

1 Introduction

The McCloy Group is an award-winning property development group with a strong commitment to the Greater Newcastle Metropolitan Area. We are one of the Hunter's largest private property companies with a history spanning over 50 years. Our diversified property portfolio includes both commercial assets in the heart of Newcastle's CBD, together with residential communities geographically spread across the Hunter and New England regions containing more than 4,000 residential homesites.

The McCloy Group is renowned for developing quality and sustainable environments placing a strong emphasis on creating exceptional living environments.

Our success in the industry has been widely acclaimed with their developments recognised by UDIA Awards for Excellence, AHA Awards for Excellence, Property Council Awards for Excellence and Urban Taskforce Awards for Excellence.

The McCloy Group therefore welcomes the NSW Department of Planning & Environment's ("the Department") release of the draft Greater Newcastle Metropolitan Plan ("draft Metro Plan") and its vision for the future. The Outcomes and Strategies in the draft Metro Plan provide a strong foundation and an encouraging vision to guide investment across the metropolitan area.

The McCloy Group is one of several owners that make up the Wallalong Landowner Group and who are pursuing the future development of Wallalong as an Urban Release Area. This submission demonstrates how the draft Metro Plan could influence residential land supply and housing affordability and makes recommendations to improve the outcomes from a public interest perspective. It does this by using the Wallalong Urban Release Area as a case study. It makes recommendations for changes that the Department should incorporate when finalising the Plan to facilitate a more cost-effective approach to residential land supply and planning for the establishment of new communities generally. The recommendations focus largely on the draft Plan's Outcome 3 – Deliver housing close to jobs and services.

2 Planning for proposed residential development areas

The Lower Hunter, and, within this, Greater Newcastle undoubtedly has tremendous growth potential. This is reflected in the draft Plan's assertion that there is enough land zoned within the metropolitan area to cater for the expected housing and employment needs for a population of at least 1.2 million people. The challenge for the whole of the Lower Hunter is to provide a consistent, robust and diverse supply of housing. This will rely on new policy mechanisms to encourage more development through renewal and infill across established areas, as well as coordinating the delivery of new housing in greenfield sites dispersed across the Lower Hunter in a timely and cost-effective way.

The Wallalong Urban Release Area was first identified as having potential for urban expansion in the Port Stephens Urban Settlement Strategy, 2002. This intention has been carried forward through Council's Rural West Local Area Plan 2003, and the Port Stephens Planning Strategy, adopted in 2011, all of which identified Wallalong as a Potential Urban Release Area.

In the sixteen years since the site's potential was first identified, considerable effort has gone into planning for new residential development. During this time, the benchmarks against which the planning proposal would be

assessed have changed considerably, creating a high level of uncertainty as to the evidence required to justify the re-zoning.

For example, despite being recognised as having urban development potential in Council's strategic planning framework for over a decade, the NSW Government refused the Planning Proposal at Gateway in 2014. The principal concern was that it was not identified as a Proposed Urban Area in the Lower Hunter Regional Strategy and the evidence presented at the time failed to fully satisfy the Sustainability Criteria required by the 2006 Strategy.

Since the Gateway refusal, the Lower Hunter Regional Strategy has been superseded by the Hunter Regional Plan 2036, which will be supported by the Metro Plan, once finalised. Neither of these documents appear to identify any candidate sites for re-zoning, nor do they provide any criteria for determining the suitability of new sites for development. In our opinion these omissions are major shortcomings because:

- The currently identified release areas are constrained by a range of factors and are not providing new residential lots at a sufficient rate to satisfy demand or meet the Department's current lot production targets;
- Insufficient residential land is being brought to market to satisfy current demands, leading to excessive price inflation; and
- The constraints applying to current release areas will not diminish, meaning limited supply and insufficient lot production rates will continue which will lessen housing affordability to an increasing degree as time progresses.

Although it is situated in the Port Stephens Local Government area, Wallalong would contribute to the residential supply for people choosing to live in and around East Maitland. For the purpose of analysis, we have considered the estimated capacity and supply of greenfield land already zoned for residential development in Port Stephens' LGA as well as the East Maitland sector, as defined in Maitland Council's Urban Settlement Strategy.

Figure 1 illustrates that the Port Stephens LGA experienced a significant shortfall of housing supply relative to projected need in the census period leading up to 2016. Furthermore, the supply available in Port Stephens is currently reliant on a narrow base. Since 2011, 80% of new residential lot registrations have occurred in only 3 development areas. In Maitland, 80% of the supply has been provided across 20 developments. Figure 2 illustrates the heavy reliance Port Stephens has on 3 development areas as contrast to Maitland diversity of supply.

Based on the projected supply of existing urban release areas, these trends are expected to continue to 2036. The capacity of infill areas within the LGA is not expected to be capable of meeting the estimated shortfall of 4,775 dwellings.

Existing dwelling *supply* shortfall

2011 to 2016 Census Period

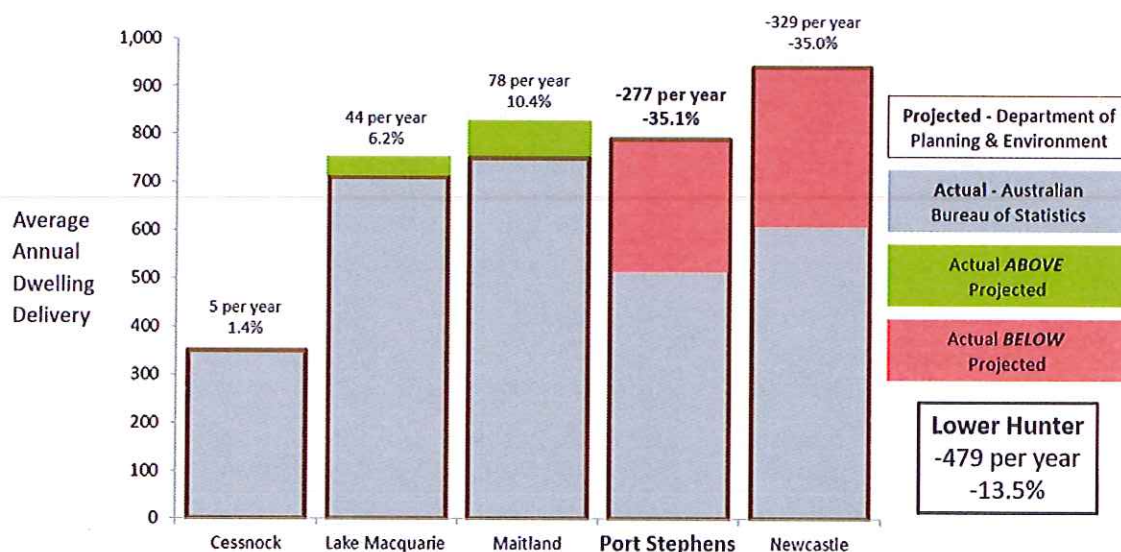


Figure 1: Comparison of dwelling delivery (ABS data) against NSW Government projections, 2011-2016

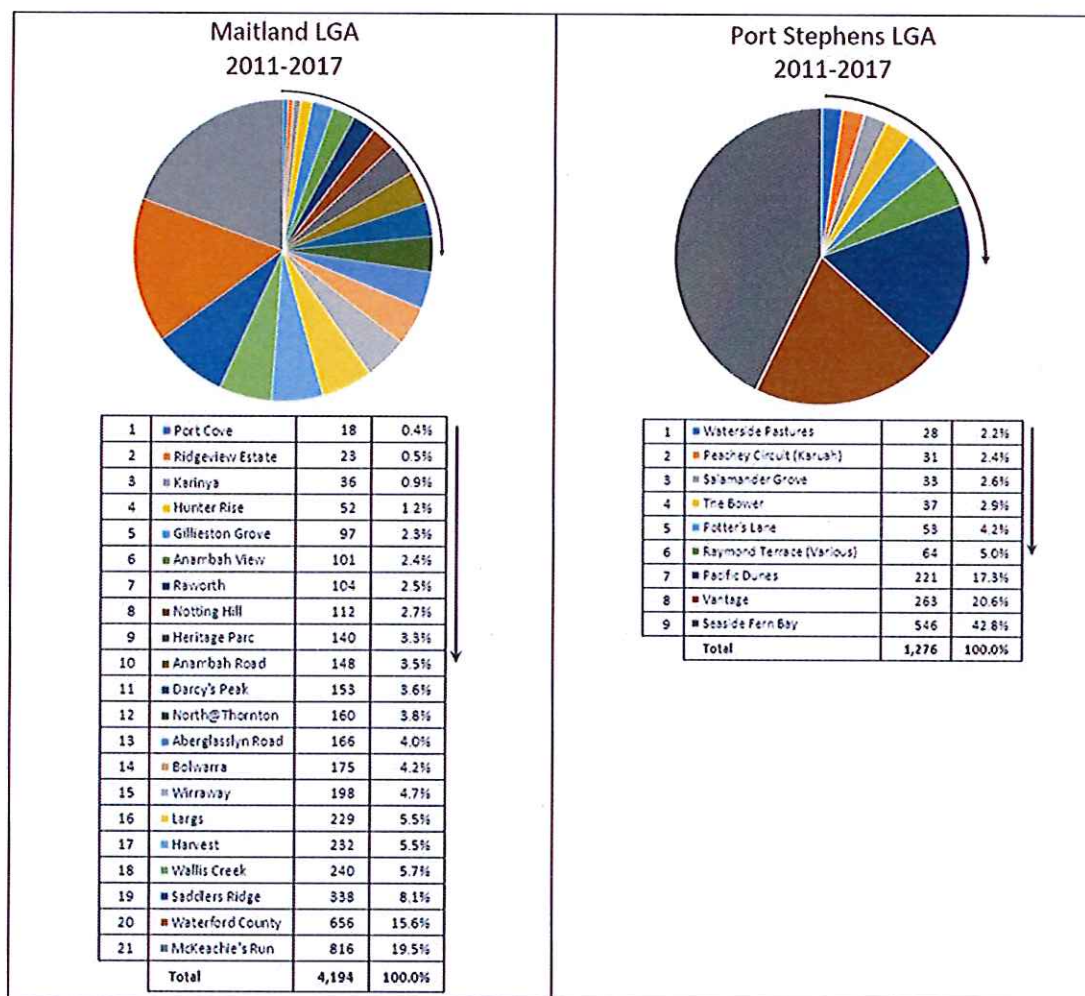


Figure 2: Residential lot registrations by development area (ABS data)

Table 1: Summary of capacity and supply analysis

	Estimated capacity ⁴	Projected supply ⁵	Projected need to 2036 ¹	Shortfall
Port Stephens ²	8,750	6,225	11,000	4,775
Maitland (East) ³	4,500	4,500	12,500	-
Maitland (Central)	2,000	2,000		
Maitland (West)	8,300	6,000		

3 Planning for housing release areas should not be confined by the indicative boundary

The Hunter Regional Plan 2036 identified a preliminary boundary for Greater Newcastle, which is illustrated relative to Wallalong in Figure 3. As opposed to previous regional strategies and plans, the draft Metro Plan presents an “Indicative Boundary”.

Undoubtedly the proposed indicative boundary encompasses those areas that contain most of the jobs and services upon which the metropolitan area relies. Notwithstanding, the indicative boundary does not recognise that the housing needed to accommodate the metropolitan-level population (people who rely on these jobs and services to meet their daily needs) extends beyond the identified boundary. This is, in part, demonstrated in Figure 8 of the draft Plan, through the identification of Wyee, located outside the ‘indicative boundary’ as a Priority Housing Release Area. It is also demonstrated through the close northward connections shared between the Greater Newcastle area, as defined, with communities in Seaham, Medowie and Nelson Bay. These areas may never compete with the strategic centres described in the draft Plan, but they do accommodate residents who depend on jobs and services in Greater Newcastle and contribute to the diversity of lifestyles choices that make the city so special. This can be readily evidenced by reference to daily and weekly travel patterns.

The draft Plan’s indicative boundary also does not appear to align with any other administrative boundary, such as those for Local Government Areas, ABS statistical areas, or BTS travel zones. This means the Plan will rely on various agencies to define a new geographic boundary to collect, analyse and report on the evidence needed to progress many of the outcomes and actions identified in the draft Plan. As relevant to this submission, these include, but are not limited to, the following:

- Enabling 95% of people to live within 30 minutes’ drive time of a strategic centre. This target was prescribed by the Hunter Regional Plan 2036. Our drive time analysis shows that several potential development areas, including Wallalong, fall outside the indicative boundary.
- Accommodating the 60,300 new dwellings projected for the Greater Newcastle area, provided in Figure 10 of the draft Plan. As presented, this includes projections for the whole of the Port Stephens LGA, of which only a portion is within the draft Plan’s indicative boundary.
- Strategy 3.3 is supported by an action requiring all councils to prepare local housing strategies within two years. These are to identify new residential release areas if there is less than 15-year supply to meet the projections. In relation to the above point, it is not clear if supply is to be measured for the whole of the

¹ Projected dwellings for LGAs as per the Metro Plan

² Capacity and supply data for Port Stephens LGA prepared by McCloy Group

³ Capacity and supply data for Maitland as per MUSS Annual Report

⁴ Estimated capacity prepared by the McCloy Group and based on the most recent local strategies

⁵ Projected supply is estimated delivery over time and based on comparable URL’s across the Lower Hunter

Greater Newcastle area, the individual LGA, or the proportion of the LGA that falls within the Greater Newcastle area.

- On page 58, the draft Plan sets a target of doubling the proportion of new housing delivered by development in infill areas, that is from 30% in 2013 to 60% by 2036. Figure 10 also provides proportional greenfield and infill targets for each of the LGAs. We have several reservations about this target- its practicality is unproven, it contrasts with the Department's approach in the Sydney metro area where large and widespread greenfield expansion is being facilitated and in the case of Port Stephens, it is not clear whether these targets are to be measured against the whole of the LGA or just the proportion that falls within the Greater Newcastle area.

We support the proposed action requiring preparation of local housing strategies as this will provide greater rigor and certainty. However, we believe the draft Plan should provide clear direction for Councils to assist them in preparing their Local Housing Strategies. The public interest will be served if these strategies are prepared efficiently and given timely endorsement by the Department. As such the process would be assisted by providing clear guidance on the desired contents of the strategies, the data to be used, supply thresholds and criteria to be applied in identifying new residential areas both greenfield and infill.

In our opinion the current indicative boundary should be modified with respect to identifying new greenfield residential areas to both accurately reflect 30-minute drive times and /or coincide with existing administrative boundaries. If for some reason this is not possible we request that the final Plan include clarifying statements to describe how the indicative boundary should be interpreted by agencies or Councils as they apply the Plan's actions. In relation to Outcome 3, the clarifying statement should identify that land outside the indicative boundary may still be considered as a future residential area if it assists in delivering other outcomes and targets of the Plan. The statement should also provide the main heads of consideration for site suitability, to assist all stakeholders (public and private) in undertaking appropriate assessments when preparing Planning Proposals. We recommend this should, at minimum allow sites, including those outside the indicative boundary, to be considered where they:

- Are located within 30 minutes of a strategic centre defined by this Plan.
- Adjoin or are within 2km of an existing or planned urban area.
- Can be serviced by existing infrastructure networks to enable development (e.g. water, sewer, power, and transport).
- Are located close to or would share infrastructure and services with Priority Housing Areas.
- Are not situated on land already identified as subject to significant environmental hazards and/or constraints OR can demonstrate these matters can be appropriately managed.

The case for Wallalong, in relation to these matters, is provided in the box below. It recognises the advantages of building on existing planning and investment momentum to accommodate further growth in the wider East Maitland area, where Wallalong is located. It also demonstrates the importance of confirming Wallalong's suitability for urban development as quickly as possible so that necessary land supply and housing affordability targets can be met.

The case for Wallalong

Despite falling outside the draft Plan's indicative boundary, the drive time analysis provided at Figure 3 illustrates that Wallalong is conveniently located within 20 minutes of the strategic centres of Central Maitland, East Maitland, and Raymond Terrace. It is also less than 30 minutes from the Williamstown Catalyst Area, including Newcastle Airport.

Wallalong is located near the 'Thornton to Lochinvar' Priority Housing Release Area. The eastern portion of this area achieved some of the highest levels of population growth in the whole of NSW in recent years. We recently presented our analysis of release area land around the East Maitland catchment to the Department and Port Stephens Council. Our principal finding was that the remaining supply in currently zoned release areas is constrained and is unable to provide the number or consistency of new lots required. Figure 4 illustrates the highly-constrained nature of land within this catchment, demonstrating that there are few locations other than Wallalong are suitable for urban development.

Significant investment is expected to be directed to the area to relieve the pressures of recent and planned growth in this East Maitland area. This will see major upgrades to transport, health, education and open space facilities. The residential lot potential of additional suitable sites, including Wallalong, should be included in planning for these services to allow for a timely and cost-effective delivery of new projects and services. This can only happen if these areas, including Wallalong are re-zoned in the near term.

The proposed Wallalong Urban Release Area adjoins the existing village, and benefits from the existing water, sewer and power networks that could immediately and cost-effectively be augmented to enable further development. Such development could also be supported by incremental upgrades to the local road network, funded by the developer. This would include upgrades to increase safety and capacity at several timber bridges, as well as reducing flood isolation for the broader area. These benefits of these improvements would extend to several other nearby and well-established communities.

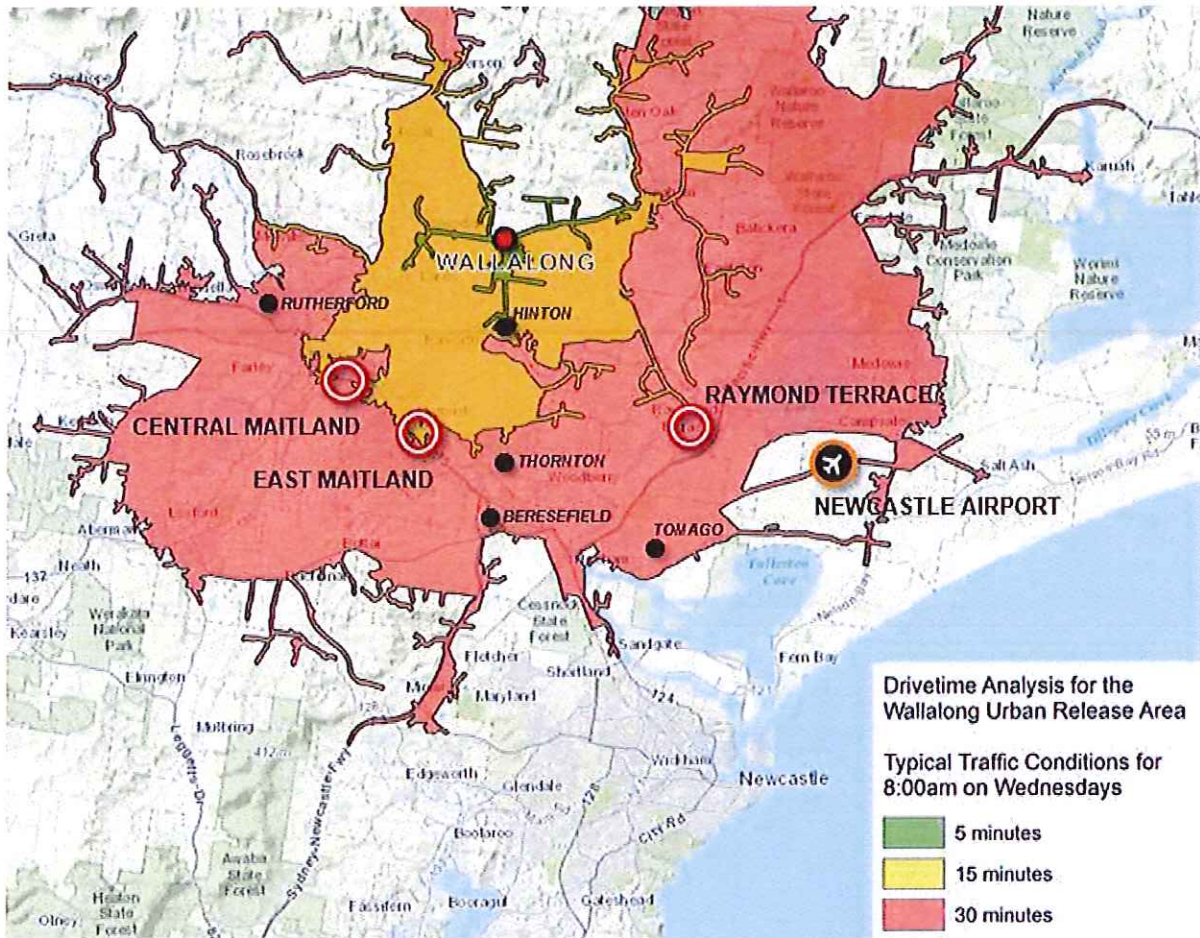


Figure 3: Drive time analysis from Wallalong

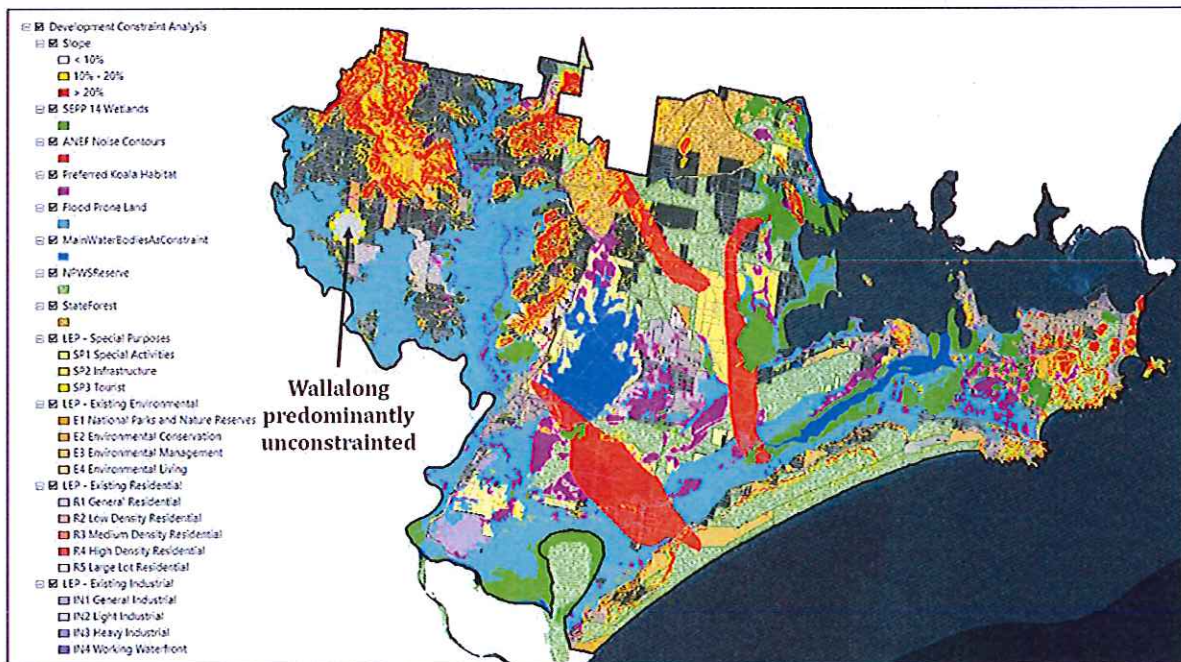


Figure 4: 2013 constraints mapping

4 The evidence base for setting targets must be transparent and measurable

We applaud the inclusion of contextual evidence to support several targets set for the Greater Newcastle area. However, the final Plan should recognise the limitations of this data, go further in localising some of the evidence, and clarify how the data provided should be used in future plan-making. Points of concern and uncertainty are discussed below.

The draft Plan sets a target of 60% infill housing by 2036, which ambitiously aims to double a 'jumping-off' point of 30% at 2016. The data source of the jumping off point isn't specified, nor is it clear whether this is offered for a single year, or indicative of a trend. Furthermore, it's not clear how this source classified 'infill' or 'greenfield' in comparison to the draft Plan's definition of these terms. For the 60% infill target to be meaningful, and measurable, we believe the final Plan should be much clearer on how "infill" and "greenfield" areas are defined, including some illustrated examples. It should also describe how delivery against these targets will be monitored and measured in future.

Figure 10 of the draft Plan goes on to illustrate how the projected dwellings required for the LGAs, which form the Greater Newcastle area, could be apportioned through infill and greenfield developments to achieve the overall target for the metropolitan area. We agree individual LGAs will play different roles in progressing toward that target. However, we have some concerns around the accuracy and application of those projections.

Firstly, we understand these projections are based on a complex set of assumptions and data, including past trends and estimates of the residential land supply in each LGA. In our opinion the land supply information used is not complete or accurate particularly if it has relied upon the draft UDP data recently circulated by the Department. Furthermore, the NSW Government projections are also reviewed and updated every 4 years, in line with the census, so will be subject to change as early as 2019.

In our opinion, the final Plan should be clear that these projections should not be directly translated into long-term supply targets but can be useful in establishing shorter term or milestone targets, to provide a clear basis for short-term planning. This is particularly important given that Councils must provide the composition of the 15-year supply in their Local Housing Strategies, to be prepared in the next 2 years. The Department's projections provide 4-year milestones (shown below), which could be considered in the final Plan to establish near- and far-term targets that can support a gradual increase in the proportion of infill development.

Table 2: NSW Government's 4-yearly dwelling projections

	2011-16	2017-21	2021-26	2026-31
Cessnock (C)	1,550	3,150	4,650	6,150
Lake Macquarie (C)	3,000	6,250	9,150	11,800
Maitland (C)	3,450	6,650	9,850	13,200
Newcastle (C)	4,100	8,250	12,200	16,000
Port Stephens (A)	3,150	5,750	8,200	10,500

We fully support the draft Plan's intention to make more efficient use of land already zoned for urban development but recognise the 60% infill target is ambitious. In our opinion, the current presentation of this target doesn't provide sufficient direction or certainty as to how it is to be achieved. We feel the final Plan should more clearly recognise that some of the areas that are today considered to be greenfield urban release areas will, by 2036, be 'existing urban areas'. This is suggested by the supporting target for 25% of lots in priority housing release areas capable of providing small lot and multi-dwelling housing.

Relevant to Wallalong, the draft Plan establishes a target for Port Stephens LGA to provide 75% of its total projected need through infill development by 2036. Based on current projections, this would mean 8,300 homes. Infill areas in Port Stephens that are capable of achieving larger-scale densification are mainly located around Nelson Bay, well outside the draft Plan's 30-minute drive time boundary. This suggests that the infill target for Port Stephens, as it relates to the Greater Newcastle area is unrealistic, meaning it will be essential to identify new greenfield release areas closer to the indicative boundary, to meet the draft Plan's wider target of 95% of people living within 30 minutes of a strategic centre.

5 What the draft Metro Plan, SIC and UDP collectively mean for residential land supply and housing affordability

Read in conjunction, a key purpose of the draft Metro Plan, SIC and UDP appears to be justification of the 60% infill development target by 2036. Scant attention is given to the possible consequences for residential land supply and housing affordability, including how transparent monitoring of these factors will occur and the contingency measures to be adopted if negative trends emerge. Advocating a major shift in the split of residential development, as contemplated by the draft Plan, is considered risky particularly as all new releases will be put on hold until Councils' Local Housing Strategies are finalised and endorsed. This process will take some years.

Instead, we recommend an approach that, in the short term, further identifies smaller residential supply catchments to assist with monitoring the level and robustness of supply available, establish a more meaningful nexus for collecting contributions toward State and Local infrastructure, and prioritising expenditure of the contributions collected in a manner that genuinely benefits new developments. This approach would be best led by the State Government, rather than individual Councils, to provide a unified method for metropolitan-level planning and monitoring.

6 Summary and concluding remarks

The submission phase in the preparation of any strategic plan is an important part of finalising the strategic document with an aim to receive a diversity of stakeholder responses. We believe that the insight and evidence provided in this submission will assist the plan in achieving the outcomes and strategies outlined in the plan. Accordingly, our submission recommends the following changes in order to provide greater clarity and certainty with regard to residential land supply and housing affordability. Specifically, we request the final Plan:

- Contains an amended boundary for identifying new greenfield residential areas that more closely reflects 30-minute drive times from strategic centres and more closely corresponds to existing administrative boundaries. Alternatively, if amending the current indicative boundary is not possible, new text should be inserted to explain that the boundary is only a guide and potential development areas outside it will still be considered;
- Provides clear criteria for identification of new greenfield residential areas;
- Provides greater flexibility in its housing targets, that is recognising that the 60/40% infill and greenfield targets may not be appropriate and practical for all LGAs nor for the 2036 end date;
- Clarifies the definition of "infill" development, specifically how later small-lot or similar development in earlier greenfield release area will be treated;

- Clearly specifies how the adequacy of residential land supply and housing affordability will be monitored and reported to stakeholders, and the contingency measures that will be adopted if negative trends emerge;
- Provides clear guidance to all councils of the required content, appropriate data sources and the like for local housing strategies to ensure they are completed in an effective and timely manner; and
- Reviews the proposed arrangements for application of SICs to ensure they do not have negative effects on residential land supply and housing affordability and are used in a way that will clearly benefit those who pay the contributions.

The McCloy Group applauds the Department for the efforts that have gone into presenting such an aspirational vision for the future of the Greater Newcastle metropolitan area, and thanks them for consideration of our concerns and recommendations as they finalise the Plan. We would welcome the opportunity to further discuss any of the issues raised in this submission in more detail to assist.