals.

UDIA's research program includes tailored reports on the state of the residential market in the Hunter, including our quarterly Residential Developer Market Intelligence report and UDIA's flagship nationwide annual research report - The State of the Land. Many of our council members have joined the UDIA's Research Steering Committee, which allows them to guide our research agenda and ensure it is providing value to our local council members. In addition to our regular research, UDIA can produce bespoke research that is tailored to local councils. As a member of UDIA, CN is encouraged to access our ongoing research through our website, and to contact our Regional Manager Elizabeth York to arrange stakeholder engagement meetings on specific topics.

***Recommendation:** The LSPS should be updated to reflect the final LHS to ensure clear and consistent objectives.*

Prioritising Infill

The draft Strategy references research by the Grattan Institute (2011) and Australian Housing and Urban Research Institute (2019 a/b) which shows that Australians “generally prefer to live in detached homes with backyards”, but that many people forego this preference primarily due to affordability and location considerations. The draft Strategy goes on to prioritise increased density and infill in the LGA, while also emphasising the need for housing diversity.

While we support diverse and emerging housing typologies in response to market demands, UDIA cautions Council against tipping the balance too far away from detached homes and new greenfield communities. Demand for new stock of detached dwellings close to employment within the city centre continues to be strong and steady. Supporting adequate supply of greenfield development will alleviate affordability concerns. The City of Newcastle should not turn its back on this important typology which is highly valued in the local market.

***Recommendation:** Be cautious not to undermine delivery of appropriate supply of detached lower density housing in new greenfield communities, while encouraging infill development.*

Biodiversity

While not comprehensively addressed in the draft Housing Strategy, UDIA feels compelled to raise issues around biodiversity conservation, as they remain an area of significant contention in relation to housing supply. It is critical that Council ensures the right balance in its approach to conservation.

UDIA recognises that CN's natural assets are a valued feature and we share Council's goal to protect its natural environment. We believe that ecology and biodiversity protection are important considerations that must be balanced alongside social and economic factors under the principle of ecologically sustainable development (ESD).

Biodiversity conservation is an area that must be carefully approached within the existing and evolving complex layers of legislation and regulation. The implementation of the Biodiversity Conservation Act (BCA) and the Koala Habitat Protection SEPP have increased costs on development and added confusion and complexity to the development assessment process. UDIA urges Council to work constructively with proponents to find the right balance in its goals for economic growth, housing supply and biodiversity conservation.

***Recommendation:** Council should balance social, economic and ecology factors in applying biodiversity conservation policies, to ensure housing supply is not undermined.*

PRIORITY 1: MAINTAIN AND ENCOURAGE HOUSING SUPPLY IN THE RIGHT LOCATIONS

UDIA generally supports the Objectives of this Priority, with the following comments:

Housing Growth and Infrastructure

UDIA supports a clear nexus between housing growth and infrastructure. We recognise that new infrastructure provision requires coordination between local government, state government, and other infrastructure providers.

UDIA encourages Council to advocate, as appropriate to NSW Government planning authorities and agencies for necessary infrastructure funding to support delivery of its housing priorities.

UDIA strongly supports the Hunter Urban Development Program (UDP) as a key tool in the coordinated regional delivery of land for housing and employment. UDIA has long advocated for a robust UDP at both local and regional level and is a keen contributor to the Hunter UDP Committee along with City of Newcastle, the other Greater Newcastle councils, DPIE, HCCDC, state agencies and utilities. The draft Strategy highlights the "need for policies, land-use provisions and other mechanisms that enable

a more diverse mix of housing types that are affordable, sustainable and that meet the diverse needs and preferences of the community”. We agree with this notion, and we believe the Hunter UDP can enable such outcomes.

To support the work of the Hunter UDP and ensure it is meeting its own related goals, UDIA encourages CN to deliver a local City of Newcastle UDP, and we welcome opportunities to assist Council in developing a reliable and continually-updated local UDP.

The City of Newcastle local UDP should:

- Coordinate and monitor detailed housing and employment land supply and targets in urban renewal areas, infill and new communities in land release areas;
- Coordinate and prioritise the delivery of the necessary supporting infrastructure;
- Signal early identification of blockages;
- Integrate social and affordable housing targets and ensure their programming;
- Involve a transparent annual program including robust industry liaison/engagement enabling monitoring and input back into policy development and housing and employment land supply programs; and
- Work with and show consistency with the Hunter UDP.

The UDP has an important role to play in the prioritisation and coordination of infrastructure funding and delivery. It can troubleshoot infrastructure bottlenecks, which would support the orderly delivery of housing supply.

UDIA strongly believes that a robust UDP requires close development sector liaison in order to validate and update annual housing and employment land supply timings and yields and accordingly there is a clear facilitation role which UDIA would be pleased to perform to assist this process.

Recommendation: *Deliver a local Urban Development Program that is updated at least annually and publicly available to deliver and monitor growth of housing and employment land, with clear accountabilities, working in partnership with industry.*

Planning Proposals

UDIA urges Council to consider all planning proposals for future rezoning based on merit.

The impacts of the COVID-19 pandemic are unknown except that there is growing uncertainty in the marketplace. UDIA supports NSW and Federal Government incentives to encourage and stimulate housing supply and construction in response to the economic impacts of the pandemic. It will be important for local economies such as CN to stay vigilant through close monitoring of the development sector and the housing supply pipeline to ensure we enable the maximum number of jobs are maintained. UDIA recommends caution in relation to assuming forward supply will continue to be

delivered at the same high-watermark level experienced over the last few years and encourages a supportive approach to housing delivery.

UDIA encourages CN to maintain flexibility in considering site specific proposals. As Council notes in its Draft Strategy, the LGA's current presumptive dwelling capacity cannot be assumed to directly translate into future supply, as sites experience a variety of constraints which can limit their ability to deliver. We believe a contextual assessment of a proposal that also considers the economic context and ability to meet targets is required as part of the assessment of site-specific proposals.

***Recommendation:** Adopt a merit-based approach to planning proposals and maintain flexibility in considering sites.*

Natural Hazards and Resilience Planning

UDIA agrees with the objective to plan for a resilient city upfront and that this approach will provide clarity to developers up front and help inform investment decisions.

When investigating opportunities to address resilience planning, natural hazards and climate change, we urge Council to fully consider the impact on future housing supply. Measures that add costs to development or reduce dwelling yield will lower industry's ability to deliver adequate supply. Reduced supply will work against Council's objective to keep housing affordable in the LGA.

PRIORITY 2: DIVERSIFY HOUSING TYPE AND TENURE ACROSS THE LGA TO PROVIDE FOR A RANGE OF HOUSING NEEDS

UDIA strongly supports the delivery of diverse housing typologies to meet housing needs and address affordability. We have engaged closely with governments in this promising but complex policy area. In addition to our comments above regarding ensuring an appropriate supply of greenfield housing, we offer the following comments:

Housing Diversity and Affordable Housing

Action 2.1 calls for the development of an Affordable Housing Policy. Housing stress is an increasing trend across Australia according to the Australian Institute of Health and Wellbeing. The draft CN Strategy indicates that there is a high proportion of CN residents that fall into the Very Low Income sector (being 50% or less of the median income) and that 31% of renting households were experiencing housing stress, with 7.3% of households experiencing mortgage stress. According to the draft Strategy, 6% of CN households are unable to afford the cost of the private rental market and live in social housing.

UDIA supports the intention to investigate alternative residential models and consider the needs of students and seniors. We have extensive comments in these areas as outlined below which we trust will be of assistance as Council progresses its work.

We are concerned that other approaches to address housing affordability, such as the imposition of an affordable housing contribution levy, would increase the cost of market housing and reduce overall housing supply, thereby exacerbating housing and rental stress. We would like to work with CN as it develops its Affordable Housing Policy in order to avoid such significant unintended consequences.

As Council would be aware, the Department of Planning (DPIE) recently exhibited an Explanation of Intended Effect (EIE) for a proposed new State Environmental Planning Policy (SEPP) that aims to facilitate the delivery of diverse housing and support the development of a build-to-rent sector. The proposed Housing Diversity State Environmental Planning Policy (Housing Diversity SEPP) would consolidate three current SEPPs and proposes three new housing types – build-to-rent housing, student housing and co-living.

UDIA supports the NSW State Government’s proposal to prepare a new Housing SEPP to consolidate and update housing-related policies and we have provided recommendations to improve the proposal. UDIA is highly supportive of any new mechanisms which seek to streamline statutory processes that contribute to housing supply and amendments which more closely reflect the typologies the property industry is delivering. The proposed amendments are a good first step, however UDIA contends that more can and needs to be done to facilitate housing to meet the needs of the people of NSW. We made a detailed submission to the exhibited EIE that sets out the additional considerations that would further support supply and delivery of a truly diverse range of housing in NSW that caters to the needs of all household types. [Please read our submission at this link.](#)

Recommendation: *Encourage housing diversity, enable emergence of new housing types, engage with industry and proceed cautiously in developing an Affordable Housing Policy.*

PRIORITY 3: INCREASE THE AVAILABILITY OF ACCESSIBLE AND ADAPTABLE HOUSING

UDIA supports increasing the availability of accessible and adaptable housing. We note that changes to planning controls to achieve higher compliance with Silver Level design features has the potential to increase development costs and could thereby diminish housing supply. We would be pleased to work with Council in this area to ensure that appropriate housing can be delivered without discouraging overall supply.

PRIORITY 4: INCREASE THE SUPPLY OF AFFORDABLE RENTAL HOUSING

UDIA commends Council for its attention to addressing barriers to affordable rental housing. While we support the need to increase the provision of affordable housing, we believe such efforts should be led through an incentives-based approach. UDIA strongly opposes affordable housing contribution levies on new development. Such levies simply do not work in the long run and are inequitable, imposing the cost of delivering affordable housing only on new homeowners. Provision of affordable housing is a broader societal concern and should be supported by the community as a whole.

Affordable housing contributions for new development negatively impact the viability of the development in the area and ultimately reduce supply. Fundamentally, the delivery of social and affordable housing cannot be subsidised by market housing without severe consequences. An affordable housing policy which discourages supply and makes housing affordability harder to obtain is a sad irony, which must be avoided if we are to provide housing to meet our community's diverse needs.

UDIA supports the policy direction in Priority 2 to support emerging housing types, noting that build-to-rent, new-age boarding houses, co-housing, communal student housing and dual-key apartments in appropriate locations can address affordable housing needs. We again refer Council to our recent [submission](#) on proposed changes to the Affordable Rental Housing SEPP.

UDIA urges Council to engage with industry as it develops its Affordable Housing Policy to ensure it will achieve the aim of delivering more affordable housing, without negatively impacting housing affordability throughout the LGA.

Recommendation: Council should adopt an incentive-based approach for Affordable Housing in collaboration with industry.

**PRIORITY 5: ENSURE NEW HOUSING AND CHANGES TO
EXISTING HOUSING REFLECT THE DESIRED FUTURE
LOCAL CHARACTER OF THE AREA**

- AND -

**PRIORITY 6: HOMES ARE DESIGNED TO BE ECOLOGICALLY
SUSTAINABLE AND TO REDUCE THE RESOURCE
REQUIREMENTS THROUGH THE LIFE CYCLE OF
THE DWELLING**

The draft Strategy calls for the preparation of Local Character Statements, and for a review of planning controls to ensure that the future character of the area is maintained and a range of housing types, sizes and price ranges are provided that meet the needs and expectations of the community and to facilitate sustainability. While we appreciate and support these goals, UDIA is nonetheless concerned that overly descriptive controls could decrease the flexibility in development within an area to the point of reducing supply. We recommend a considered approach to keep development costs affordable.

UDIA supports the Action to investigate incentives to achieve high sustainability performance targets in Urban Renewal Corridors and Catalyst Areas and would be pleased to work with Council on this initiative.

***Recommendation:** Engage closely with industry to create flexible planning controls that enable vibrant mixed-use precincts that reflect future opportunities and emerging housing types.*

CONCLUSION

UDIA applauds City of Newcastle for delivering its draft Local Housing Strategy and we look forward to working collaboratively with CN to finalise the Strategy, implement appropriate LEP and DCP controls, and develop a local UDP that is current and relevant. Please contact Elizabeth York, Hunter Regional Manager at eyork@udiansw.com.au or 0434 914 901 to arrange additional consultation.

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