



Cessnock City Council

Draft Local Housing Strategy – *and* –

Draft Urban Growth Management Plan

UDIA Response

December 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 Cessnock City Council, and utilities. Our advocacy is focussed on developing liveable, affordable and connected smart cities.

INTRODUCTION

The Urban Development Institute of Australia – NSW Division (UDIA) congratulates Cessnock City Council (Council) on the release the Cessnock City Council Draft Local Housing Strategy (draft LHS) and draft Urban Growth Management Plan (draft UGMP) and welcomes the opportunity to offer our comments. As these documents are interrelated and exhibited in the same period, we have chosen to provide a combined submission.

The Cessnock LGA is a beautiful and vibrant place to live and work, and the development industry welcomes the chance to work with Council to support the delivery of housing that meets the needs of its growing population.

This submission highlights the key issues that we have identified on behalf of our members which include major developers operating within the Cessnock LGA.

UDIA offers the following summary comments with regard to its draft Local Housing Strategy and draft Urban Growth Management Plan, which are detailed in the body of our submission:

- 1. Council should ensure suitable land supply by updating demand and supply assumptions using the latest available data and update both the draft LHS and UGMP accordingly.**
- 2. Council should seek to avoid price escalation by planning for twice the housing supply compared to projected demand.**
- 3. UDIA commends Council's commitment to prepare an Annual Monitoring Report; this should be updated annually and publicly available to deliver and monitor growth of housing and employment land, with clear accountabilities, working in partnership with industry.**
- 4. UDIA commends initiatives to support Community Housing Providers and Aboriginal Housing Providers to meet the needs of Aboriginal and Torres Strait Islander people, homeless people, those in need of emergency shelter or crisis housing, permanent supportive housing, specialist disability accommodation and social or community housing.**
- 5. UDIA supports industry consultation on seniors' housing and seniors' living and would welcome the opportunity to engage with Council on this important initiative.**
- 6. UDIA agrees that a review of the Cessnock Local Environmental Plan (LEP) and Development Control Plan (DCP) may produce gains in the delivery of housing diversity and housing affordability and we would be pleased to engage with Council in that effort.**
- 7. UDIA commends Council to explore moving the timing of developer contributions to later in the development process and would be pleased to support Council's efforts, which is now supported by the Productivity Commission's report on Developer Contributions.**

8. Appropriate infrastructure funding should involve cost sharing with the broader community who benefit from new infrastructure.
9. The Implementation and Delivery Plan should be publicly exhibited prior to finalisation of the LHS.
10. Draft UGMP Planning Principle 2 should be deleted and replaced with a monitoring action.
11. Draft UGMP Planning Principle 8 should acknowledge that where infrastructure is not required solely as a result of new development, there must be some cost sharing with the broader community who benefit from the new infrastructure.

PLANNING ASSUMPTIONS OF BOTH DOCUMENTS

UDIA believes that ensuring suitable land supply is critical to achieving an adequate supply of new housing that is affordable for the local population.

We respectfully challenge Council's assumption that Cessnock "currently has around 25 years of greenfield land available" and that "[t]his amount of zoned land significantly exceeds what is necessary to meet our housing needs." Both the draft LHS and draft UGMP are based on this assumption, which we consider flawed.

Council's analysis is based on outdated and inconsistent data sets. We welcome Council's acknowledgement that recent events may disrupt their assumptions and we fully support their intention to revisit the draft LHS and draft UGMP when 2021 Census data is released in 2022.

However, we contend that these underlying 2020 documents must be based on the most up-to-date data available now.

Although 2016 Census data is available, Council has chosen to use 2011 Census data to project a need of 300-400 new dwellings per year; however, updated DPIE projections based on the latest (2016) Census project a need of 505 new dwellings per year. Using updated data, Council's years of land supply is likely to be much shorter. The updated data and higher demand projection should be used.

Fundamentally, Council needs to understand the true updated population trends. There is a population spike in 2018, and the 2018-2019 numbers show increasing growth. This clearly represents significant demand and take up. If previous population growth was limited by supply, the 2018 spike raises concerns of significant demand which is not captured by the analysis. Additionally, we point out that the trend for falling numbers on people per dwelling will also increase housing demand.

Looking ahead, we observe that the response to the COVID-19 pandemic, with more people working from home and the desire for more space at home, has fuelled a COVID-induced demand in the Hunter of 38% from 1Q to 3Q 2020. If this were to continue, the zoned housing pipeline would be much

shorter. UDIA's research partner, the greenfield market specialist firm Research4, presented data at a *UDIA TV* event in November that based on current sales activity the Hunter only has 5 ½ years of land supply.

We are concerned that Council is considering housing needs in isolation within the region. We are currently experiencing unprecedented demand for greenfield lots in the Hunter - partly as a consequence of the pandemic response, but supported by steady increases over the past years - and we expect a continued acceleration of interest in the region as a whole. With Cessnock's relative affordability proposition within the region, increased demand should be assumed.

The draft LHS and draft UGMP should consider the time frames to deliver land. For example, the average time to deliver 400 lots from rezoning to final sale is about 10 years. The analysis needs to understand the underlying infrastructure requirements to bring the land to market in a timely and cost-effective manner.

It is a mistake to assume that zoned land translates into delivered lots at a 1:1 ratio. We know this is not true as there are many constraints on delivering zoned land to market, such as fragmented ownership, infrastructure needs and environmental issues. It is important to understand the reasons behind the delivery constraints at each site in order to determine whether and when that land should or is able to be included in the aggregation of housing supply capacity.

If other local government areas within the Hunter region fail to provide suitable land, then demand is likely to increase in Cessnock. Next year's planned review of the *Hunter Regional Plan 2036*, as well as the ongoing work of the Hunter Urban Development Program (UDP) are very important to understand housing needs across the region. It is therefore critical that Cessnock's local analysis is dependable and based on the latest available data which is consistent with the data used by other councils within the metropolitan area.

Therefore, dwelling demand and supply assumptions should be recalculated now using the latest available projections data and housing supply plans should be revised accordingly within both documents before their finalisation.

Recommendation 1: Ensure suitable land supply by updating demand and supply assumptions using the latest available data and revise both the Housing Strategy and UGMP accordingly.

Affordability Ratio

Part of Cessnock's attractiveness is its relative housing affordability. Adequate land supply which leads to adequate housing supply will maintain housing affordability in Cessnock. Research4 maintains that – in any market – to effectively meet market demand for new lot sales and to keep prices affordable, trading stock needs to be at least twice as high as sales market activity. If the ratio of lots available for

sale compared to lots sold falls below 2:1, prices will rise. Therefore, a market needs a steady pipeline of stock coming through the planning system which is twice the expected level of demand.

Recommendation 2: Council should seek to avoid price escalation by planning for twice the housing supply of lots compared to projected demand.

DRAFT LOCAL HOUSING STRATEGY

UDIA offers the following comments specific to the draft Local Housing Strategy.

Monitoring and UDP Coordination

UDIA commends Council's commitment to prepare an Annual Monitoring Report on land and housing supply and demand that will inform when it is necessary to investigate the provision of additional land for development. The Report should be publicly available to monitor growth of housing and employment land, with clear accountabilities, working in partnership with industry.

UDIA supports clear alignment between housing growth and infrastructure. We urge Council to coordinate housing supply and infrastructure between local government, state government, and other infrastructure providers.

We are strong supporters of the Hunter Urban Development Program (UDP) as a critical tool in the coordinated regional delivery of land for housing and employment. UDIA has long advocated for a robust UDP at both the local and regional level and is a keen contributor to the Hunter UDP Committee along with Cessnock City Council, the other Greater Newcastle councils, DPIE, HCCDC, state agencies and utilities. UDIA believes the regional Hunter UDP will only succeed if it is supported by detailed information about land supply for housing from the individual LGAs, including Cessnock, and we are pleased that Council intends to contribute with an Annual Monitoring Report.

The UDP has an important role to play in the prioritisation and coordination of infrastructure funding and delivery. It will identify infrastructure requirements and facilitate delivery funding. It can also troubleshoot infrastructure bottlenecks to support the orderly delivery of housing supply.

The information collected by Cessnock should arm Council with the necessary data to advocate as appropriate, within the Hunter UDP Committee and to NSW Government planning authorities and agencies, for necessary infrastructure funding to support the delivery of its housing priorities. It will also provide useful information to industry which will inform confident investment decisions.

The Cessnock Monitoring Report 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.

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

Recommendation 3: Support the Cessnock Annual Monitoring Report and ensure 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.

Affordable Housing

UDIA believes that encouraging greater diversity in housing choice through support and incentives for Community Housing Providers (CHP) and Aboriginal Housing Providers (AHP) will support housing choice and affordability. Council identifies that low-income residents experience housing stress, and that rent is becoming increasingly unaffordable. UDIA supports efforts to address barriers to affordable rental housing and home ownership, and we encourage Council to further address this important housing sector.

We appreciate Council's intention to support CHPs and AHPs to meet the needs of Aboriginal and Torres Strait Islander people, homeless people, those in need of emergency shelter or crisis housing, permanent supportive housing, specialist disability accommodation and social or community housing. However, we fundamentally believe the delivery of social and affordable housing cannot be subsidised by market housing, without severe affordability consequences.

UDIA encourages a policy direction 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 help address local affordable housing needs.

We support the following initiatives to increase the supply of social and affordable housing when working with a Community Housing Provider (CHP):

- Suspend statutory contributions on development applications specific to or operated by CHP, which would relieve development cost pressures, while not reallocating this charge to market housing.
- Develop Council-owned land with joint venture between CHP or other party and managed by a CHP.

- Support diverse housing types such as new-age boarding houses, co-housing and dual-key apartments in appropriate locations.

UDIA appreciates Council's obvious understanding of this subject and their intention to work with CHPs and AHPs. We would also welcome the opportunity to engage with Council on its policies and rules in this area.

Recommendation 4: Council should adopt an incentive-based approach for Affordable Housing in collaboration with industry.

Housing Diversity

UDIA agrees that a review of the Cessnock Local Environmental Plan (LEP) and Development Control Plan (DCP) may produce gains in the delivery of housing diversity and housing affordability and we would be pleased to engage with Council in that effort.

UDIA agrees that seniors' housing and seniors' living are underrepresented in the Cessnock LGA. We support Council's intention to consult with industry on this sector and would welcome the opportunity to engage with Council on this important initiative.

Recommendation 5: UDIA supports industry consultation on seniors' housing and seniors' living and would welcome the opportunity to engage with Council on this important initiative.

UDIA has long advocated for better planning controls to enable the so-called "missing middle" housing typologies. Council has identified a need for diversified housing stock. UDIA worked with the Department of Planning (DPIE) in the development of its Medium Density Housing Code, and we continue to engage with DPIE in this space. We would be pleased to work with Council as it develops additional incentives for medium density development.

As Council considers the changing nature of living, evolving demographic profile and housing preferences we encourage a focus on the shift toward medium-higher density typologies and long-term renting. There should be greater flexibility in the planning controls to enable build-to-rent, co-housing and other alternative housing models to emerge, with the flexibility to provide quality liveability outcomes that are separate to that in an ADG compliant build-to-sell apartment. These

emerging typologies could make significant contributions to Council's efforts to provide affordable rental stock, and UDIA stands ready to assist Council in supporting such innovations.

Recommendation 6: UDIA agrees that a review of the Cessnock Local Environmental Plan (LEP) and Development Control Plan (DCP) may produce gains in the delivery of housing diversity and housing affordability and we would be pleased to engage with Council in that effort.

Local Infrastructure Contributions

UDIA agrees that the timing of the local infrastructure contribution payment has an impact on development feasibility, and we commend Council for its initiative to explore moving the timing of the payment to later in the development process.

We note that the NSW Productivity Commissioner's Final Report on the *Review of Infrastructure Contributions in New South Wales* has now been released and we support one of the key recommendations from that report, which is to defer payment of contributions to the occupation certificate stage.

We would be pleased to offer a letter of support for Council's efforts in this area.

Recommendation 7: UDIA supports efforts to move the timing of developer contribution payments to later in the development process, which is now supported by the Productivity Commission's report on Developer Contributions.

We note that page 39 of the draft Strategy states that "Council will... Ensure that infrastructure is appropriately funded by the developer." The key word in that sentence is "appropriately". Where new infrastructure is not required solely because of new development, there must be some cost sharing with the broader community who benefit from new infrastructure. The development industry is commonly asked to fix infrastructure problems that existed prior to the proposed development; in several instances in the region, inappropriate requirements on the developer to fund pre-existing infrastructure needs result in reduced housing delivery. Such constraints on zoned land increase pressure to consider new planning proposals in order to meet regional demand. We urge Council to carefully consider the true impact of new development when determining infrastructure funding.

Recommendation 8: Appropriate infrastructure funding should involve cost sharing with the broader community who benefit from new infrastructure

Implementation and Delivery Plan

Page 47 of the draft LHS leaves room to summarise Actions and to outline an Implementation and Delivery Plan. Unfortunately, this page is empty. The Implementation and Delivery Plan should be exhibited prior to finalisation of the LHS.

Recommendation 9: The Implementation and Delivery Plan should be publicly exhibited prior to finalisation of the LHS.

DRAFT URBAN GROWTH MANAGEMENT PLAN

UDIA offers the following comments specific to the draft Urban Growth Management Plan.

Planning Principles

The draft UGMP sets out a set of eight Planning Principles that must be satisfied to progress an investigation area. UDIA supports the development of a set of clear guidelines to bring more predictability to the planning process. We have concerns about two of the proposed Planning Principles.

- **Planning Principle 2** states: “There must be demonstrated 15-year or less supply of land for the lifestyle category. This must be justified by a comprehensive land supply analysis and economic analysis prepared by a suitably qualified expert.”

UDIA believes this requirement is impractical and unachievable. We recommend its removal. This Principle should be replaced with an action that Council will monitor housing supply as per their LHS and LSPS, and make this data publicly available so that there is a common evidence base.

- **Planning Principle 8** states: “Contributions and voluntary planning agreements will need to be in place to ensure future development meets the costs of the provision of infrastructure and facilities without burdening the existing community, and, ensures that development is funded without subsidy from public funds.”

As we outlined above in the section on Local Infrastructure Contributions, UDIA urges Council to acknowledge that where infrastructure is not required solely as a result of new development, there must be some cost sharing with the broader community who benefit from new infrastructure.

Recommendations 10 & 11: Planning Principle 2 should be deleted and replaced with a monitoring action; and Planning Principle 8 should acknowledge the necessity of cost sharing where the broader community benefits from infrastructure provision.

CONCLUSION

UDIA commends Council on its work to support the future of Cessnock and we look forward to working collaboratively with Council to finalise its Housing Strategy and Urban Growth Management Plan, implement appropriate LEP and DCP controls, and keep its monitoring 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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