

ATTACHMENTS DISTRIBUTED UNDER SEPARATE COVER

**CCL 12/12/2023 - PUBLIC EXHIBITION OF DRAFT NEWCASTLE
AFFORDABLE HOUSING CONTRIBUTIONS SCHEME**

- 8.9** **Attachment A:** Newcastle Affordable Housing Contributions
Scheme Planning Proposal
- 8.9** **Attachment B:** Draft Affordable Housing Contribution Scheme

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Newcastle Affordable Housing Contributions Scheme Planning Proposal

Version 1.1 – Gateway Determination

November 2023

For enquiries please call 4974 2000

For more information:
www.newcastle.nsw.gov.au

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Introduction

City of Newcastle (CN) has prepared this planning proposal following an assessment of the need for affordable housing in the Newcastle LGA (Newcastle). It proposes to introduce affordable housing provisions into *Newcastle Local Environmental Plan 2012* (NLEP 2012) to deliver affordable housing outcomes.

The planning proposal seeks to amend NLEP 2012 to give effect to the attached Newcastle Affordable Housing Contributions Scheme (AHCS) and introduce new clauses and a map layer to allow CN to impose conditions of consent on new development for contributions for affordable housing.

The planning proposal relates to all land within Newcastle.

This planning proposal was prepared in accordance with Section 3.33 of the *Environmental Planning and Assessment Act 1979* (EP&A Act). It explains the intended effect of the proposed local environmental plan (LEP) amendment and sets out the justification for making the plan.

The Department of Planning and Environment's (DPE) *Local Environmental Plan Making Guideline* (August 2023) guided and informed the planning proposal's preparation. The planning proposal may evolve over time due to various reasons, such as feedback received during exhibition or the progression of planning investigations. It will be updated at key stages in the plan making process.

Background

The Newcastle Local Strategic Planning Statement (LSPS) and Newcastle Local Housing Strategy (LHS) identify considerable supply gaps in social and affordable housing to meet the needs of a range of very low, low, and moderate income households.

Increasing the supply of affordable housing in Newcastle is a key priority in the LHS and Housing Policy. The Housing Policy sets an overall affordable housing target of 15% to work towards across the city. To help achieve this target, CN has committed to implementing an affordable housing contributions scheme.

Section 7.32 of the EP&A Act allows councils to levy contributions for affordable housing if a State Environmental Planning Policy (SEPP) identifies the need for affordable housing in an LGA.

In February 2019, *State Environmental Planning Policy 70 - Affordable Housing (Revised Schemes)* (SEPP 70) was amended to include all councils in NSW. In November 2021 the provisions of SEPP 70 were consolidated into Part 2 of *State Environmental Planning Policy (Housing) 2021* (Housing SEPP).

Under Section 7.32 of the EP&A Act, any condition imposed on a development consent must be authorised by an LEP and be in accordance with an affordable housing contribution scheme for dedications or contributions set out in, or adopted by, the LEP.

Part 1 - Objectives or intended outcomes

The planning proposal seeks to amend NLEP 2012 to deliver affordable housing outcomes in Newcastle. The objectives of the planning proposal are to:

- Provide for the delivery of affordable housing through the planning system, recognising its role as social infrastructure
- Provide a transparent statutory framework for the levying of affordable housing contributions in Newcastle
- Contribute towards achieving Council and state government objectives in relation to affordable housing
- Implement viable affordable housing contribution rates with regard to development feasibility
- Provide clarity to the community and development industry on CN's expectations for affordable housing contributions in Newcastle

Affordable housing delivered via the AHCS will be in accordance with the following principles:

- Affordable housing must aim to support mixed and balanced communities
- Affordable housing must be created and managed to develop and maintain a socially diverse residential population, representative of all income groups in a locality
- Affordable housing must be made available to very low, low and moderate income households, or a combination of these households
- Affordable housing must be rented to appropriately qualified tenants and at an appropriate rate of gross household income
- Land provided for affordable housing must be used for the purposes of the provision of affordable housing
- Buildings provided for affordable housing must be managed to maintain their continued use for affordable housing in perpetuity
- Affordable housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the area
- Any profits from the sale of affordable housing are to be used for replacing affordable housing
- Any profits from rent or operation of affordable housing are to be used for improving or replacing affordable housing, or for research and policy development for housing and affordable housing purposes
- Affordable housing must be constructed to a standard that is consistent with other dwellings within the development in terms of internal fittings and finishes, solar access, privacy and access to communal facilities

Part 2 - Explanation of provisions

The proposed outcomes described in Part 1 will be achieved by amending NLEP 2012. It is proposed to include two new clauses in NLEP 2012 to collect affordable housing contributions and give effect to the Newcastle AHCS. Proposed clause 9.1 will be supported by a new Affordable Housing Contributions Scheme Map.

The proposed clauses are as follows:

Part 9 Additional local provisions - affordable housing

9.1 Affordable housing contributions in identified areas

- (1) *The objectives of this clause are as follows—*
- (a) *to capture increases in land value when changes to planning controls enable an increase in housing density,*
 - (b) *to enable the imposition of conditions relating to the provision of affordable housing,*
 - (a) *to deliver housing that promotes and retains a socially diverse population.*
- (2) *This clause applies to development, other than development that is exempt from the scheme, for the purposes of residential accommodation on land identified on the Affordable Housing Contributions Scheme Map.*
- (3) *When granting development consent to development to which this clause applies, the consent authority may impose a condition requiring an affordable housing contribution, consistent with the **Newcastle Affordable Housing Contributions Scheme**, to the part of the development intended to be used for residential accommodation.*
- (4) *A condition imposed under this clause must satisfy the affordable housing contribution*
- (a) *by way of a monetary contribution paid to the Council that is the per square metre value calculated in accordance with subclause (5), or*
 - (b) *a dedication in favour of the Council of land or dwellings, or*
 - (c) *a combination of both.*
- (5) *The contribution must be calculated in accordance with the **Newcastle Affordable Housing Contributions Scheme**.*
- (6) *In this clause—*
- affordable housing contribution area** *means land identified as "Affordable housing contribution area" on the Affordable Housing Contribution Scheme Map.*
- Newcastle Affordable Housing Contribution Scheme** *means the Newcastle City Council Affordable Housing Contribution Scheme adopted by the Council on [XX date].*

9.2 Affordable housing contributions in Newcastle

- (1) *This clause applies to all land in the Newcastle Local Government Area.*
- (2) *This clause applies to development, other than development that is exempt from the scheme, for the purposes of residential accommodation.*

(3) *The consent authority may impose a condition requiring an affordable housing contribution for development outside identified areas consistent with the **Newcastle Affordable Housing Contributions Scheme**.*

(4) *A condition imposed under this clause must satisfy the affordable housing contribution*

(b) by way of a monetary contribution paid to the Council that is the per square metre value calculated in accordance with subclause (5), or

(c) by way of a dedication in the favour of the Council of a complete dwelling (having a total gross floor area of no less than 50 square metres), or

(d) a combination of both.

(5) *For the purposes of this clause, the affordable housing contribution is to be calculated in accordance with the **Newcastle Affordable Housing Contributions Scheme**.*

The AHCS is proposed to apply to all land in Newcastle. Residential development and mixed use development excluding employment generating development will be levied under the AHCS.

The AHCS identifies the following areas where an affordable housing contribution may apply.

- Broadmeadow Part A (residential)
- Broadmeadow Part B (non-residential)
- Stockton North
- Western Corridor

These areas are mapped in Part 4 of this planning proposal.

The AHCS identifies the following contribution rates to apply in identified affordable housing contribution areas:

Area	FSR	Contribution rate	Equivalent monetary contribution rate
Broadmeadow Part A (residential)	>1.6:1	4% of total gross floor area (GFA)	\$321/sqm of GFA
Broadmeadow Part B (non-residential)	>1.4:1	3.30% of total GFA	\$256/sqm of GFA
Stockton North	>1.4:1	4.30% of total GFA	\$379/sqm of GFA
Western Corridor	N/A	5% of total net developable area (NDA) for planning proposals	\$300,000/ha of NDA

In the rest of the LGA, the AHCS applies where development results in:

- An additional dwelling (or potential dwelling), and
- More than 200sqm residential GFA on the site

The following contribution rate applies:

Area	Contribution rate	Monetary equivalent
Newcastle LGA	1% of GFA over 200sqm (for 10 or less dwellings)	\$80/sqm of GFA over 200sqm GFA (for 10 or less dwellings)
	1% of total GFA (for more than 10 dwellings)	\$80/sqm of total GFA (for more than 10 dwellings)

The 1% contribution rate is still applicable in the identified areas where development does not meet the relevant FSR threshold for a larger contribution rate to apply.

Details of how the scheme will apply and worked examples are outlined in the AHCS.

The following development is exempt from affordable housing contributions:

- Exempt development
- Development for non-residential floorspace
- Development that would result in the creation of residential gross floor area of less than 200 sqm
- Development that does not result in an additional dwelling, or land lots with the potential of a dwelling
- Development of residential accommodation that is used to provide social or affordable housing
- Development for the purposes of community facilities, public roads or public utility undertakings

Part 3 – Justification

Section A - Need for the planning proposal

1. *Is the planning proposal a result of any strategic study or report?*

The planning proposal is a result of the Newcastle AHCS. The AHCS is a key action of the Newcastle LHS.

The AHCS was prepared in accordance with the DPE's *Guideline for Developing an Affordable Housing Contribution Scheme* which requires councils to establish an evidence base demonstrating the need for affordable housing. An Affordable Housing Needs Assessment is provided at Appendix B of the AHCS and identifies a clear and critical need for affordable housing in Newcastle.

2. *Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?*

The planning proposal is the best way to achieve the intended outcome of increasing affordable housing in Newcastle. It provides a transparent framework for the levying of affordable housing contributions and provides certainty and clarity for the community and development industry.

A planning proposal is the only means to amend NLEP 2012 to reference the AHCS, as required by the EP&A Act. In doing so, it will allow CN to impose conditions on new development for contributions for affordable housing.

Section B - Relationship to strategic planning framework

3. *Is the planning proposal consistent with the objectives and actions of the applicable regional, sub-regional or district plan or strategy (including any exhibited draft plans or strategies)?*

Hunter Regional Plan 2041

The *Hunter Regional Plan 2041* (HRP 2041) guides the land use planning for the Hunter region over the next 20 years. The plan sets the strategic land use framework and includes overarching objectives, strategies and planning priorities. It aims to unlock sustainable growth and investment opportunities with a focus on greater housing diversity and affordability. The planning proposal is consistent with the following objectives and strategies of HRP 2041:

Objective 5 – Plan for ‘nimble neighbourhoods’, diverse housing and sequenced development.

- **Strategy 5.5** - the planning proposal is consistent with strategy 5.5 which encourages the preparation of an affordable housing contributions scheme to increase the overall supply of social and affordable housing.
- **Strategy 5.6** - the planning proposal is consistent with strategy 5.6 as it will provide opportunities to work with local affordable housing providers who can facilitate the delivery of supported and specialist accommodation.

Greater Newcastle Metropolitan Plan 2036

The *Greater Newcastle Metropolitan Plan 2036* (GNMP 2036) identifies Newcastle as the metro core of Greater Newcastle, where people enjoy a cosmopolitan lifestyle focused around strong local communities, jobs, and services.

GNMP 2036 recognises the importance of collaborative partnerships in optimising opportunities to drive sustainable growth that transforms Greater Newcastle into a metropolitan city on the global stage. It acknowledges the need to plan for and manage growth in a way that maintains liveability.

The GNMP 2036 provides specific directions for councils to prepare a local housing strategy that ensures social and affordable housing requirements for Aboriginal people, and low and very low-income households are met.

The planning proposal is consistent with GNMP 2036 as it implements an action from CN's LHS which was prepared in accordance with the GNMP 2036 and facilitates the delivery of affordable housing.

4. *Is the planning proposal consistent with a council's local strategy or other local strategic plan?*

Newcastle 2040 Community Strategic Plan

The *Newcastle 2040 Community Strategic Plan* (CSP) identifies the community's vision for the city and informs the strategies, policies, and actions for CN to achieve this vision. The planning proposal is consistent with the following priorities and objectives of the CSP:

- **Liveable Newcastle**
 - 1.2 Connected and fair communities
 - 1.2.1 Connected communities
 - 1.2.3 Equitable communities

Newcastle Local Strategic Planning Statement

The Newcastle LSPS is a 20-year land use vision prepared to guide the future growth and development in Newcastle consistent with the GNMP 2036. It informs changes to the NLEP 2012, NDCP 2012 and other land use strategies.

The LSPS identifies considerable supply gaps in social and affordable housing across Newcastle. It advocates for greater access to secure, appropriate and affordable housing as an essential component of an inclusive, dynamic and sustainable city. This planning proposal supports an increase in affordable housing and delivers on Planning Priority 12: Sustainable, affordable and inclusive housing.

Newcastle Local Housing Strategy

The Newcastle LHS sets a framework for the provision of housing across CN over the next 20 years. It is a local response to the housing actions within the HRP 2041, GNMP 2036 and LSPS and is accompanied by an Implementation Plan.

The LHS details six housing priorities, supported by actions in the LHS Implementation Plan. The planning proposal is consistent with Housing Priority 4 to increase the supply of affordable rental housing and delivers on Action 4.1 to prepare an affordable housing contributions scheme.

Newcastle Housing Policy

The Newcastle Housing Policy outlines the framework for housing provision in Newcastle. It brings together commitments made in various plans and strategies including a commitment to implement the AHCS.

The policy aims to facilitate a diversity of housing types and tenures and increase the supply of affordable housing through planning agreements, NLEP 2012 changes and preparing an AHCS. In particular, it aims to maintain and increase the supply of affordable rental housing for key workers living in very low, low and moderate income households by working with all levels of government to ensure no net loss of social and affordable housing. The policy applies to planning proposals that aim to increase density or are located in Newcastle's growth areas.

The policy sets an overall affordable housing target of 15% to work towards across the city.

5. Is the planning proposal consistent with applicable State Environmental Planning Policies (SEPPs)?

An assessment of the planning proposal against relevant SEPPs is provided in the table below.

Table 1 – Relevant State Environmental Planning Policies (SEPPs)

Relevant SEPP	Applicable	Consistency and Implications
SEPP (Biodiversity and Conservation) 2021	Yes	Consistent – Nothing in the planning proposal (PP) will prevent the application of this SEPP.
SEPP (Building Sustainability Index: BASIX) 2004	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP 65 (Design Quality of Residential Flat Development)	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP. It is noted that DPE is proposing to consolidate the provisions of SEPP 65 into SEPP (Housing) 2021.
SEPP (Housing) 2021	Yes	Consistent – SEPP (Housing) 2021 identifies a need for affordable housing in Newcastle. The framework to develop an affordable housing contributions scheme is outlined in Chapter 2 - Affordable Housing. SEPP (Housing) 2021 is the mechanism through which CN can mandate a contribution for affordable housing from new development.
SEPP (Exempt and Complying Development Codes) 2008	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Industry and Employment 2021)	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Planning Systems) 2021	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Primary Production) 2021	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Resilience and Hazards) 2021	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Resources and Energy) 2021	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Transport and Infrastructure) 2021	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.
SEPP (Sustainable Buildings) 2022	Yes	Consistent – Nothing in the PP will prevent the application of this SEPP.

6. Is the planning proposal consistent with applicable Ministerial Directions (s.9.1 directions)?

An assessment of the planning proposal against the relevant Ministerial Directions is provided in the table below.

Table 2: Review of relevant Ministerial Directions (Section 9.1 directions)

Section 9.1 Direction	Applicable	Consistency and implications
Focus area 1: Planning Systems		
1.1 Implementation of Regional Plans	Yes	Consistent. The planning proposal (PP) is consistent with HRP 2041 as outlined above.
1.3 Approval and Referral Requirements	Yes	Consistent. The PP does not include any provisions that will require subsequent development applications to seek approval or referral from any other public authority and does not identify development as designated development. Any future rezoning will consider this direction as part of a separate assessment.
1.4 Site Specific Provisions	Yes	Consistent. The PP does not propose a provision allowing a particular development to be carried out. Any future rezoning will consider this direction as part of a separate assessment.
Focus Area 1: Planning Systems – Place-based		
N/A		
Focus Area 2: Design and Place		
[This Focus Area was blank when the Directions were made]		
Focus Area 3: Biodiversity and Conservation		

3.1 Conservation Zones	Yes	Consistent. The PP identifies the Western Corridor Affordable Housing Contribution Area that contains land zoned for environmental conservation purposes in NLEP 2012. The PP does not affect these zones and the AHCS will only apply to land in the Western Corridor zoned or proposed to be zoned for residential purposes. Any future rezoning will consider this direction as part of a separate assessment.
3.2 Heritage Conservation	Yes	Consistent. The planning proposal will not affect existing heritage conservation provisions in NLEP 2012. Any future rezoning will consider this direction as part of a separate assessment.
3.5 Recreation Vehicle Areas	Yes	Consistent. The PP does not propose a provision allowing land to be developed for the purpose of a recreation vehicle area. Any future rezoning will consider this direction as part of a separate assessment.
Focus Area 4: Resilience and Hazards		
4.3 Planning for Bushfire Protection	Yes	Consistent. The PP identifies the Western Corridor Affordable Housing Contribution Area that contains areas identified as bushfire prone land. The AHCS will only apply to land in the Western Corridor zoned or proposed to be zoned for residential purposes. Any future rezoning will consider this direction as part of a separate assessment.
4.4 Remediation of Contaminated Land	Yes	Consistent. The PP does not propose a change of zoning or change of use. Any future rezoning will consider this direction as part of a separate assessment.
4.5 Acid Sulfate Soils	Yes	Consistent. The PP does not propose an intensification of land uses. Any future rezoning will consider this direction as part of a separate assessment.
4.6 Mine Subsidence and Unstable Land	Yes	Consistent. The PP does not propose to permit development on land. Any future rezoning will consider this direction as part of a separate assessment.
Focus Area 5: Transport and Infrastructure		
5.1 Integrating Land Use and Transport	Yes	Consistent. The PP does not propose any changes to zoning and any future rezonings will consider this direction as part of a separate assessment.
5.2 Reserving Land for Public Purposes	Yes	Consistent. The PP does not create, alter or reduce existing zonings or reservations of land for public purposes. Any future rezoning will consider this direction as part of a separate assessment.
Focus Area 6: Housing		
6.1 Residential Zones	Yes	Consistent. The PP proposes new provisions to allow CN to impose conditions of consent on new development for contributions for affordable housing. As such, it supports the objectives of this direction to encourage a variety and choice of housing types to provide for existing and future housing needs.
Focus Area 7: Industry and Employment		
7.1 Business and Industrial Zones	Yes	Consistent. The PP identifies the Broadmeadow Affordable Housing Contribution Area that contains land zoned E3 Productivity Support and E4 General Industrial. The AHCS will only apply to land in Broadmeadow zoned or proposed to be zoned for residential purposes. Any future rezoning will consider this direction as part of a separate assessment.
Focus Area 8: Resources and Energy		
N/A		
Focus Area 9: Primary Production		
N/A		

Section C - Environmental, social and economic impact

7. Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected as a result of the proposal?

The planning proposal will not adversely impact critical habitat or threatened species, populations or ecological community, or their habitats.

8. *Are there any other likely environmental effects as a result of the planning proposal and how are they proposed to be managed?*

The planning proposal will not have any adverse environmental impacts or effects.

9. *Has the planning proposal adequately addressed any social and economic effects?*

Social effects

Appendix B of the AHCS provides a full affordable housing needs assessment outlining the clear and critical need for affordable housing in Newcastle. The planning proposal and AHCS seek to address this need for affordable housing by providing a transparent statutory framework for the levying of affordable housing contributions in Newcastle, recognising it as key social infrastructure.

CN recognises the need for affordable housing to meet the growing needs of the community. Increasing the supply of affordable housing will have positive social impacts and reduce housing stress and housing insecurity. Without a wider choice of housing low, very low and moderate income households can become trapped in low cost, low amenity neighbourhoods, thereby further limiting their choices and perpetuating their disadvantage.

Economic effects

Lack of affordably priced housing not only affects the quality of life of individual families, who may be sacrificing basic necessities to pay for their housing. It also has a serious impact on employment growth and economic development. The loss of young families and workers in lower paid essential service jobs can adversely affect local economies, which is contributing to labour shortages in some regions of NSW. The displacement of long-term residents reduces social cohesion, engagement with community activities (such as volunteering), and extended family support.

As well as impacting on the health and wellbeing of low income families, and older and younger people, this can contribute to a lack of labour supply among 'key workers' who are essential to various services including childcare, aged services, health care, tourism, hospitality and emergency services, but whose wage increasingly does not allow them to access rental or purchase housing close to where they work. Affordably priced housing is thus an important form of community infrastructure that supports community wellbeing and social and economic sustainability, including a diverse labour market and economy, and strong and inclusive communities.

Appendix C of the AHCS provides a full feasibility analysis to support the affordable housing contribution rates proposed in the AHCS. These rates have been independently tested to ensure development viability.

Affordable housing contributions are in addition to other contributions applicable on new development including local infrastructure contributions (s7.11 or s7.12) and state contributions such as the Housing and Productivity Contribution (HPC). These charges were included and considered as part of the feasibility analysis.

Section D - State and Commonwealth interests

10. *Is there adequate public infrastructure for the planning proposal?*

Any future rezoning of land identified as an Affordable Housing Contribution Area will be subject to a separate planning proposal that will consider public infrastructure requirements.

The provision of affordable housing will not result in any additional burden on existing public infrastructure.

11. *What are the views of state and Commonwealth public authorities consulted in accordance with the Gateway determination?*

The gateway determination will provide details on the consultation to be undertaken with State and Commonwealth public authorities.

CN consulted with the DPE's Housing Policy Team and the Central Coast and Hunter Region Office in the preparation of the AHCS.

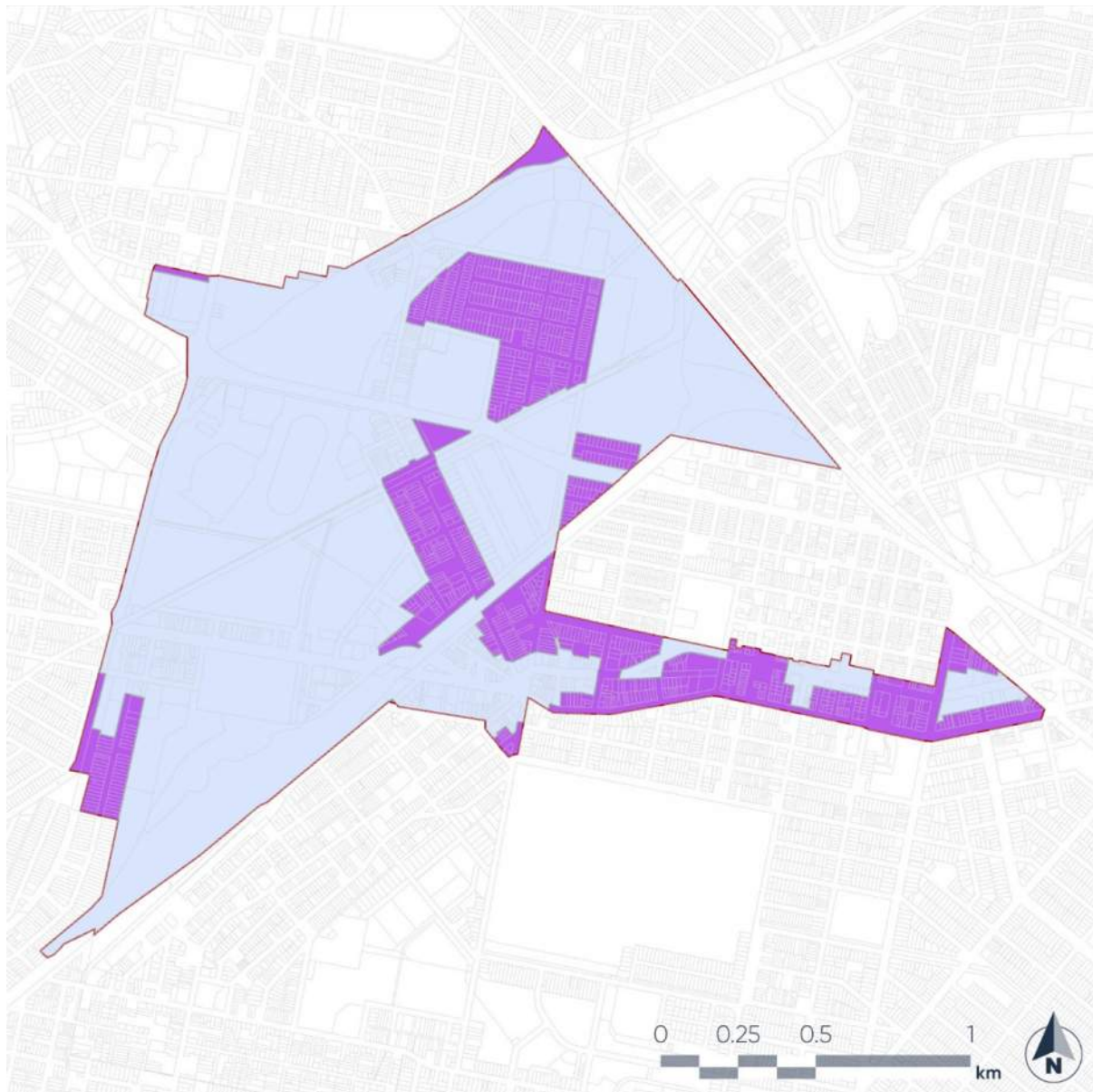
Part 4 – Mapping

The planning proposal seeks to introduce a new Affordable Housing Contributions Scheme Map in *Newcastle Local Environmental Plan 2012*, consistent with the AHCS.

No changes to existing map layers are proposed.

The proposed areas for inclusion within the Affordable Housing Contributions Scheme Map are provided in Figures 1-3.

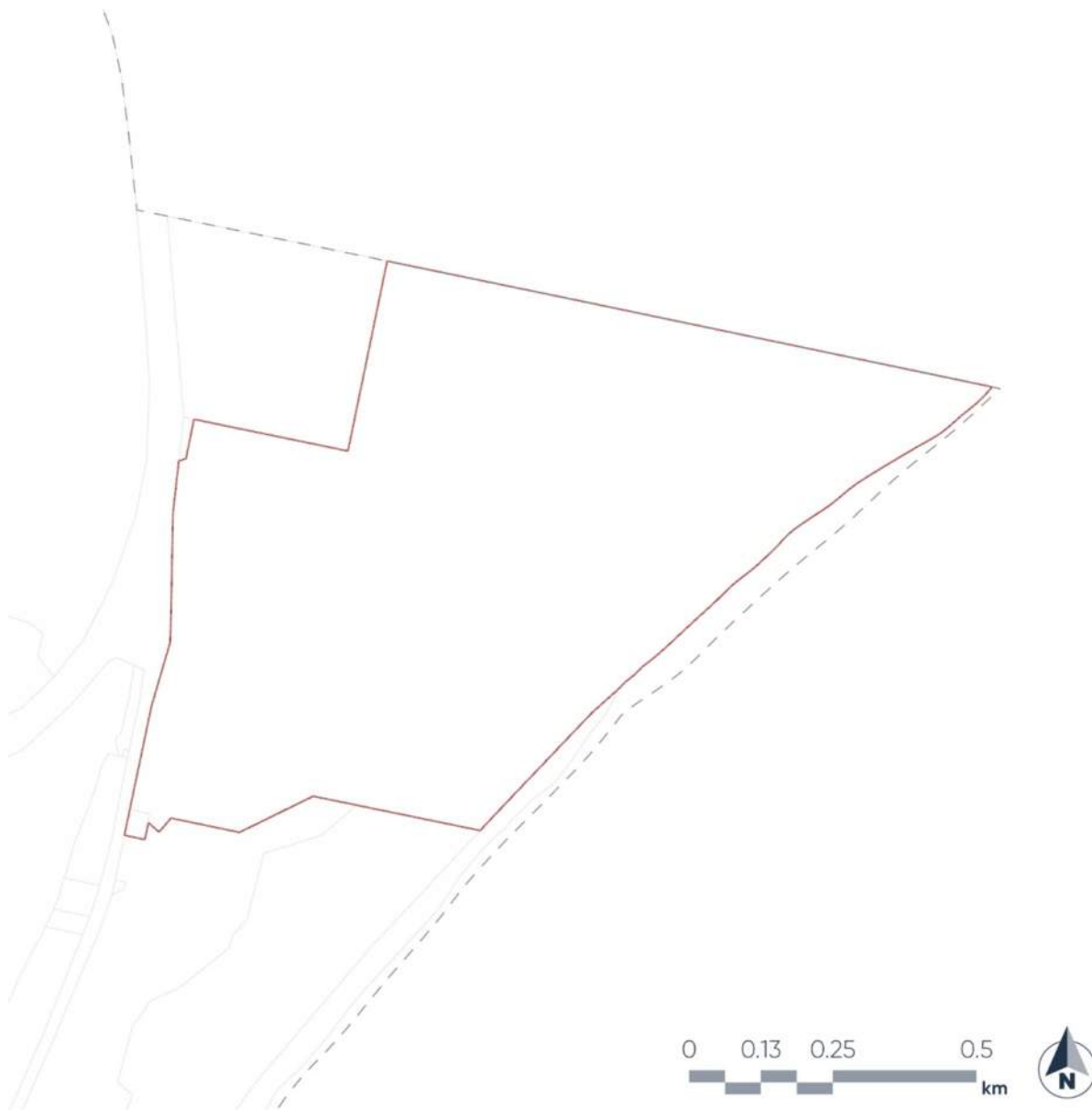
Map 1: Broadmeadow Area A and B - Affordable Housing Contribution Scheme Area



Legend

 Cadastral boundary	 Broadmeadow Area A
 AHCS Precinct Boundary	 Broadmeadow Area B

Map 2: Stockton North Affordable Housing Contribution Scheme Area



Legend

-  Newcastle LGA Boundary
-  AHCS Precinct Boundary
-  Cadastral boundary

Map 3: Western Corridor Affordable Housing Contribution Scheme Area



Legend

-  Newcastle LGA Boundary
-  AHCS Precinct Boundary
-  Cadastral boundary

Part 5 – Community consultation

The Gateway determination will outline the community consultation to be undertaken.

The planning proposal, draft AHCS and other exhibition material will be available to view on CN's website and the NSW Planning Portal.

Consultation with public authorities will be undertaken in accordance with the requirements of the Gateway determination.

Part 6 – Project timeline

The planning proposal timeline is shown below. It will be updated as the planning proposal progresses.

	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25
Report to Council and Gateway Determination																
Gateway Determination																
Post Gateway Determination																
Public exhibition and agency consultation																
Consideration of submissions and reporting																
Anticipated report back to Council for adoption																
PP forwarded to DPE																
PP finalised by DPE																
Local Environmental Plan made																

*Assuming complex planning proposal per DPE *Local Environmental Plan Making Guideline*.

Attachment A - Draft Newcastle Affordable Housing Contribution Scheme

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Draft Newcastle Affordable Housing Contributions Scheme

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DEFINITIONS

Affordable housing has the same meaning as in the *Environmental Planning and Assessment Act 1979*, being housing for very low, low and moderate income households as prescribed by the regulations, or as provided for in an environmental planning instrument. See below for definitions of very low, low and moderate income groups.

Affordable housing covenant ensures that the benefits of affordable housing are secured in accordance with this plan in the long term. The affordable housing covenant will be required to be registered, before the date of the issue of the occupation certificate, against the title of the property, in accordance with section 88E of the *Conveyancing Act 1919*. The covenant will:

- Require affordable rental housing to be retained as affordable rental housing in perpetuity
- Require affordable rental housing to be managed in accordance with the principles within this scheme
- Allow for the removal of the covenant to facilitate the sale of affordable rental housing in accordance with this scheme.

CN means City of Newcastle (Newcastle City Council).

Community housing provider is a not-for-profit organisation which provides affordable rental and social housing for very low, low and moderate income groups and is registered under the National Regulatory System for Community Housing.

Dwelling is a group term referring to all types of housing, from granny flats and studios to apartments, townhouses, terraces, semi-detached homes and standalone homes.

Housing affordability is a general term describing the affordability of renting or purchasing housing on the open market and is not limited to those on very low, low and moderate incomes. A common benchmark for housing affordability is that the rent or mortgage does not absorb more than 30% of the gross household income.

Housing diversity is the variety of housing including the type of dwelling, dwelling sizes, layout, number of bedrooms, price submarket and whether housing is usable and accessible by all people.

Key worker is someone on a very low, low or moderate income who provides a vital service to the economic and social development of Newcastle, including school teachers, midwives, nursing professionals, hospitality and retail workers, personal carers, aides and assistants, child carers, fire fighters, police, bus and rail drivers, cleaners and laundry workers.

Public housing is a type of social housing managed by a government organisation such as the Department of Communities and Justice or the Aboriginal Housing Office.

Residential flat building means a building containing 3 or more dwellings, but does not include an attached dwelling, manor home, co-living housing or multi dwelling housing.

Shop top housing means one or more dwellings located above the ground floor of a building, where at least the ground floor is used for commercial premises or health services facilities.

Social housing is housing for people on very low incomes or people in housing crisis, which the government or community housing providers own or manage. Rents are based on income.

Very low, low and moderate income households as defined in the *Environmental Planning & Assessment Act 1979* and *State Environmental Planning Policy (Housing) 2021* are households with a gross income within the following ranges of percentages of the median household income for Greater Sydney or the Rest of NSW:

- Very low: less than 50% of the median Rest of NSW household income
- Low: between 50 and 80% of the median Rest of NSW household income
- Moderate: between 80 and 120% of the median Rest of NSW household income.

The rest of NSW income is used as Newcastle is located outside of Greater Sydney.

1. BACKGROUND

1.1 Introduction

This Newcastle Affordable Housing Contribution Scheme (scheme) sets out how contributions for affordable housing will be levied in the Newcastle Local Government Area (Newcastle).

The scheme fulfils CN's requirements in Section 7.32(1)(c) of the *Environmental Planning & Assessment Act 1979* (EP&A Act) and *State Environmental Planning Policy (Housing) 2021* (Housing SEPP). It identifies opportunities for affordable housing delivery in targeted growth areas. The affordable housing delivered under this scheme is to be directed to meeting the needs of very low, low and moderate income households who reside in Newcastle.

This scheme will assist CN in addressing the clear need for affordable housing in Newcastle.

1.2 Objectives of the affordable housing contribution scheme

The objectives of this scheme are to:

- Recognise the provision of affordable rental housing as critical infrastructure to support a sustainable Newcastle
- Deliver a supply of affordable housing for very low, low and moderate income households
- Provide certainty and clarity on how, where and at what rate affordable housing contributions will be levied in Newcastle
- Establish contribution rates for affordable housing that are viable and evidence-based

1.3 Areas where the scheme applies

The scheme applies to the Newcastle Local Government Area (LGA). It identifies the following areas where an affordable housing contribution may apply.

- Broadmeadow Part A (residential)
- Broadmeadow Part B (non-residential)
- Stockton North
- Western Corridor
- Remainder of the LGA

These areas are shown on the maps in Appendix A.

1.4 Development the scheme applies to

The scheme applies to residential development and mixed use development excluding employment generating development.

1.5 Development that is exempt

Table 1 indicates the types of development that are exempt from the scheme and the reasons for their exemption.

Table 1: Development that is exempt from the scheme

Exempt development	<ul style="list-style-type: none"> Development that is classified as exempt development in NSW does not generate a demand for affordable housing The gross floor area of exempt development is too small to generate any meaningful affordable housing contribution
Development for non-residential floorspace	<ul style="list-style-type: none"> The viability of commercial space is often lower than residential, usually half the end sale value of residential. The cost impost of an affordable housing contribution could undermine feasibility further. As CN is currently aiming to encourage jobs growth, non-residential development will be exempted.
Development that would result in the creation of residential gross floor area of less than 200 sqm	<ul style="list-style-type: none"> The gross floor area of small scale residential development is too small to generate any meaningful contribution The cost burden for affordable housing should not fall to owner occupiers of family homes, many of whom will be seeking affordable housing outcomes
Development that does not result in an additional dwelling, or land lots with the potential of a dwelling	<ul style="list-style-type: none"> The scheme does not seek to collect contributions from development that result in no additional dwellings (or land lots with a potential for a dwelling) The cost burden should not fall to owner occupiers that are seeking to build their own home
Development of residential accommodation that is used to provide social or affordable housing	<ul style="list-style-type: none"> Social and affordable housing is targeted to very low, low and moderate income households The imposition of a contribution would be inappropriate and inconsistent with the objectives of the scheme Residential gross floor area used for social or affordable housing is excluded. Where a development includes a mix of market, social and affordable dwellings, the potential affordable housing contribution will be calculated by subtracting the social/affordable gross floor area from the total gross floor area Social and affordable housing development is exempted where it provides social or affordable housing gross floor area in excess of what is required in the scheme in perpetuity
Development for the purposes of community facilities, public roads or public utility undertakings	<ul style="list-style-type: none"> These types of developments do not generate any demand for affordable housing These developments already provide community value and should not be burdened with further development costs

Diverse housing types permitted under the Housing SEPP are not exempt from contributions under the scheme.

Examples of how the scheme will apply are as follows:

- **Secondary dwelling:** where the secondary dwelling is less than 200sqm and requires no change in planning controls, then the development is exempt from paying a contribution.
- **Residential subdivision (development in an urban release area, or development on a new residential site in the Western Corridor):** the creation of each new residential lot is subject to an affordable housing contribution.
- **New house as part of a residential subdivision:** if the new residential lot paid an affordable housing contribution, then a new dwelling on that lot would not be charged a contribution.
- **New dual occupancy as part of a residential subdivision:** if the new residential lot paid an affordable housing contribution for a new single dwelling house, the first dwelling would not be subject to the scheme, but the second dwelling would be subject to the scheme.

- **Knockdown rebuild of an apartment building:** for development within an identified area, the contribution will be calculated as a percentage of the total GFA.
For development outside of an identified area, see section 2.2 of the scheme.
- **Use of a 'bonus' type scheme:** If a bonus existed such as a 30% increase in height and floor space ratio (FSR) in return for 15% affordable housing for 15 years, then the affordable housing component would be levied on the full gross floor area (GFA).

For example, a 1,000sqm development in a contribution area with a rate of 4% of total GFA.

- The 30% bonus would result in an additional 300sqm, resulting in a total GFA of 1,300sqm
- 15% of the total development is required to be used for affordable housing for 15 years, resulting in 195sqm of the GFA used for affordable housing.
- As the affordable housing component is time limited 4% of total GFA which is 52sqm (or monetary equivalent) would need to be dedicated to CN under the scheme.

For clarity, any affordable housing that is proposed for additional bonuses need to be provided in excess of what is provided in the scheme.

1.6 Justification and the need for affordable housing

Affordable housing is defined in the EP&A Act and Housing SEPP as housing for very low, low and moderate income households. Affordable housing can take the form of dedicated affordable rental housing, social housing, shared equity housing and assisted home purchase housing. A household is taken to be a very low income household, low income household or moderate income household if the household has a gross income within the following ranges of percentages of the median household income for Greater Sydney or the Rest of NSW:

- A very low income household has a household income less than 50% of the median Greater Sydney or Rest of NSW household income
- A low income household has a household income between 50% and 80% of the median Greater Sydney or Rest of NSW household income
- A moderate income household has a household income between 80% and 120% of the median Greater Sydney or Rest of NSW household income.

As Newcastle is outside of Greater Sydney, the Rest of NSW income is used to determine very low, low and moderate income households.

The need for affordable housing in Newcastle has been well researched and extensively documented. Overall, Newcastle is a relatively high-cost housing market which mirrors trends experienced in the Department of Community and Justice's Greater Metropolitan Region (GMR), of which Newcastle is a part. The GMR is a collection of LGAs surrounding Greater Sydney, from Kiama LGA in the south, Port Stephens LGA to the north, and Blue Mountains LGA to the west. As detailed below, rental and sale prices in Newcastle have increased at a higher rate than the GMR, placing increasing pressure on the local housing market over time.

Between 2008 and 2023, median rents for a one bedroom unit in Newcastle increased by 57% compared to a 23% increase in the GMR and rent for a two bedroom unit increased by 55% compared to a 34% increase in the GMR. Median rents for a three bedroom house increased by 57% compared to 44% in the GMR. In relation to sales, from June 2017 to December 2022, the median sale price in Newcastle increased 27% while the GMR increased 9%. From 2017, the gap between the GMR and Newcastle sales prices has narrowed for strata and total sale prices, suggesting that housing in Newcastle is becoming relatively more expensive.

In 2021, affordable housing options, both for purchase and rental, were limited, with very low and low income households having severely limited options. 26.7% of dwellings were affordable for purchase by moderate income households however only 0.9% of dwellings were purchasable for low income households and less than 0.1% of homes were purchasable by very low income households. In terms

of rental housing, the situation slightly improves however there is still significant stress. 83.8% of rental housing was affordable to moderate income households however again only 33.6% of rental housing was affordable to low income households and 15.9% of rental housing was affordable to very low income households.¹

Housing stress can depend on individual circumstances however the Australian Bureau of Statistics (ABS) Census data can provide a general overview of housing and highlight areas where households may be having trouble meeting their commitments. ABS 2021 Census data shows there were around 10,550 households in housing stress in Newcastle, made up of around 8,150 households in rental stress and 2,400 households in purchase stress.

Analysis of the ABS 2021 Census data shows that Newcastle has a technical rental affordable housing need of 8,059 and a true affordable housing need of 4,679. The difference between the technical and true need is explained in Appendix B. There were 12,585 renting households in Newcastle that fit under the very low, low and moderate income bands as specified in the Housing SEPP. The majority of these households (8,059) are in unaffordable housing, paying more than 30% of their gross household income in rent, with only 4,526 households paying affordable rent. This unaffordable housing is concentrated on very low and low income households with 79% and 71% respectively of households paying unaffordable rents.

The University of New South Wales City Futures Research Centre estimates that in 2021 there was an unmet need for 4,400 social and affordable dwellings or 6.4% of all households in Newcastle. By 2041, this number is expected to grow by 5,600 to 10,000 if no action is taken. The City Futures Research Centre estimates an additional demand of 200–300 affordable housing dwellings per year.

Population forecasts published by the Department of Planning and Environment show that Newcastle's population is set to grow from an estimated 168,584 residents in 2023 to 201,668 residents by 2041, an increase of 33,084. Using household projections, this growth will stimulate demand for almost 15,500 new dwellings. As a base case, assuming the affordable housing need does not grow since the 2021 Census, CN needs to deliver 234 affordable houses per year from 2021 to 2041 to eliminate the need. If the affordable housing need is expected to grow in line with the City Futures Research Centre estimate of 280 additional dwellings per year, then Newcastle needs an average of 514 affordable housing dwellings per year for the next 20 years.

Further details of Newcastle's affordable housing needs are provided at Appendix B.

1.7 Legislative basis for the affordable housing contribution scheme

Section 7.32 of the EP&A Act allows CN to levy contributions for affordable housing provided a State Environmental Planning Policy (SEPP) identifies a need for affordable housing in the LGA. Clause 14 of the Housing SEPP identifies that there is a need for affordable housing in Newcastle.

Section 7.32(3) of the EP&A Act states that a condition may be imposed on a development consent requiring a reasonable dedication or contribution for affordable housing provided the condition is authorised by a Local Environmental Plan (LEP) and is in accordance with an affordable housing contribution scheme for dedications or contributions set out in, or adopted by, the LEP.

Clause [X.XX] of the *Newcastle Local Environmental Plan 2012* gives effect to this affordable housing contribution scheme.

1.8 Relationship with other affordable housing provisions in Newcastle

The scheme complements other CN policies as described below:

¹ Department of Communities and Justice 2023, *Local Government Housing Kit – Housing Costs and Affordability 2021*.

1.8.1 Newcastle Housing Policy

A framework for housing provision in Newcastle is set out in the *Newcastle Housing Policy* (policy). The policy brings together commitments made in various plans and strategies including a commitment to implement this scheme.

The policy aims to facilitate a diversity of housing types and tenures and increase the supply of affordable housing through planning agreements, amending the *Newcastle Local Environmental Plan 2012*, and preparing an affordable housing contributions scheme. In particular, the policy aims to maintain and increase the supply of affordable rental housing for key workers living in very low, low and moderate income households by working with all levels of government to ensure no net loss of social and affordable housing. The policy applies to planning proposals which aim to increase density or are located in Newcastle's growth areas.

The policy sets an overall affordable housing target of 15% to work towards across the city.

1.8.2 Newcastle Planning Agreements Policy

The *Newcastle Planning Agreements Policy* (2021) sets out CN's approach to planning agreements, in keeping with the provisions of the EP&A Act and the *Environmental Planning and Assessment Regulation 2021*.

Council may enter into a planning agreement with a developer who requests changes to *Newcastle Local Environmental Plan 2012* through a planning proposal or has made, or proposes to make, a development application or application for a complying development certificate for land within Newcastle. Any such planning agreement is to include a contribution for affordable housing consistent with the objectives of this scheme, provided feasibility testing demonstrates that an affordable housing contribution can be achieved. CN will obtain an independent peer review of feasibility testing providing by a proponent.

1.9 Affordable housing principles

Affordable housing delivered under this scheme will be managed in accordance with the following principles.

- Affordable housing must aim to support mixed and balanced communities
- Affordable housing must be created and managed to develop and maintain a socially diverse residential population, representative of all income groups in a locality
- Affordable housing must be made available to very low, low and moderate income households, or a combination of these households
- Affordable housing must be rented to appropriately qualified tenants and at an appropriate rate of gross household income
- Land provided for affordable housing must be used for the purposes of the provision of affordable housing
- Buildings provided for affordable housing must be managed to maintain their continued use for affordable housing in perpetuity
- Affordable housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the area
- Any profits from the sale of affordable housing are to be used for replacing affordable housing
- Any profits from rent or operation of affordable housing are to be used for improving or replacing affordable housing, or for research and policy development for housing and affordable housing purposes
- Affordable housing must be constructed to a standard that is consistent with other dwellings within the development in terms of internal fittings and finishes, solar access, privacy and access to communal facilities

The above principles are consistent with those in the *Newcastle Housing Policy* and Clause 15 of the Housing SEPP.

1.10 Planning proposals

Any planning proposal that allows residential development and is considered by CN as likely to result in a significant value uplift must:

- a) Include a proposal to amend this scheme and *Newcastle Local Environmental Plan 2012* to include the planning proposal site or part of the planning proposal site to specify an affordable housing contribution rate that is supported by feasibility testing; or
- b) Be supported by a planning agreement that includes affordable housing provisions consistent with this scheme.

CN reserves the right to obtain an independent feasibility assessment of any proposed affordable housing contribution.

DRAFT

2. AFFORDABLE HOUSING CONTRIBUTIONS

2.1 Contribution rates in identified areas

All development that this scheme applies to must contribute to affordable housing. This scheme applies to all new residential and mixed-use development located in Newcastle.

Table 2 provides the affordable housing contribution rates applying to each area identified in Section 1.3 of this scheme. In most situations a contribution will only be required where the FSR exceeds 1.4:1, the exception being development in the Western Corridor.

Table 2: Contribution rates in identified areas

Area	FSR	Contribution rate	Equivalent monetary contribution rate
Broadmeadow Part A (residential)	>1.6:1	4% of total gross floor area (GFA)	\$321/sqm of GFA
Broadmeadow Part B (non-residential)	>1.4:1	3.30% of total GFA	\$256/sqm of GFA
Stockton North	>1.4:1	4.30% of total GFA	\$379/sqm of GFA
Western Corridor	N/A	5% of total net developable area (NDA) for planning proposals	\$300,000/ha of NDA

Maps of each area are provided in Appendix A. Justification for the above rates and a description of the viability testing for each identified area is in Appendix C.

The affordable housing contribution rate is to be calculated in accordance with the requirements of this section noting that:

- The rates in the table above have been verified through feasibility testing
- The contribution will be calculated as a percentage of the total gross residential floor area (for Broadmeadow Part A, Broadmeadow Part B and Stockton North) and net developable area of the whole development (for development in an urban release area, or development on a new residential site in the Western Corridor)
- There are no savings or credits for floor space that may exist on the site, even if the building is being adapted or reused
- A contribution may be made through dedication of dwellings, dedication of land or a monetary contribution, as described below. In some instances, a contribution may comprise a combination of in-kind dedication and monetary contribution.

2.2 Contribution rates in the rest of the LGA

The scheme applies to all residential and mixed-use development in Newcastle, where a development results in:

- An additional dwelling (or potential dwelling), and
- More than 200sqm residential GFA on the site

The 1% contribution rate is still applicable in the identified areas where development does not meet the relevant FSR threshold for a larger contribution rate to apply or is not subject to a planning proposal.

The following contribution rate applies:

Table 3: Contribution rates outside of identified areas

Area	Contribution rate	Monetary equivalent
Newcastle LGA	1% of GFA over 200sqm (for 10 or less dwellings)	\$80/sqm of GFA over 200sqm GFA (for 10 or less dwellings)
	1% of total GFA (for more than 10 dwellings)	\$80/sqm of total GFA (for more than 10 dwellings)

It is proposed to phase in this rate over time to allow the market to absorb the contribution, as follows:

Year	Discount rate
Initial period [date of adoption by Council] - June 2025	50%
Second year July 2025 - June 2026	25%
Third year onwards July 2026+	0%

The 1% contribution for development outside of identified areas will be calculated as follows.

For developments of 10 dwellings or less:

$$\text{Contribution} = 1\% \text{ rate } (\$80) \times (\text{GFA} - 200) \times \frac{\text{Proposed dwellings} - \text{Existing dwellings}}{\text{Proposed dwellings}}$$

For developments greater than 10 dwellings:

$$\text{Contribution} = 1\% \text{ rate } (\$80) \times \text{total GFA} \times \frac{\text{Proposed dwellings} - \text{Existing dwellings}}{\text{Proposed dwellings}}$$

The existing dwellings on a site will receive a credit as the contribution is seeking to levy uplift only. A worked example is provided below.

Example

A 1,000sqm site has 4 existing residential flat units. It is proposed to increase this to a 1,200sqm GFA development with 16 residential units. The contribution rate payable would be:

$$\text{Contribution} = \$80 \times (1200) \times \frac{16-4}{16}$$

$$\text{Contribution} = \$80 \times 1200 \times \frac{3}{4}$$

$$\text{Contribution} = \$72,000$$

This would equate to \$6,000 per additional dwelling, or \$4,500 per dwelling (total)

For developments of 10 dwellings or less, the 200sqm trigger will not be used to calculate the contribution payable. Worked examples are provided below:

Example 1 - 200sqm trigger

A 600sqm site has an existing dwelling house. It is proposed to increase this to a 400sqm GFA manor home with 4 units. The contribution rate payable would be:

$$\text{Contribution} = \$80 \times (400 - 200) \times \frac{4-1}{4}$$

$$\text{Contribution} = \$12,000$$

This would equate to \$4,000 per additional dwelling, or \$3,000 per dwelling (total).

Example 2 - no 200sqm trigger

A 1,800sqm site has 6 existing dwelling houses. It is proposed to increase this to a 2,500sqm GFA development with 40 residential units. The contribution rate payable would be:

$$\text{Contribution} = \$80 \times (2500) \times \frac{40-6}{40}$$

$$\text{Contribution} = \$176,800$$

This would equate to \$5,200 per additional dwelling, or \$4,420 per dwelling (total).

As stated, the 1% rate will still apply to development within identified areas that do not meet the relevant FSR threshold for a larger contribution to apply or is not subject to a planning proposal. For example:

- A development application proposing 2+ dwellings and more than 200sqm of GFA in Broadmeadow Part A with an FSR of less than 1.6:1 - **1% contribution will apply**
- A development application proposing 2+ dwellings and more than 200sqm of GFA in Broadmeadow Part B with an FSR of less than 1.4:1 - **1% contribution will apply**
- A development application proposing 2+ dwellings and more than 200sqm of GFA in Stockton with an FSR of less than 1.4:1 - **1% contribution will apply**
- A development application proposing 2+ dwellings and more than 200sqm of GFA in the Western Corridor - **1% contribution will apply**

2.3 Dedication of dwellings

The contribution rate can be fulfilled by dedicating completed dwellings to CN. The dedication of dwellings is to be calculated by applying the relevant contribution rate in section 2.1 to the total GFA of the relevant development. The formula is:

$$\text{Contribution (sqm)} = \text{Gross Floor Area (GFA) (sqm)} \times \text{Contribution Rate (\%)}$$

A worked example is provided below.

Example

A development application for a new residential development in Broadmeadow Part B where an FSR of 1.4:1 applies, comprises 1,600 square metres of residential GFA. The affordable housing contribution would be:

$$= 1,600 \text{ sqm} \times 3.3\%$$

= 52.8 sqm affordable housing GFA required to be dedicated

Dwellings that are dedicated to CN must:

- Be identified on the subdivision plan in an approved development application.
- Align with the affordable housing principles in section 1.9.
- Have a minimum GFA equivalent to a 1 bedroom apartment (50sqm) under the Apartment Design Guide. (Where there is a balance deficit of more than 1 sqm, the full balance of the contribution would be paid as a monetary contribution).

- Be completed when dedicated.
- Be provided in perpetuity free of cost.

CN or its nominated Community Housing Provider (CHP) will consider the suitability of a proposed dedication having regard for operational considerations such as management and maintenance costs. The affordable housing contribution would be satisfied when the title is registered and the balance, if any, is paid as a monetary contribution.

CN or its nominated CHP will be responsible for rental arrangements.

2.4 Equivalent monetary contributions

A developer may elect to provide their affordable housing contribution as a monetary contribution. If the contribution is less than 50 sqm, the contribution must be made as a monetary contribution.

Where a monetary contribution is to be made in lieu of the on-site dedication of completed dwellings, an equivalent monetary contribution will be made and indexed annually, and the contribution rate will be reviewed periodically.

The monetary contribution rate is provided in Table 2 and an example calculation is provided below. This rate is an indicative cost that CN would expect to pay for a new apartment in area of the scheme for an affordable rental dwelling. The cost is indicated in Table 2 based on per square metre of internal saleable area. This cost is supported by the market evidence provided in Appendix C.

The formula for calculating the monetary contribution affordable housing rate is:

$$\text{Monetary Contribution (\$)} = \text{Gross floor Area (sqm)} \times \text{CR (\%)}$$

Where,

$$\text{CR (\%)} = \text{Contribution Rate (\%)} \times \text{Unit cost rate (\$/sqm)}$$

Example

In Broadmeadow Part A, on a site with an FSR of 1.6:1, the CR would be
 $4\% \text{ of GFA} \times \$8,000/\text{sqm} = \$320/\text{sqm}$

For a development with a GFA of 1,600 sqm, the calculation would be:

$$1,600\text{sqm GFA} \times \$320/\text{sqm} \\ = \text{\$512,000 affordable housing contribution payable to CN}$$

2.5 Dedication of land

The dedication of land is calculated as a portion of the net developable area of the site. The following criteria apply:

- Must be provided as a mix of individual lots in a subdivision or developed super lot
- Any lot must meet minimum lot size requirements in the development approval
- The lots must reflect the density mix in proportion of the development (unless otherwise agreed by CN and proponent), e.g. if applicable development in the Western Corridor has a 50/50 split of low and medium density the dedicated land should reflect the 50/50 split of low and medium density lots.

This land will then be used by CN for the development of additional affordable housing in partnership with a CHP.

2.5.1 Subsequent development following dedication of land

Subsequent development that is consistent in terms of density, FSR, and height as envisaged in the initial planning proposal or development application will have met requisite affordable housing contributions. A subsequent development application that seeks additional density, FSR, or dwellings beyond that envisaged by the scheme would be subject to an additional contribution. This includes any typologies under the Housing SEPP.

Development consistent with planned development of the area will not be required to pay additional affordable housing contributions. This ensures there is no “double dipping” of contributions but also allows for additional contributions where additional redevelopment is approved.

2.6 Review of affordable housing contribution rates

2.6.1 Market review

To ensure the recommended contributions rates remain relevant and appropriate, the rates will be subject to a full market review every three years or at CN's discretion. This is in addition to quarterly indexation.

2.6.2 Quarterly indexation

Contribution rates are to be adjusted quarterly within one week of the first days of March, June, September, and December, to ensure the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movement in the median price for strata dwellings in Newcastle. The median strata price is published quarterly in the NSW Government's *Rent and Sales Report*.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The current rates for the scheme will be made available on CN's website.

2.6.3 Adjustment of a monetary contribution after development consent is granted

Where a condition of consent requires an affordable housing contribution, the contribution amount must be adjusted to current rates. For example, if a development consent is issued in December 2023 but the developer waits until February 2024 to enact the consent, then the contribution amount would need to be adjusted to the period in which it is paid.

The formula for the adjustment:

**Monetary Contribution = the Base Contribution Amount
(MDP2/MDP1)**

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rate at the time of determination of the development application.

MDP1 is the median strata dwelling price that applied at the time of consent.

MDP2 is the median strata dwelling price that applies at the time of payment.

2.7 Conditions of consent for affordable housing

The requirement to make an affordable housing contribution will be imposed by a condition in the development consent notice. The condition of consent is to state:

- The total residential gross floor area of the development that was used to calculate the contribution or the monetary contribution
- The total floor area of dwellings to be dedicated, or the monetary contribution required
- The contribution rates applied to calculate the contribution
- The indexation period at time of determination (for a monetary contribution)
- A requirement to demonstrate that the title of any dwellings will be transferred to CN following registration of the subdivision plans with the NSW Land Titles Office
- A requirement that an affordable housing covenant be placed on the title of the land
- That the dwellings that will be dedicated are shown on the approved plans
- A requirement that dedicated affordable housing is to be constructed to a standard which, in the opinion of CN, is consistent with other dwellings in the development
- Any affordable housing contribution payments are paid before the relevant construction certificate or occupation certificate is issued, depending on whether a monetary contribution or dedication of dwelling(s)
- If a staged development, an affordable housing contribution must be provided at each stage.

3. ADMINISTRATION AND IMPLEMENTATION

3.1 Making a contribution

An affordable housing contribution may be made through the dedication of dwellings, dedication of land, a monetary combination or a combination of the three where applicable as laid out in Section 2.1.

3.1.1 Dedication of dwellings

If the contribution is to be made by the dedication of dwellings:

- Prior to the granting of a Construction Certificate, the applicant must provide evidence, by way of a written legal agreement, to the transfer of titles of the affordable dwellings to CN
- CN must be satisfied that the dwellings are consistent with the dwellings shown on the approved plans.

The affordable housing contribution is satisfied when the title is transferred to CN, prior to issue of an Occupancy Certificate.

3.1.2 Dedication of land

If the contribution is to be made by the dedication of land:

- Prior to the granting of a Subdivision Works Certificate, the applicant must provide evidence, by way of a written legal agreement, to the transfer of titles of the affordable dwellings to CN
- CN must be satisfied that the dedicated land is consistent with the land shown on the approved plans.

The affordable housing contribution is satisfied when the title is transferred to CN, at issuance of the Subdivision Certificate.

3.1.3 Monetary contributions

Where an applicant is to make a monetary contribution towards affordable housing:

- The amount of the contribution will be specified in the condition of development consent
- Payment is to be made prior to the issue of an occupation certificate
- Payment of contributions can be made online via credit card or at the counter via cheque, credit card, eftpos or any other means determined acceptable by CN from time to time.

Where no construction certificate is required, payment is required prior to commencement of use/occupation.

Deferred payment of development contributions may be permitted in certain circumstances in accordance with the criteria outlined below:

- An application for deferred payment or payment by instalments is to be made in writing to CN explaining the circumstances of the request
- The decision to allow deferred payment will be at the sole discretion of CN
- The timing or the manner of the provision of affordable housing will not be prejudiced
- The amount of the contribution or outstanding balance is not less than \$5,000
- The maximum period of deferred payment of the contribution is two years from the standard payment date
- The maximum period for payment by instalments is two years from the standard payment date
- Deferred payments and payments by instalments are subject to indexation.

If CN decides to accept deferred payment or payment by instalments, CN will require the applicant to provide a bank guarantee with the following conditions:

- The Bank Guarantee(s) must be in Australian Dollars from a major Australian Trading Bank and in the name of CN
- The Bank Guarantee(s) must have no end date, be unconditional and irrevocable, and be in favour of CN
- The sum of the Bank Guarantee(s) will be the amount due to CN at the date of issue, plus an additional amount specified by CN to make provision for any anticipated indexation during the life of the Bank Guarantee until the estimated date of release
- The bank unconditionally pays the guaranteed sum to CN if CN so demands in writing
- The bank must pay the guaranteed sum without reference to the applicant or landowner or other person who provided the guarantee, and without regard to any dispute, controversy, issue or other matter relating to the development consent or the carrying out of development
- The bank's obligations are discharged when payment to CN is made in accordance with this guarantee or when CN notifies the bank in writing that the guarantee is no longer required
- Where a bank guarantee has been deposited with CN, the guarantee shall not be cancelled until such time as the original contribution, indexation and other charges are paid
- An administration fee may apply to utilise the bank guarantee option as stated in CN's Fees and Charges

3.2 Management of contributions

3.2.1 Dedication of dwellings/land

Titles for the affordable housing dwelling(s) are to be transferred to CN following registration of the subdivision plans with the NSW Land Titles Office.

The dwellings are to remain on CN's list of assets with a notation that they are to be used for affordable housing.

CN, or its nominated CHP, is to monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements.

CN may sell a dwelling dedicated to CN as affordable housing in circumstances where the dwelling is considered no longer suitable for affordable housing. Any money gained from sale must be used for affordable housing. In addition, dwellings that are sold should be replaced within 12 months of sale to ensure that the affordable portfolio is not diminished.

3.2.2 Administering cash funds

Monetary contributions for affordable housing are to be paid to CN. The monetary contributions received are to be used for the sole purpose of providing and managing affordable housing in Newcastle.

Contributions may be pooled and managed by CN for the provision of affordable housing.

CN may use cash reserves from monetary contributions to build purpose built, mixed tenure housing. The housing is to be designed for long term affordable rental accommodation (e.g. durable fixture and fittings, more storage instead of more car spaces, improved energy efficiency and reduced body corporate fees by excluding items such as heated pools, communal gardens or reading rooms.)

Such a development may be undertaken solely by CN or in a joint venture with a CHP or government entity that is experienced in the delivery of affordable housing. In such an arrangement, CN would retain its share of the development in strata title proportional to its equity contribution and share of profit.

CN may also use cash reserves to purchase suitable properties with low maintenance costs and strata fees. Cash reserves may also be used to manage the affordable housing portfolio.

Any interest received from the management of funds must be used for the purpose of affordable housing.

3.3 Registered community housing providers and delivery program

Contributions are to be managed and allocated by CN. As sufficient funding becomes available through the scheme, CN will seek proposals from eligible CHPs for projects for the development of affordable housing within Newcastle.

3.3.1 Nomination of a community housing provider to manage affordable housing

A selection of the CHP/s will be conducted in accordance with CN's Procurement Policy, being a competitive expression of interest process to appoint a CHP. The CHP will be appointed for a five-year term to manage affordable dwellings owned by CN.

CN will enter into a Deed of Management for the affordable rental housing dwellings with the successful CHP/s. The Deed of Management will set out:

- The rights and responsibilities of both parties
- Procedures for tenant management, property management, rent setting, tenant selection, dwelling allocation
- Management fees, financial reporting requirements, performance review, dispute resolution and other such detailed contractual matters.

CN will undertake a comprehensive evaluation of the affordable housing procedures, including the financial viability of the affordable housing and the performance of the CHP, every five years.

3.3.2 Nomination of a community housing provider to develop affordable housing

Land dedicated to CN under this scheme will be used for the provision of affordable housing. When CN receives dedicated land, CN will offer the land to both the CHP which manages CN's affordable housing dwellings and the broader CHP sector to undertake development of affordable housing through a competitive expression of interest process.

The development will be completed on a lease-back process with CN retaining ownership of the land. CN may choose to provide additional funds to the construction of the affordable housing development however the provision of CN funds will be subject to commercial arrangements through the EOI process.

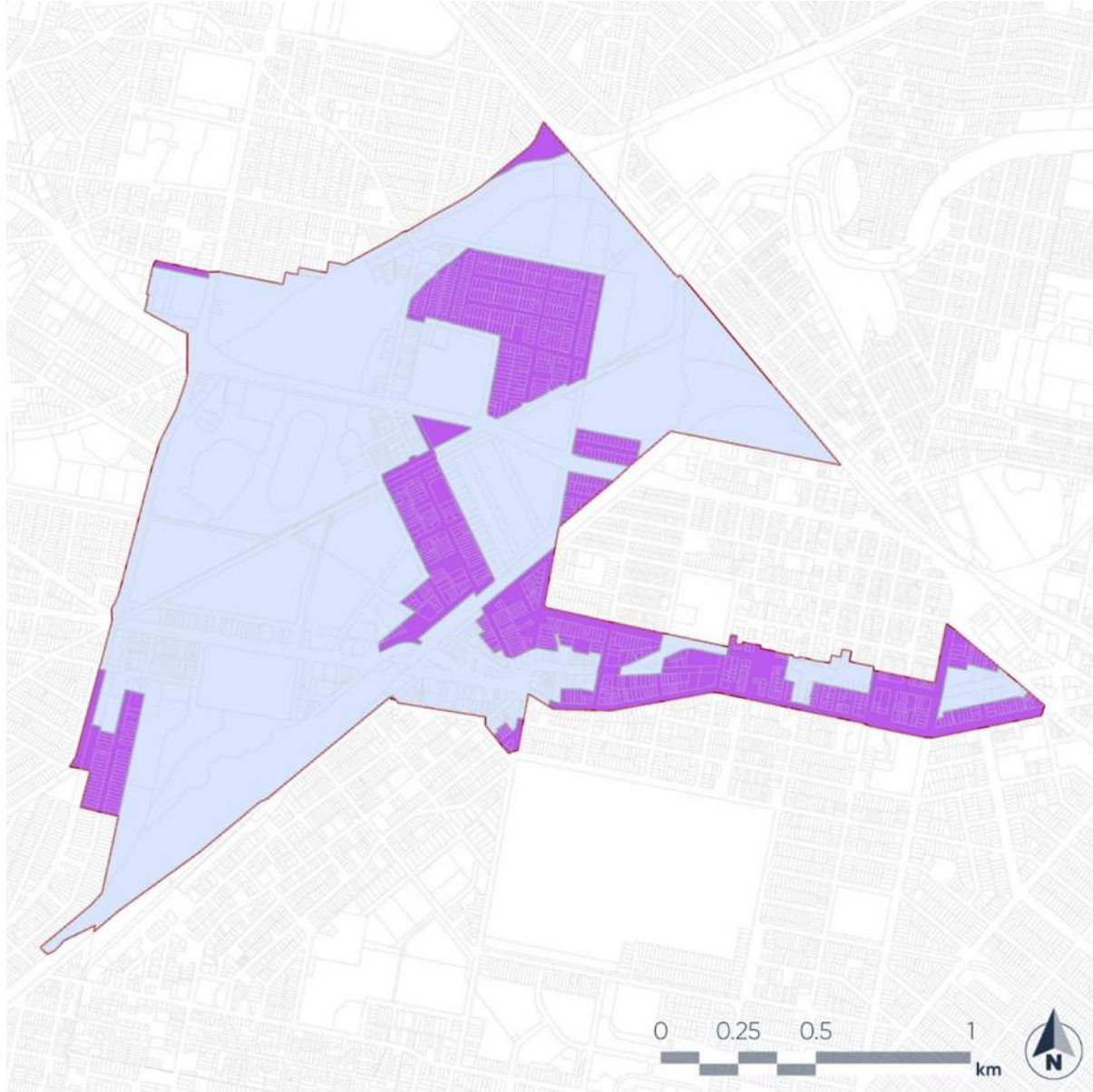
Any grant funding for a CHP will be issued through a competitive tender process that seeks to maximise affordable housing outcomes and an appropriate share of revenue to compensate for CN's equity contribution.

3.4 Monitoring and review of scheme

CN will review this scheme at a minimum of every three years or as needed, at its discretion. CN will update this scheme to include any additional areas as the planning for these areas progresses.

APPENDIX A: AFFORDABLE HOUSING CONTRIBUTION SCHEME AREAS

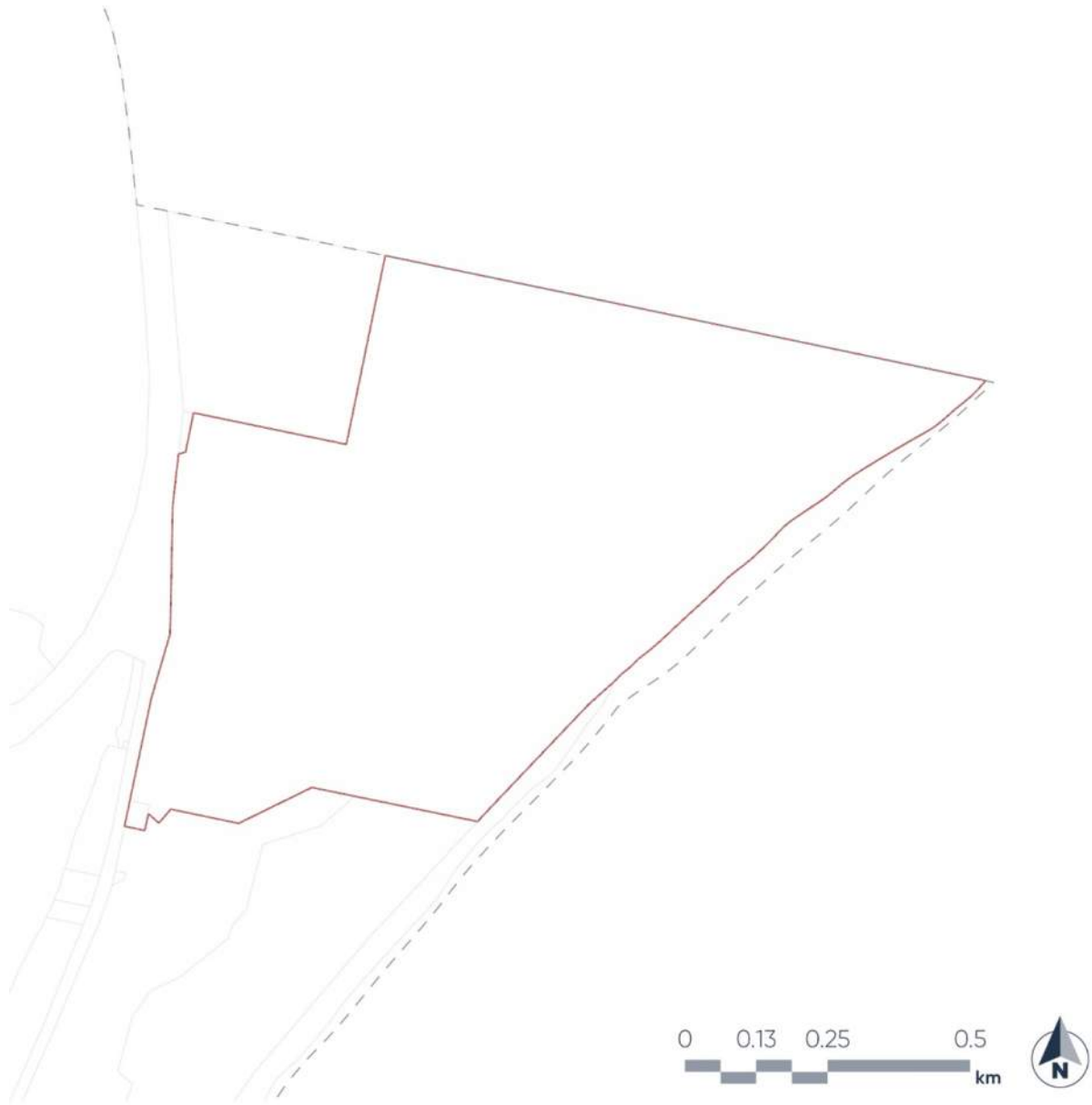
Figure A1: Broadmeadow Area A and B - Affordable Housing Contribution Scheme Area



Legend

- | | |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|  Cadastral boundary |  Broadmeadow Area A |
|  AHCS Precinct Boundary |  Broadmeadow Area B |

Figure A2: Stockton North - Affordable Housing Contribution Scheme Area



Legend


- Newcastle LGA Boundary
- AHCS Precinct Boundary
- Cadastral boundary



Figure A3: Western Corridor - Affordable Housing Contribution Scheme Area



Legend

-  Newcastle LGA Boundary
-  AHCS Precinct Boundary
-  Cadastral boundary

APPENDIX B: AFFORDABLE HOUSING NEEDS ASSESSMENT

B1 Introduction

The housing needs of Newcastle have been well-researched and CN is currently advancing its strategic planning to maximise opportunities to increase the supply of more affordable housing options. One component of this work is the development of this scheme. This affordable housing needs assessment summarises the evidence base on the need for affordable housing targeted to very low, low and moderate income groups.

Affordable housing supports community cohesion by providing housing options that allow people to live near where they work and or near their support network. This may be for young people to live near the area where they grew up, or for older people to age-in-place allowing them to maintain their community connections. Affordable housing typically suits households and families dependent on one (or two) very low or low-waged key worker jobs, or an older person on a reduced retirement income or facing other life changes, such as the death of a spouse, for these and a myriad of other reasons, people may find they need to access affordable housing.² Having access to quality housing that is affordable supports healthy lifestyles, productivity and wellbeing. It also encourages long term community connectedness that underlies liveability, volunteerism and community involvement.

B2 Related documents

The evidence base for Newcastle's affordable housing needs assessment is sourced from the following:

- *Newcastle Housing Needs and Local Character Evidence Report* and Evidence Report Appendices (2018) by City Plan Strategy and Development
- *CN Affordable Housing Discussion Paper* (2021) by Judith Stubbs and Associates (JSA)
- Australian Bureau of Statistics (ABS) Census data
- Department of Communities and Justice Local Government Housing Kit
- Department of Communities and Justice Rent and Sales Report

This appendix summarises key findings from the evidence base relevant to this AHCS.

B3 Affordable housing defined

Affordable housing means housing for very low, low and moderate income households as prescribed by the EP&A Act, or as provided for in an environmental planning instrument. Affordable housing can take the form of dedicated affordable rental housing, shared equity housing and assisted home purchase housing. It differs from social housing which is subsidised housing provided by public agencies and CHPs, usually at an income based rent. Generally speaking, affordable housing is priced so that a household is spending no more than 30% of its income on rent. This helps to ensure that the household has enough money for other essentials such as food, medicine, clothing and transport.

The EP&A Act defines affordable housing for very low income households, low income households and moderate income households. The Housing SEPP states these are households with a gross income of up to 120% of the median household income and their housing is affordable if they pay 30% or less of it on housing.³

B4 Affordable housing target

CN has set an overall target of 15% of all housing to be affordable housing. While the target is an aspiration for the longer term, decisive action is needed if CN is to increase the supply of affordable dwellings in Newcastle. This AHCS is one response in CN's comprehensive approach to increasing the supply of affordable housing in Newcastle.

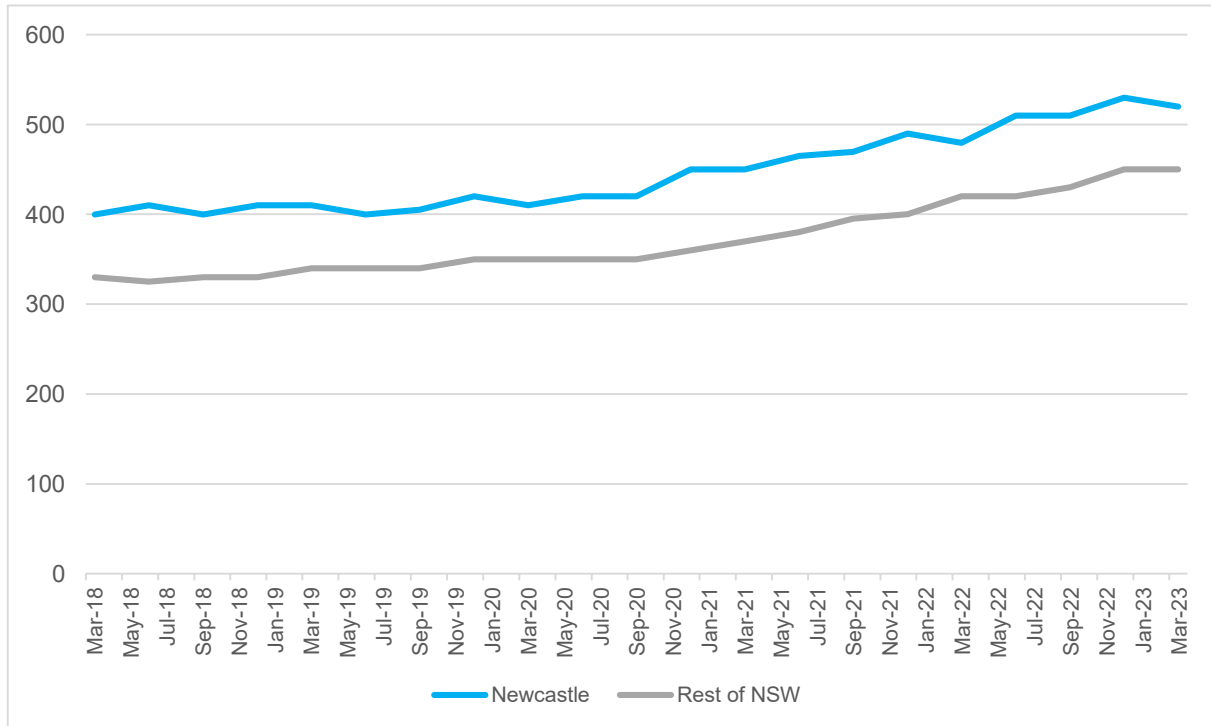
² City of Newcastle *Affordable Housing Discussion Paper 2021* by Judith Stubbs and Associates

³ Department of Communities and Justice (2020) *The Local Government Housing Kit* prepared by Urbanista

B5 Housing costs

Many factors influence the cost of housing. While supply and demand are important factors, government policies, building costs and demographic factors contribute to the complex housing market. Overall Newcastle is a relatively high cost housing market. Housing costs in Newcastle are generally higher than many areas outside Metropolitan Sydney. The median weekly rent in Newcastle is compared to that for the rest of NSW below.

Median weekly rents per quarter in Newcastle and the rest of New South Wales



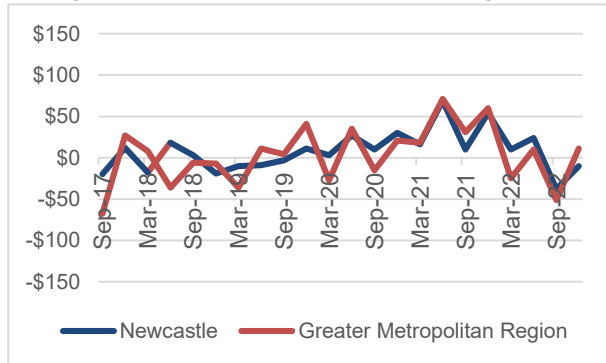
Source: NSW Communities and Justice 2023

B5.2 Median rents

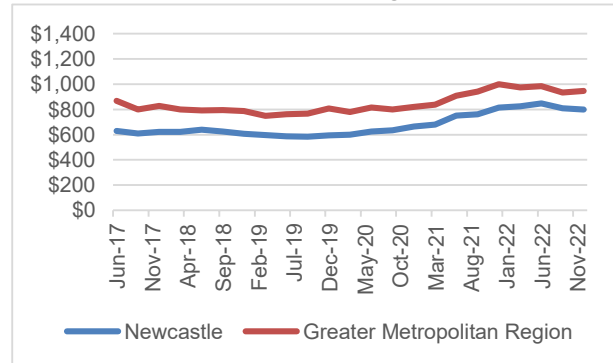
In comparison to rents, sale prices in Newcastle have generally shadowed wider trends in the Greater Metropolitan Region (GMR). Notwithstanding, since 2021 strata sale prices in Newcastle have increased faster than the GMR, increasing the relative unaffordability of strata in Newcastle.

A snapshot of price movements in sales is provided below. Newcastle sales are compared to those for the GMR (Greater Sydney, Newcastle and Wollongong). This is the most appropriate comparator given that Newcastle housing is costing well above that of the Rest of NSW. Sales are adjusted as sourced from *CN Affordable Housing Discussion Paper (2021)* by JSA and updated with the latest complete set of Department of Communities and Justice data.

All dwellings: In December 2022, the median sales price for all dwellings in Newcastle was \$800,000. Between 2017 and 2022 sales prices increased by 27% in Newcastle compared with an increase of 9% in the GMR. Over the period, the gap between the GMR and Newcastle sales prices have stayed consistently roughly \$150,000 away from each other, indicating Newcastle follows the GMR's price trends.

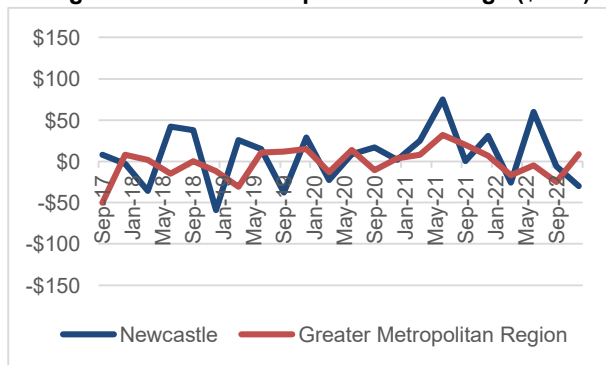
Changes in median sales price all dwellings (\$'000)


Source: NSW Communities and Justice 2022

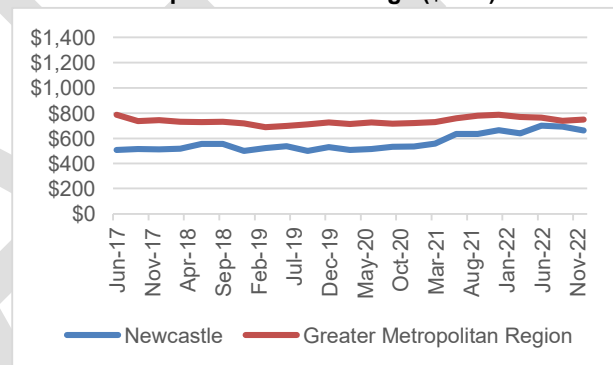
Median sales price for all dwellings (\$'000)


Source: NSW Communities and Justice 2022

Strata dwellings: In December 2022, the median sales price for a strata dwelling in Newcastle was \$664,000 compared to \$749,000 in the GMR. Between June 2017 and December 2020, the median sales price for a strata dwelling in Newcastle increased by 31% compared to a decline of 5% in the GMR. Since 2017, the median strata sales prices have narrowed suggesting housing is becoming relatively less affordable in Newcastle when compared to the GMR.

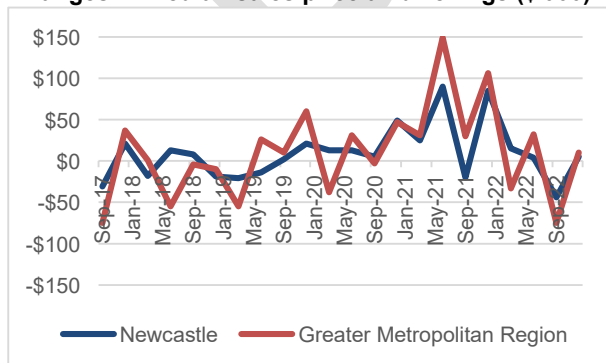
Changes in median sales price all dwellings (\$'000)


Source: NSW Communities and Justice 2022

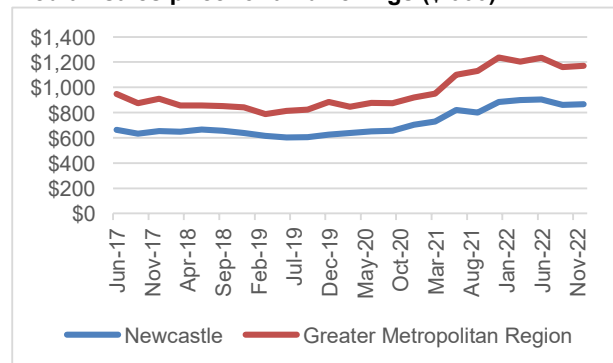
Median sales price for all dwellings (\$'000)


Source: NSW Communities and Justice 2022

Non-strata dwellings: In December 2022, the median sales price of non-strata dwellings in Newcastle was \$865,000 compared to \$1,170,000 in the GMR. Between June 2017 to December 2022, sales prices for non-strata dwellings increased by 30% compared to 23% in the GMR. The median sale price for non-strata dwellings in Newcastle generally shadowed the GMR at around \$215,000 less however from 2021, the GMR sale prices increased faster than Newcastle's, increasing the gap to around \$300,000.

Changes in median sales price all dwellings (\$'000)


Source: NSW Communities and Justice 2022

Median sales price for all dwellings (\$'000)


Source: NSW Communities and Justice 2022

B6 Housing affordability

Affordability differs with income level and household size. Very low income households cannot spend as great a percentage of their income on housing as low and moderate income households if they are still to have sufficient funds for other living costs. Large households such as families with children typically have higher 'after housing costs' such as health care and education. Spending 30% of their income on housing may not leave enough for living costs after housing costs. Those who pay more than this are often described as being in 'housing stress'.⁴

The Housing SEPP defines households in the following ways:

- Very low income household – a household with a gross income lower than 50% of the median household income for Greater Sydney or the Rest of NSW.
- Low income household – a household with a gross income between 50% and 80% of the median household income for Greater Sydney or the Rest of NSW.
- Moderate income household – a household with a gross income between 80% and 120% of the median household income for Greater Sydney or the Rest of NSW.

For households to be in affordable housing, they should not spend more than 30% of the gross household income on rent. Since Newcastle is located outside of Greater Sydney, the 'Rest of NSW' household income of \$74,568 was used. Applying the data from the 2021 Census to the household types, the following incomes and rents are identified:

2021 Census affordable housing types

Household type	Household income (weekly)	30% of household income spent on rent (weekly)
Very low income	Up to \$717	Up to \$215
Low income	\$718 - \$1,147	\$216 - \$344
Moderate income	\$1,148 - \$1,721	\$345 - \$516

Source: Australian Bureau of Statistics 2021 and HillPDA 2023

B6.1 Affordability benchmarks

The table below provides the affordability benchmarks relevant to Newcastle. For example, a moderate income household would earn between \$1,148 and \$1,721 per week and the maximum they could pay in rent, without being in housing stress, would be \$345-\$516 per week (relative to income).

Affordable housing income and cost benchmarks (Rest of NSW)

Benchmark	Very low income household	Low income household	Moderate income household
Income range	Up to \$717 a week	\$718 - \$1,147 a week	\$1,148 to \$1,721 a week
Affordable rental benchmark	Up to \$215 a week	\$216-\$344 a week	\$345 - \$516 a week
Affordable purchase benchmark	<\$148,900	\$148,901-\$189,900	\$189,901-\$237,200

Source: HillPDA 2023, based on Commonwealth Borrowing Calculator, using 13 June 2023 standard variable interest rate (5.89%) and a 30 year Commonwealth Bank Standard Variable Home Loan. Bills and living expenses are assumed to be 50% of income rounded up.

Note these figures provided were prepared by the Department of Communities and Justice in 2021 before the substantial interest rate rises in 2022 and 2023 that have significantly impacted the purchasing power of households.

The above benchmarks are applied to current housing stock to determine the proportion of stock currently affordable to very low, low and moderate income households. In 2021, 26.7% of dwellings were affordable for purchase for moderate income households.⁵ However, it is important to recognise, the proportion of stock that could be purchased by households on very low and low incomes is very small at 0% and 0.91% respectively.

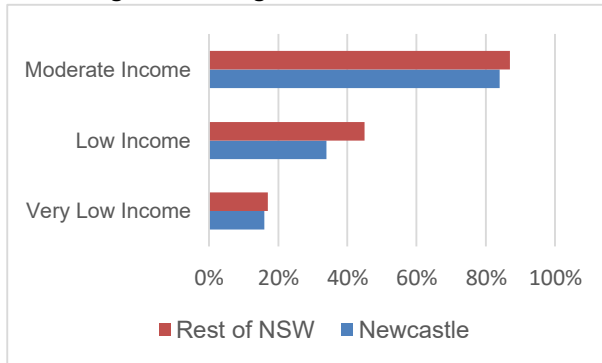
⁴ Department of Communities and Justice (2020) The Local Government Housing Kit prepared by Urbanista p10

⁵ Department of Justice and Communities Local Government Housing Kit

There is more stock available for rent within the above benchmarks but housing options for very low and low income households are limited. In 2021, 83.83% of housing was affordable to moderate income households while 33.55% was affordable to low income households and 15.92% was affordable for very low income households.

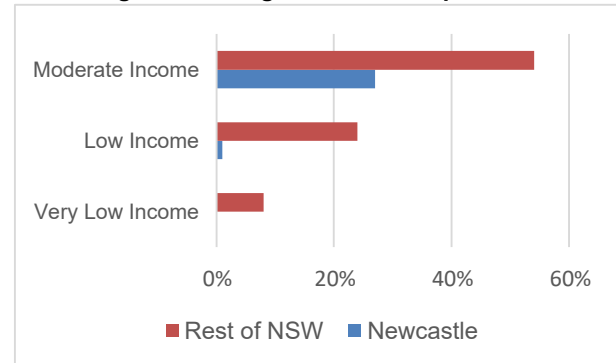
The proportion of housing for rental and purchase that is affordable in Newcastle is significantly less than for the Rest of NSW as demonstrated in the figures below.

Percentage of housing affordable for rental



Source: NSW Communities and Justice 2021

Percentage of housing affordable for purchase



Source: NSW Communities and Justice 2021

B6.2 Low income key worker households

Some examples of low income key worker households are as follows:

- An adult process worker, who is a sole parent with two children, who would earn around \$800 per week
- A lone person working full-time as a lower-level aged care worker. This person would earn around \$765 per week
- An adult working full time as a storeman or in warehousing, who would earn around \$775 per week
- A lone person working full time as a cleaner. This person would earn around \$770 per week
- A couple with a young child, with one person caring for the child and the other working full-time as an experienced nursing assistant. This couple would be on an income of around \$840 per week. Note that this family may receive Commonwealth Rental Assistance of up to \$50 per week depending on their level of Family Tax Benefit
- A single parent with three children working full-time as an experienced enrolled nurse. This person would earn around \$900 per week

These households would need to pay between \$216 and \$344 in rent per week for their housing to be affordable under relevant benchmarks.

An analysis conducted in 2021 found that these key worker households would be unable to afford to rent *any* houses in Newcastle. They would generally only be able to afford to rent a median priced one-bedroom apartment in four postcode areas, but not a two or three bedroom home that is likely to be suited to the needs of many of these households.

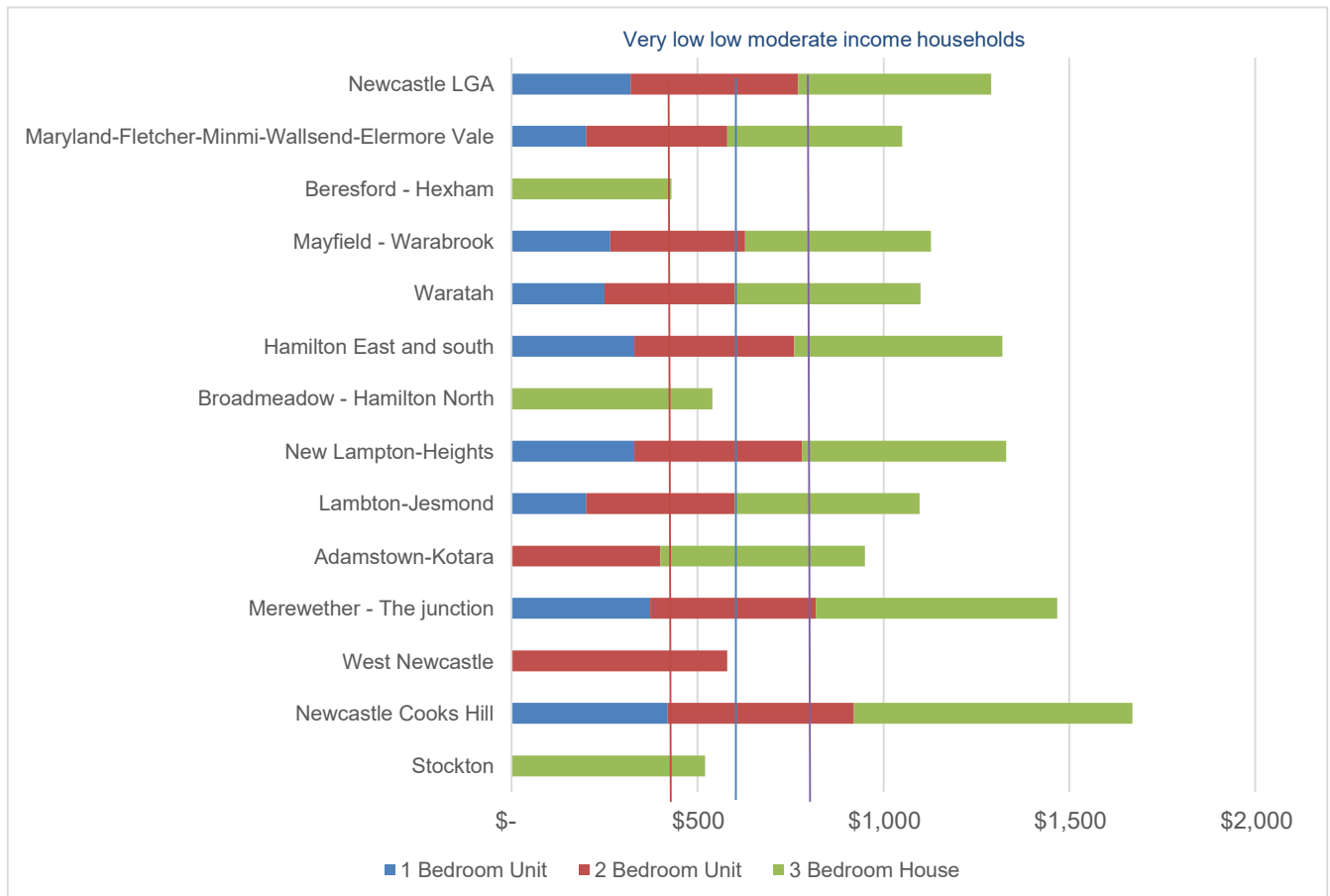
B6.3 Rental properties (2021 JSA analysis)

In 2021, JSA undertook an analysis of the affordability of rental properties and found that:

- There is virtually nowhere in Newcastle where a median priced three bedroom house is affordable to any of the households on very low, low or moderate incomes. A lower quality three-bedroom house is affordable only to the very upper end of the moderate income households in only a few postcode areas such as Stockton and Jesmond suburbs, and Maryland-Fletcher-Minmi & Wallsend-Elmore Vale
- There is nowhere in Newcastle that a two bedroom strata dwelling is affordable to a very low or low income renting household

- Most moderate income households would be able to affordably rent a two bedroom unit in many of the postcode areas
- A median priced one bedroom strata dwelling was out of reach of very low income households in most areas
- A median priced one bedroom unit was affordable to low income renters in a number of areas, however, it is also noted that there were insufficient one bedroom units available in a number of areas to report the data, as shown below

Median rents by postcode



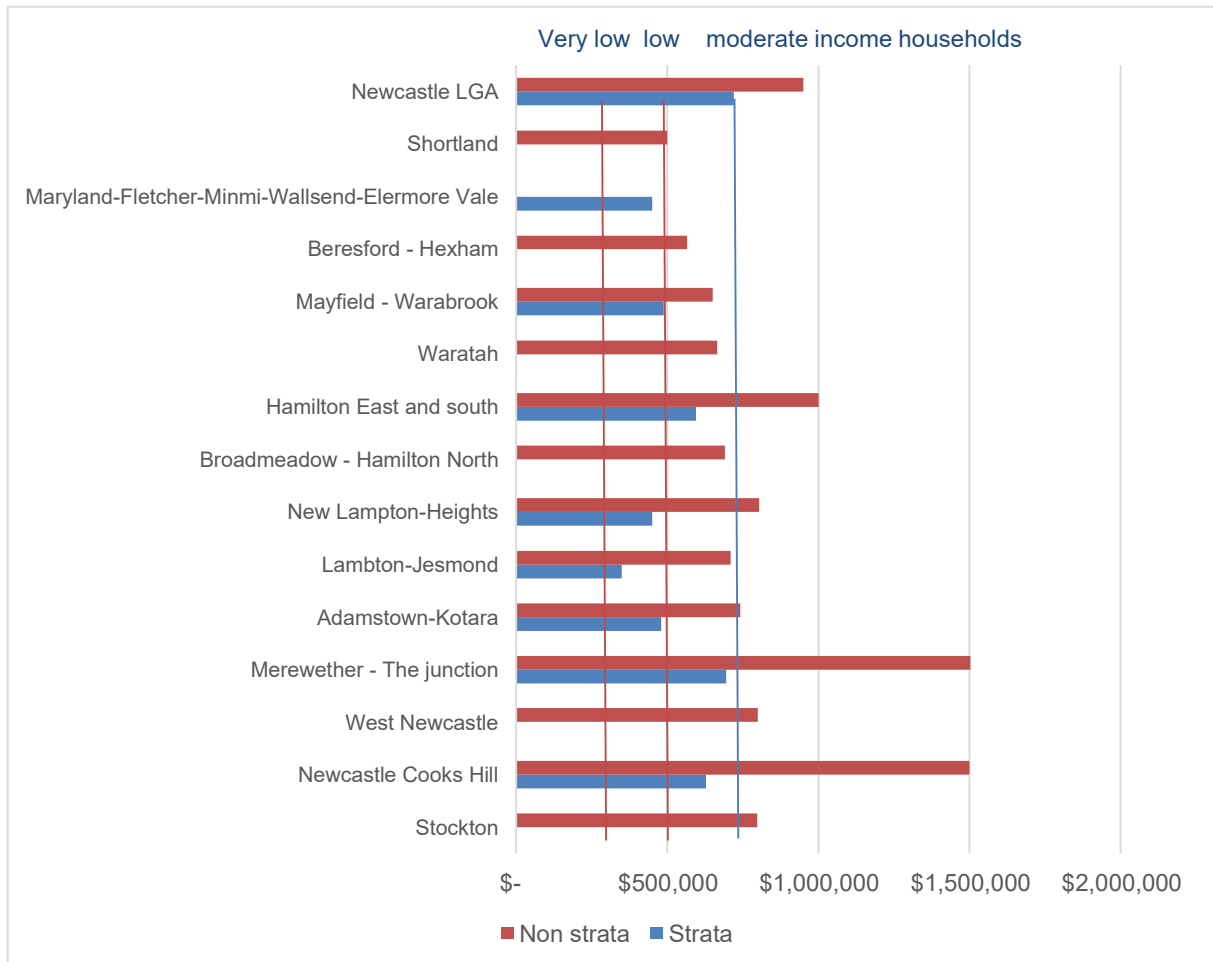
B6.4 Properties for purchase (2021 JSA analysis)

In 2021, JSA analysed the affordability of properties for purchase at a postcode level. The analysis showed that:

- The situation for very low and low income purchasers in Newcastle is very constrained, with no housing product affordable to very low income households. Only strata dwellings at the lower end of the market in one postcode area 2299, which includes Jesmond and Lambton suburbs, are affordable to the upper 50% of low income households
- The areas of Stockton, Waratah, Newcastle-Cooks Hill, Merewether-The Junction and Broadmeadow-Hamilton SA2s were largely unaffordable to any but higher income purchasers, either due to the high cost of purchase generally, or the lack of supply of higher density (strata) housing forms
- There were some suburbs where strata dwellings were more affordable to some moderate income purchasing households, including Adamstown-Kotara, New Lambton-Lambton Heights, and the Maryland-Fletcher-Minmi and Wallsend-Elernore Vale SA2s (2387 postcode)

- The purchase of houses was far more constrained, with moderate income households only able to affordably purchase a house in Beresfield-Hexham, Maryland-Fletcher-Minmi, Wallsend-Elernmore Vale, and Shortland

Affordability of median purchase price by postcode area



B7 Housing stress

Housing stress is defined by the National Centre for Social and Economic Modelling (NATSEM) model as those households that are both:

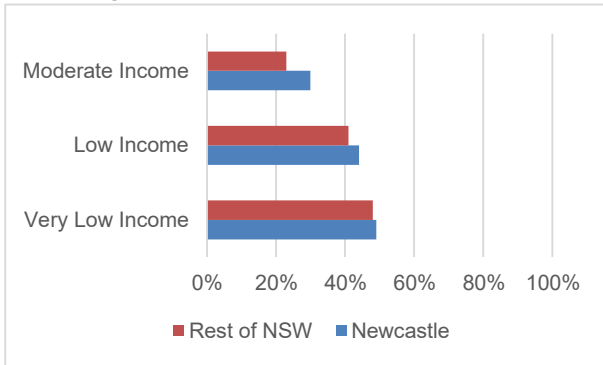
- In the lowest 40 per cent of incomes; and
- Paying more than 30 per cent of their usual gross weekly income on housing costs.

Housing stress can be dependent on individual circumstances however, ABS Census data can provide a general overview of housing and highlight areas where households may be having trouble meeting their commitments.

At the 2021 Census, there were around 10,529 households in housing stress in Newcastle including around 8,154 households in rental stress and 2,375 households in purchase stress. As such, 77% of those in housing stress in Newcastle in 2021 were renters.

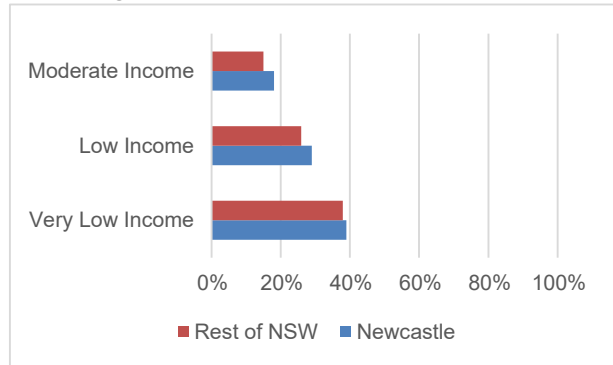
The figure below shows the percentage of households in rental stress and purchase stress in Newcastle and Regional NSW. As can be seen, Newcastle has higher percentages of households in rental and purchase stress when compared to Regional NSW, especially in the moderate income group.

Percentage of households in rental stress



Source: Australian Bureau of Statistics 2021

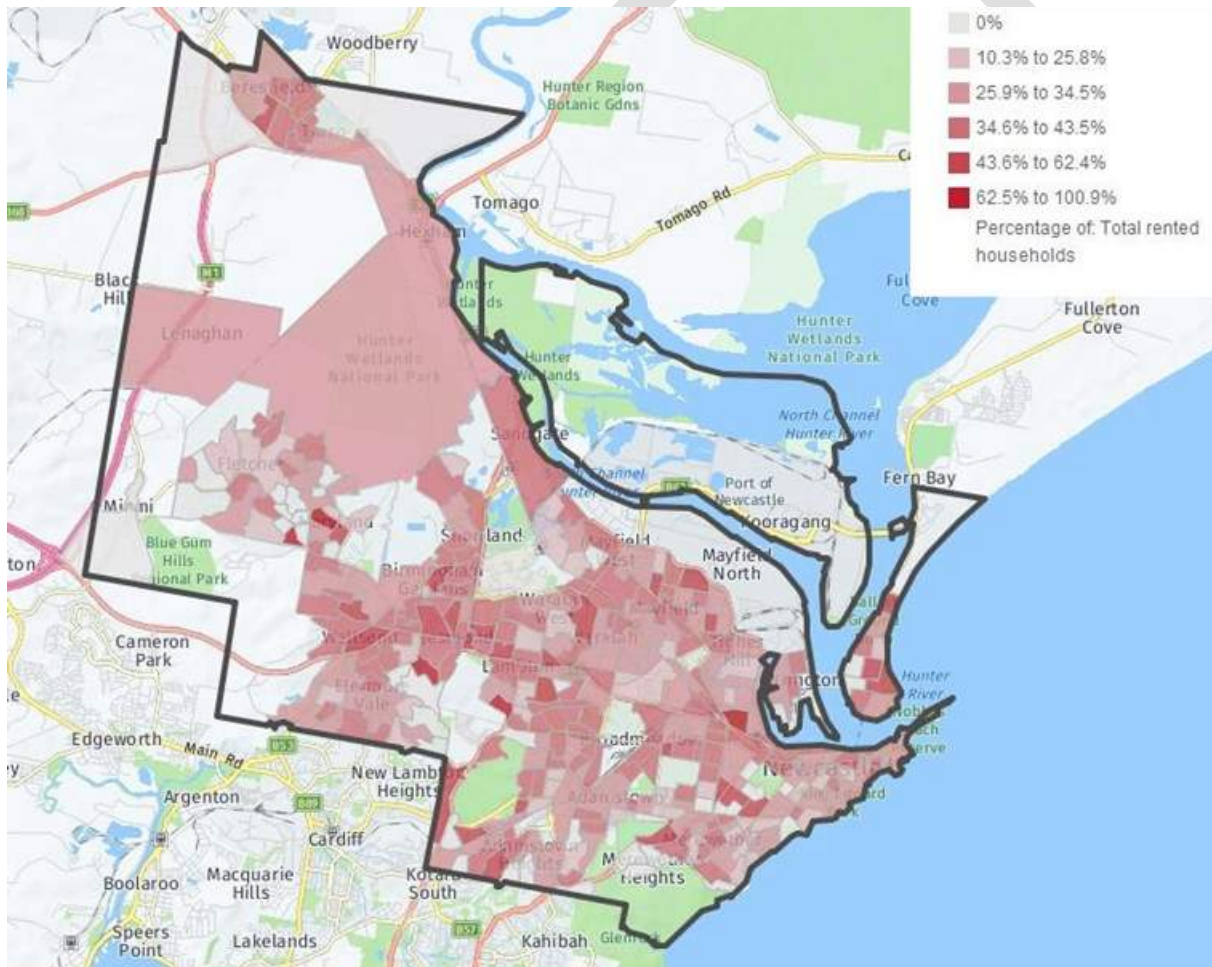
Percentage of households in purchase stress



Source: Australian Bureau of Statistics 2021

The location of rental stress is shown in the figures below which illustrates the percentage of households within each statistical area experiencing housing stress. While pockets of high housing stress for renters are dispersed throughout the outer suburbs, it is notable that all inner and middle ring suburbs have moderate levels of housing stress.

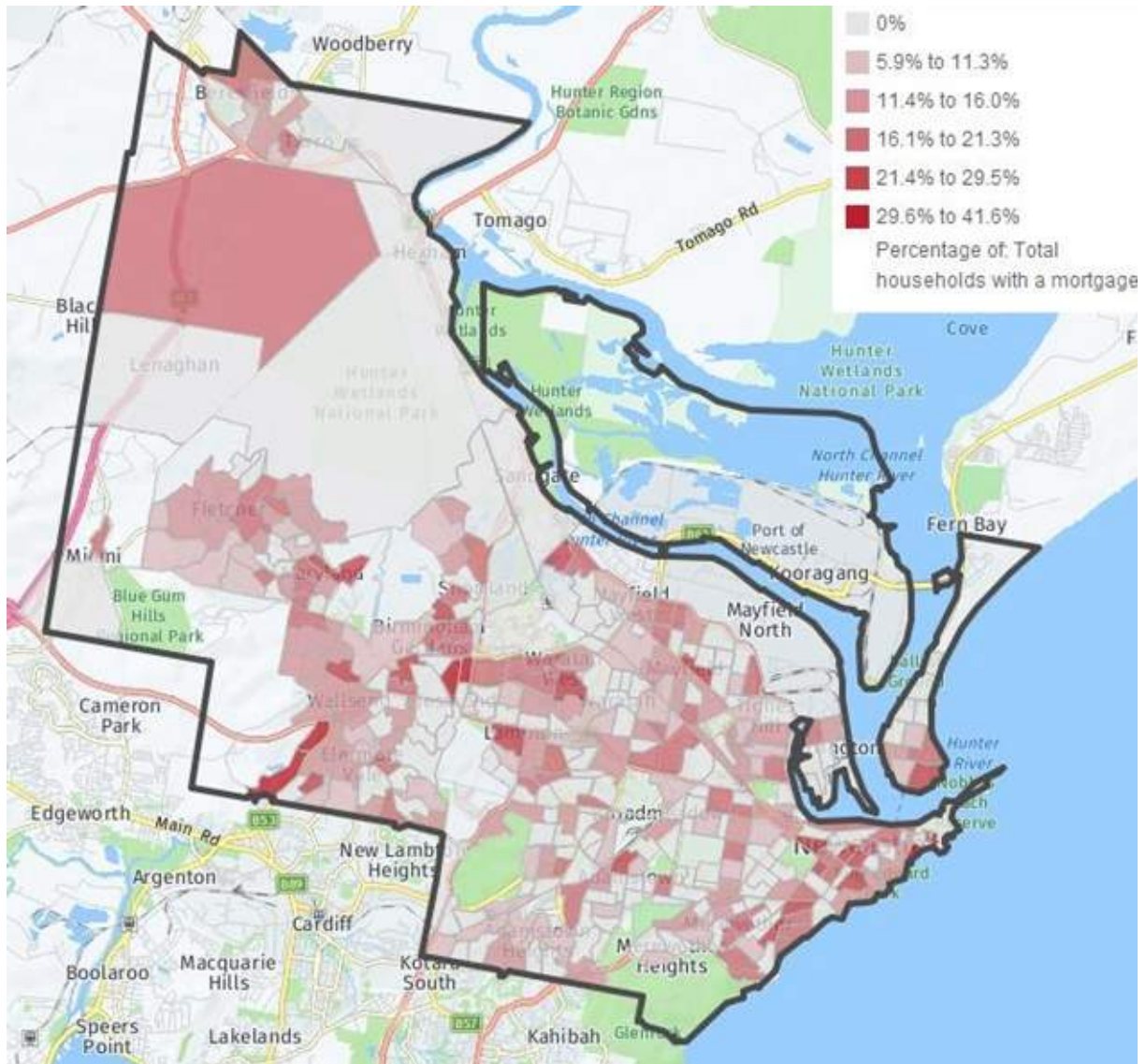
Percentage of households experiencing rental stress



Source: Australian Bureau of Statistics, Census of Population and Housing 2021 (Enumerated data). Compiled and presented in atlas.id by id (informed decisions).

While mortgage stress is not universal, it appears to be affecting a wide range of neighbourhoods, household types and income ranges. Recent increases in the cost of housing since the 2021 Census could potentially worsen the situation as price increases affect all segments of the market.

Percentage of households experiencing mortgage stress



Source: Australian Bureau of Statistics, Census of Population and Housing 2021 (Enumerated data). Compiled and presented in atlas.id by .id (informed decisions).

B8 Affordable housing needs assessment

An affordable housing needs assessment was undertaken in 2023 using data from the 2021 Census. Households currently renting privately would comprise most of the pressing demand for affordable housing, as those already in public housing do not require an affordable housing dwelling, and those who own part, or all of their home would most likely seek to secure the benefits of home ownership rather than rent another dwelling. As such, this assessment will focus on the private rental market.

To understand this analysis and its outputs, the following assumptions were made:

- The Australian Bureau of Statistics (ABS) data includes small random adjustments to protect the confidentiality of data which influences calculations and totalling.
- Households that recorded 'Negative income', 'Not applicable', 'Nil income' and 'All incomes not stated' for their income in the 2021 Census are excluded from the analysis due to a lack of information. Similarly, households which recorded 'Not applicable' and 'Not stated' for their weekly rental payments were also excluded.

- Census data on weekly incomes is provided in ranges so numbers were rounded to the nearest range where required, for example households with a weekly income in the range of \$1,500 - \$1,749 were classified as moderate income even though the band technically stops at a weekly income of \$1,721.
- The analysis of affordable housing is based on renting households since those who own their homes outright or have a mortgage are unlikely to need the housing product.

While these assumptions may cause minor variations in the analysis when compared to the real world, the overall picture which can be formed remains accurate.

B8.1 The need for affordable housing

In the 2021 Census, there were 12,585 households eligible for affordable housing in Newcastle with a technical shortfall of 8,059 dwellings. This shortfall has the greatest effect on those in the very low and low income brackets which only have 21% and 29% of households in affordable housing respectively.

Newcastle affordable housing need

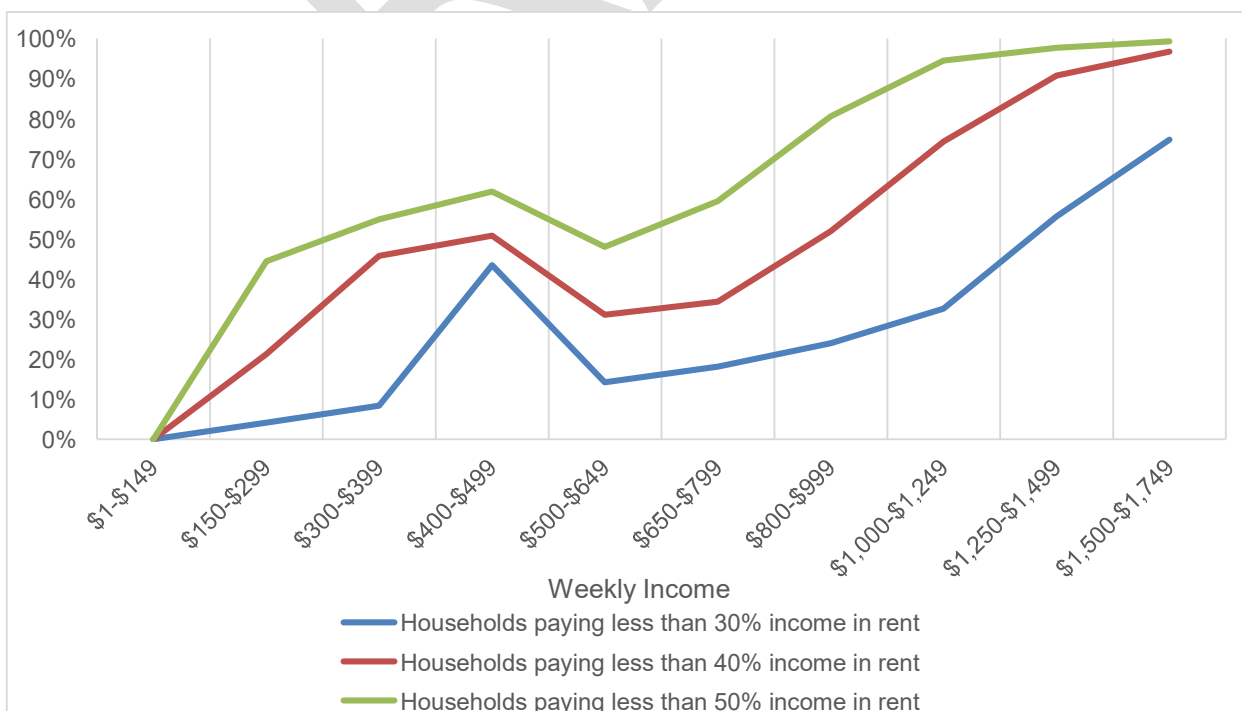
Household type	Number of households in affordable housing	Total number of households in category	Percentage of households in affordable housing who are eligible
Very low income	1,092	5,245	21%
Low income	1,030	3,592	29%
Moderate income	2,404	3,748	61%
Total eligible for affordable housing	4,526	12,585	36%

Source: Australian Bureau of Statistics 2021 and HillPDA 2023

The UNSW City Futures Research Centre predicts the current unmet need for affordable dwellings is approximately 4,400, and that 10,000 social and affordable dwellings would be needed by 2041 to meet demand. This results in an average need of between 200-300 dwellings per annum in Newcastle.

In general, spending up to a maximum of 30% of gross household income on rent is considered to be affordable for those on lower incomes, as codified in the Housing SEPP. Reversing this figure, households spending over 30% of their gross income on rent are considered to be in rental stress. In 2021, roughly 64% of households on very low, low and moderate incomes were in housing stress.

Percentage of households paying different rent bands

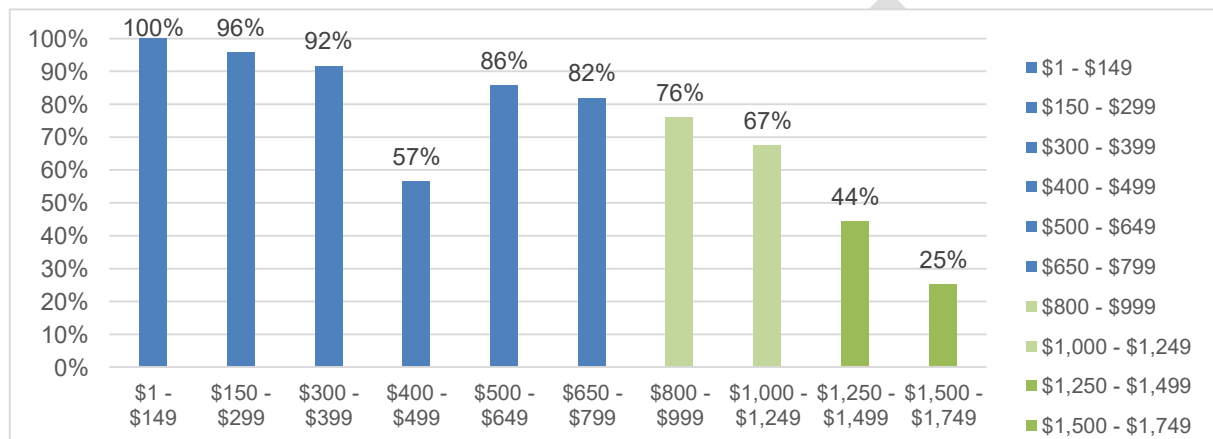


Source: Australian Bureau of Statistics 2021 and HillPDA 2023

As shown in the figure above, the rental market within Newcastle is relatively affordable for very low, low and moderate income households when the 30% rental threshold is used. Besides a spike in affordability in the \$400 to \$499 dollar bracket, housing is generally unaffordable for very low income households with an average of 9% of households in each very low income bracket having affordable rents. Low income households experience rental stress with an average of only 28% of households in each income bracket paying affordable rent. Moderate income households also experience some level of rental stress although there is an internal division between moderate households on lower incomes (\$1,250 to \$1,499 per week), with 56% of households paying affordable rents, and those on higher incomes (\$1,500 to \$1,749 per week), with 75% of households paying affordable rent.

B8.2 True affordable housing shortfall

Percentage of households experiencing rental stress by weekly income bands



Source: Australian Bureau of Statistics 2021 and HillPDA 2023

As can be seen in the above figure, the need for affordable housing investment exists in the household income brackets from \$1-\$149 to \$1,500-\$1,749 where over 25% of the households in each bracket are experiencing rental stress. While a need exists in all these brackets for more affordable rents, equating to a technical shortfall of 8,059 dwellings, affordable housing is not necessarily the correct method of solving their issues. For households earning under \$500 a week, affordable housing is unlikely to completely solve their rental issues as the rents charged in a semi-commercial environment may still exceed what can be considered affordable. For these households, their needs are better solved through social housing. On the other hand, households earning above \$1,250, placing them in the moderate income band, but still experiencing rental stress likely have the option to move to a different property and pay an affordable rent but are not choosing to do so for personal reasons. As such, the affordable housing needs analysis within Newcastle will be based off the household income brackets in the \$500-\$1,249 range to discern the true shortfall of affordable housing.

Newcastle affordable housing needs analysis

Household income	Number of households in affordable housing	Total number of households in category	True shortfall in affordable housing
\$500 to \$649	186	1,304	1,118
\$650 to \$799	221	1,220	999
\$800 to \$999	391	1,630	1,239
\$1,000 to \$1,249	639	1,962	1,323
Total	1,437	6,116	4,679

Source: Australian Bureau of Statistics 2021 and HillPDA 2023

Using the above methodology, we estimate that Newcastle is experiencing a true shortfall of roughly 4,654 affordable housing dwellings. This is comparable with the UNSW City Futures Centre estimate of 4,400 households with unmet needs on Census night. In the future, the need for affordable housing is expected to increase in line with broader trends affecting NSW and the GMR.

B9 Affordable housing forecast (2021)

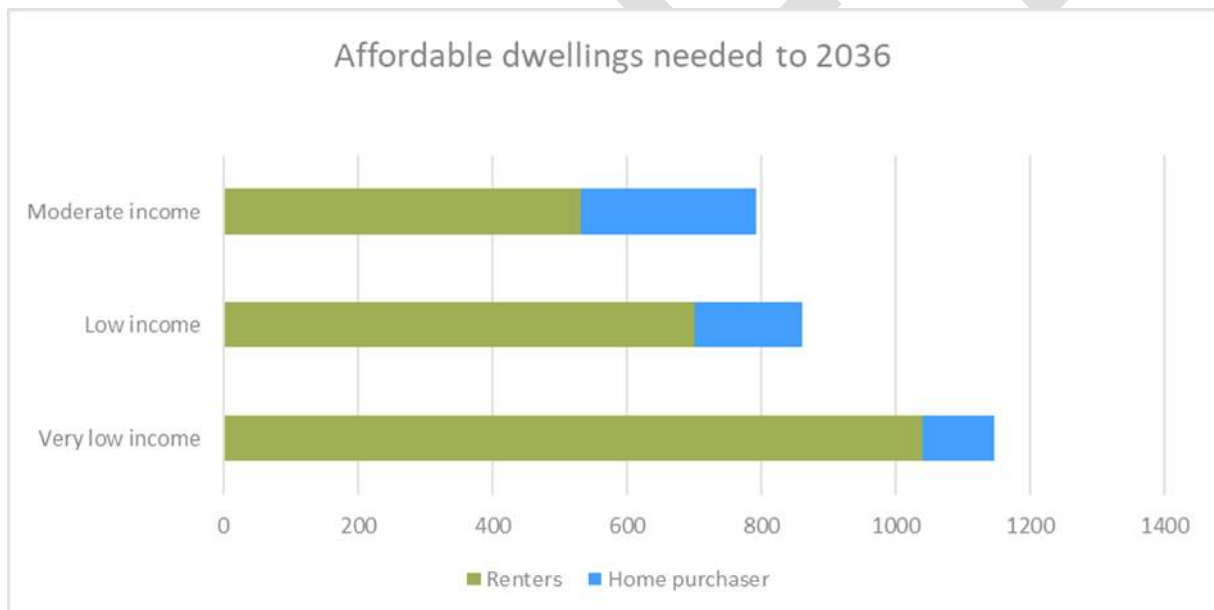
Forecasts by .id Consulting indicate that there will be an additional 16,000 dwellings required from 2016 to 2036. On current rates of housing stress, 18% of these (2,800 dwellings) would need to be provided as affordable housing to meet additional future need.

About, 7% of dwellings were rented as social housing in Newcastle in 2016. Assuming that the existing share of social housing is maintained in the future, an additional 1,120 dwellings from 2016-2036 would need to be social rental housing (JSA 2021). Based on household type, the distribution for very low income renters in housing stress would require 70% (784) to be smaller dwellings and 30% (336) family dwellings.

As such, total affordable housing need would be around 14,620 dwellings by 2036, including current need (10,700 dwellings in 2016), projected need (2,800) and a factor for additional social housing (1,120). On current need and with the assumptions about projections as stated, of these:

- 83% would be renters and 17% would be purchasers
- 46% would be very low income households, 28% would be low income households and 26% would be moderate income households
- 55% would need dwellings suited to smaller (one and two person households) and 45% would need dwellings suited to families with children.

Forecasted need for affordable dwellings



Source: CN Affordable Housing Discussion Paper (2021) by Judith Stubbs and Associates

JSA (2021) estimated that the needs of around 10,000 households are unlikely to be met through the private market, without intervention. This means that more than 70% of the total number of households projected to be in need of affordable housing by 2036 are unlikely to have their needs met through the private market without intervention. Increased opportunities for affordable housing is a critical need in Newcastle.

APPENDIX C: FEASIBILITY ANALYSIS

The following section outlines the findings and recommendations of feasibility testing undertaken by consultants HillPDA. The feasibility analysis was completed in November 2022. HillPDA undertook market research to inform the cost and revenue assumptions. Development activity in the pipeline for each area was reviewed in conjunction with recent sales transaction data to understand what developers were paying for development sites. The assumptions, methodology and results of the analysis is outlined below for the three Affordable Housing Contribution Areas:

- Broadmeadow (residential and non-residential)
- Stockton North
- Western Corridor

C1 General notes and assumptions

The purpose of the modelling is to investigate affordable housing contribution amounts developers could realistically afford based on existing market conditions. The feasibility analysis details rates achievable for each precinct in relation to required FSR. In undertaking the modelling, HillPDA noted that the following points should be considered:

- The contribution amount has been modelled as a monetary cash contribution (for Broadmeadow and Stockton North) calculated as a percentage (%) of projected project revenue (after construction with escalation) paid prior to construction. This is a critical assumption as fluctuations in market prices would impact the amount of contribution.
- The contribution amount has been modelled as a land contribution (for the Western Corridor) calculated as a percentage (%) of net developable area (NDA) dedicated to CN following the completion of infrastructure and servicing works. The equivalent monetary rate for the Western Corridor is \$300,000 per hectare of NDA.
- The 'as is' value does not account for speculative land purchases where anticipated uplift in zoning, FSR or building height limits are anticipated which may result in unrealistic expectations by the owner.
- The contribution rates may not be viable in all scenarios due to factors such as land purchase price, construction cost escalation and market absorption of the end products. It is likely that larger projects seeking higher uplifts have a greater capacity of absorbing an affordable housing contribution levy.
- For the purposes of the precinct wide modelling, costings from the Rawlinson's 2022 construction handbook were used. Where applicable industry rates were adopted in line with experience and general rules of thumb where no rates were provided. Construction costs have been expressed as a \$/sqm GFA rate applied to the overall project GFA. Typically, an increase in building height would result in a higher rate for construction on a per sqm basis. To account for this escalation in cost as buildings get taller, an additional 10% was applied on construction costs for scenarios above a FSR of 1.9:1 in precincts where built form construction is applicable.

C1.1 Target hurdle rates

A hurdle rate is defined as the minimum rate of return required on a project or investment. It typically consists of two elements, being the Weighted Average Cost of Capital (WACC) and risk premium that is allocated depending on the project's riskiness. The Internal Rate of Return (IRR) approach has been adopted as the preferred hurdle rate, based on industry consultation with the development and financing sector.

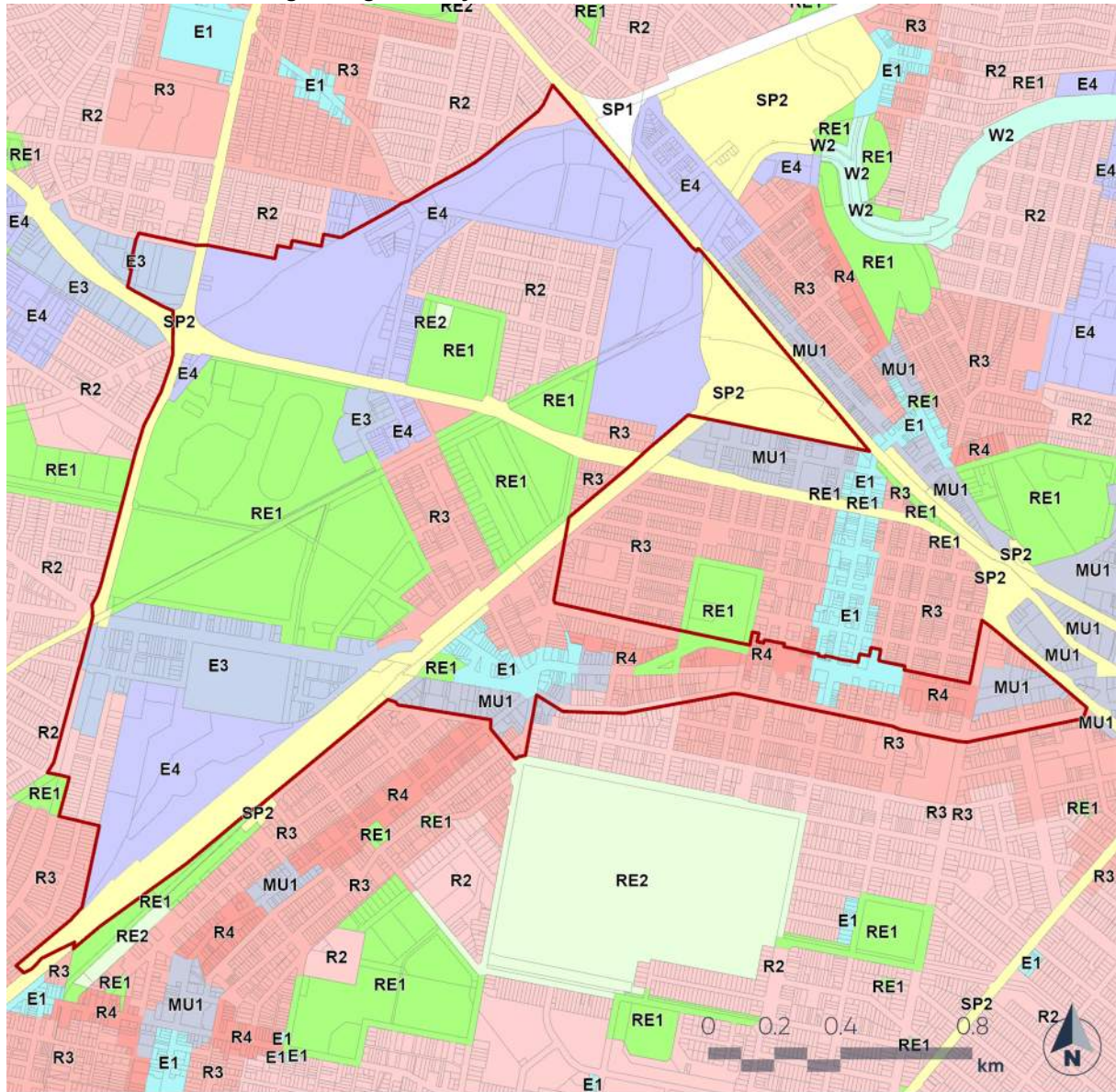
Developers tend to set conservative fixed-hurdle rates that allow them to work through the market cycles. For this analysis the following hurdle rates were adopted:

- 18% IRR for urban infill development
- 12% IRR for subdivisions reflecting the market demand and lower construction costs and settlement risks

C2 Broadmeadow

CN is currently planning for Broadmeadow's future via the Broadmeadow Place Strategy. The place strategy will act as a blueprint for how the precinct will change over time, looking at the infrastructure, opportunities and constraints, and highlighting the planning controls needed to enhance the precinct for current and future residents. The Broadmeadow Affordable Housing Contribution Scheme Area is shown below. This boundary aligns with the current boundary for the Broadmeadow Place Strategy.

Broadmeadow with existing zoning underlay



Legend

Newcastle LGA Boundary	MU1 Mixed Use
Cadastral boundary	R2 Low Density Residential
AHCS Precinct Boundary	R3 Medium Density Residential
NLEP 2012 Land Zoning	
E1 Local Centre	RE1 Public Recreation
E2 Commercial Centre	RE2 Private Recreation
E3 Productivity Support	SP2 Infrastructure
E4 General Industrial	W2 Recreational Waterways

There have been four identified rezoning sub-precincts identified in the preliminary investigations provided by CN as follows:

- Hunter Park land (rezoning of RE1 to MU1),
- Post industrial urban renewal (rezoning of E4 to either R3 or R4),
- Business development (rezoning of E3 to MU1) and
- Nine Ways/station precinct and renewal corridor (rezoning of R3 to either MU1 or R4).

Broadmeadow preliminary precinct scenarios - for feasibility analysis

Existing		Future	
Zoning	Zoning	HOB	FSR
Hunter Park land			
RE1 Public Recreation	MU1 Mixed Use	3.5-70m	1.9:1
RE1 Public Recreation	MU1 Mixed Use	3.5-70m	1.9:1
Post industrial urban renewal			
E4 General Industrial	R3 Medium Density Residential or R4 High Density Residential	7-21m	1.3 - 1.9:1
Business development			
E3 Productivity Support	MU1 Mixed Use	3.5-28m	1.5 - 2.5:1
Nine Ways/station precinct and renewal corridor			
E1 Local Centre	MU1 Mixed Use or R4 High Density Residential	21-70m	1.9 - 3.1:1
MU1 Mixed Use	MU1 Mixed Use & R4 High Density Residential	21-70m	1.9 - 3.1:1
R3 Medium Density Residential	MU1 Mixed Use & R4 High Density Residential	21-70m	1.9 - 3.1:1

C2.1 Market research

Unimproved land value (ULV)

The Urbis Broadmeadow Place Analysis 2022 report reviewed land values in the Broadmeadow Precinct categorised by land-use zoning. The analysis looked at unimproved land values for sites without improvements. A review of existing land in Broadmeadow shows most sites are improved and vacant developable land is scarce. In the case of a developer searching for a development site, if vacant lots exist in a suitable location and with suitable site attributes these would be preferred over an improved site due to lower cost and absence of demolition works, however these vacant sites are rare in Broadmeadow. The following table details the Urbis findings of unimproved land value (ULV) by zoning in the Broadmeadow Precinct:

Unimproved land values, Broadmeadow Place Analysis 2022

Residential	
R2 Low Density Residential	\$600-\$1,000
R3 Medium Density Residential	\$1,000-\$1,600
R4 High Density Residential	\$1,200-\$2,000
MU1 Mixed Use	\$1,000 - \$1,800
Non-residential	
E1 Local Centre	\$1,200 - \$2,000

E3 Productivity Support	\$800 - \$1,200
E4 General Residential	\$300 - \$500

Source: Urbis, Broadmeadow Place Analysis, 2022 *Unimproved site values

Site value

Due to the low existing supply of unimproved sites in Broadmeadow developers seeking a suitable site would likely look for dated, or minimally improved sites that could be demolished and re-developed. For modelling purposes, a site value is adopted for land acquisition based on recent market transactions for improved properties. The following table details recent transactions in Broadmeadow categorised by existing zoning.

Site sale by zoning in Broadmeadow (improved)

Zoning	# of sales	Low (\$)	High (\$)	Median (\$)	Adopted rate	# of sales below adopted rate	% of sales below adopted rate
Residential							
R2	7	1,111	5,137	2,622	\$1,800	3	43%
R3	22	554	3,792	2,509		3	14%
R4	3	1,779	2,633	2,358		1	33%
MU1	3	1,299	2,402	1,711		2	67%
Non-residential							
E4	4	862	1,543	1,410	\$1,400	2	50%
E1	4	1,747	3,098	2,400		-	0%
E3	9	998	4,589	1,641		3	33%

Source: HillPDA 2022. Valuer General sales data. *Improved site values ** Refer Appendix for complete sales table

***Sales in Broadmeadow from January of 2021 to May 2022

Based on the above, two rates are adopted for Broadmeadow as follows:

- Existing residential land including R2, R3, R4 and MU1 with an uplift - **\$1,800/sqm**
- Non-residential land including RE1, E4 being rezoned to residential - **\$1,400/sqm**

For residential sites (within R2, R3, R4 and MU1 zones) the analysis shows a median rate of between **\$1,711-\$2,622/sqm**, with the majority of sales for R3 zoned land. Based on the analysis, a rate of \$1,800/sqm for existing residential sites was adopted. In total 9 sites of the 35 analysed sales were below the \$1,800/sqm rate. This is equivalent to **26%** of analysed residential sales. As the sales data indicates existing residential site values vary greatly, with developers typically looking for lower-middle end sites (likely rundown with minimal improvements and not recently constructed) or premium properties that would achieve the upper end of sale values.

For non-residential sites (within E4, E1 and E3 zones) the analysis shows a median rate of between **\$1,400-\$2,400/sqm**. The non-residential sales rate ranged from between **\$862-4,589/sqm**. Based on the analysis, a rate of **\$1,400/sqm** for non-residential sites was adopted. This is equivalent to **29%** of analysed residential sales. This means that **29%** of the transactions analysed were acquired at a rate equal to **\$1,400/sqm** or lower. It is considered that these would be the sites that developers would target as development sites.




Revenue assumptions

To inform revenue side assumptions, recent sales of residential apartments were reviewed in and around the Broadmeadow precinct. The analysis found limited sales in the suburb of Broadmeadow, so

the study area was expanded to include neighbouring and comparable suburbs. In arriving at a rate, it relied on multiple transactions in Adamstown and Hamilton as the primary body of evidence. The sales indicate a range of between **\$6,702-\$8,771/sqm NSA**.

Market evidence for residential apartments in Broadmeadow

Address	Bed	Type	Purchase price	Purchase date	NSA	\$/sqm NSA	
5/104 Bruncker Road, Adamstown	2BR	Unit	\$550,000	Feb-2021	63	\$8,771	
3/8 Fourth Street, Adamstown	3BR	Unit	\$694,000	Jun-2020	104	\$6,702	
4/4 Rosemont Street, Adamstown Heights	4BR	Unit	\$1,410,000	Feb-2022	178	\$7,936	
2/2 Winsor Street, Merewether	3BR	Unit	\$968,814	Apr-2020	112	\$8,642	
3/2 Winsor Street, Merewether	2BR	Unit	\$730,000	Feb-2020	68	\$10,672	
4/2 Winsor Street, Merewether	3BR	Unit	\$1,100,000	Feb-2020	112	\$9,812	
5/2 Winsor Street, Merewether	3BR	Unit	\$795,900	Sep-2020	112	\$7,099	
203/37 Donald Street, Hamilton	2BR	Unit	\$490,000	Feb-2020	59	\$8,319	
1/116 Tudor Street, Hamilton	2BR	Unit	\$489,500	Sep-2020	106	\$4,600	
105/116 Tudor Street, Hamilton	1BR	Unit	\$410,000	Aug-2019	48	\$8,462	
204/116 Tudor Street, Hamilton	2BR	Unit	\$596,000	Aug-2020	76	\$7,842	
205/116 Tudor Street, Hamilton	1BR	Unit	\$433,500	Sep-2019	49	\$8,775	
206/116 Tudor Street, Hamilton	3BR	Unit	\$820,000	Jun-2019	108	\$7,571	
303/116 Tudor Street, Hamilton	3BR	Unit	\$835,375	Oct-2020	136	\$6,149	
304/116 Tudor Street, Hamilton	2BR	Unit	\$700,000	Sep-2021	79	\$8,877	
1/1 Jenner Parade, Hamilton South	3BR	Unit	\$1,350,000	Jul-2021	114	\$11,842	
3/1 Jenner Parade, Hamilton South	3BR	Unit	\$1,275,000	Oct-2021	190	\$6,710	

Source: RPdata, Domain, * Discussion with selling agents **  Comparable,  Inferior,  Superior

Based on the analysis, the following rates were adopted for the Broadmeadow precinct:

- **Revenue** – Broadmeadow residential
 - 1 bedroom - \$506,000 per unit
 - 2 bedroom - \$645,000 per unit
 - 3 bedroom - \$827,400 per unit
- **Land purchase price** 'as is value'
 - Residential \$1,800/sqm site area
 - Non-residential \$1,400/sqm site area

C2.2 Precinct assumptions

Additional assumptions made in the modelling are as follows:

- Cost escalation - 3% for first two years, 3.5% thereafter
- Revenue escalation - 3% for first three years, 3.5% thereafter
- Equity - 20% equity
- Construction loan - 6.5% interest (with 1% application fee)
- Professional fees - 5% (plus 1.5% development management)
- Construction costs:
 - \$2,700/sqm GFA residential. For higher density developments (>1.9:1 FSR) an additional 10% on construction costs is applied

- \$800/sqm balcony
- \$150/sqm demolition
- Carparking costs - \$1,900 per sqm
- DA & CC fees + 7.11:
 - DA & CC fees: 0.5%
 - 7.11 rates:
 - 1BR - \$10,105
 - 2BR - \$10,778
 - 3BR - \$13,473
- NSW Housing and Productivity Charge - \$6,000 per dwelling
- Demolition and site preparation
 - \$150/sqm GBA

C2.3 Residential tipping point analysis

The following table summarises the results of the tipping point analysis. The results show that with no affordable housing, a FSR of **1.4:1** is required to meet the project hurdle rate of 18% IRR and \$2.17m RLV equating to a \$/sqm rate of \$1,800 on the site area. The modelling suggests that affordable housing contributions would only apply to higher density developments greater than 1.4:1 FSR.

The tipping point methodology is applied to understand the floorspace required to achieve affordable housing at FSRs ranging from 1.4:1 to 3.1:1 while still meeting the target hurdle rates. The results show that a FSR of 1.6:1 is required for a 4% contribution, 1.9:1 for a 5.5% contribution, 2.5:1 for a 9.5% contribution and 3.1:1 for a 12% contribution. It is noted the progression of FSR, and the percentage (%) contribution of AH is non-linear reflecting the dwelling size requirement, building layout and stepped floorspace to revenue increase.

Broadmeadow residential tipping point analysis

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Description	1.40:1 FSR No Affordable housing (Base case)	1.60:1 FSR % Affordable housing contribution	1.90:1 FSR % Affordable housing contribution	2.50:1 FSR % Affordable housing contribution	3.10:1 FSR % Affordable housing contribution
Site area (sqm)	1,200				
FSR	1.40	1.60	1.90	2.50	3.10
AH Contribution (%)	0.00%	4.00%	5.5%	9.50%	12.00%
Land purchase	\$2.16m (@\$1,800/sqm)				
Hurdle rate (IRR)	18% (Target IRR)				
Project IRR	12.00%	18.08%	18.18%	18.16%	18.04%
RLV (Residual Land Value) @18 discount rate	\$1.66	\$2.17m	\$2.17m	\$2.18m	\$2.16m

Source: HillPDA, 2022

C2.4 Non-residential tipping point analysis

The non-residential analysis assumes a \$/sqm rate of \$1,400 for acquisition of land based on the market research. A target IRR of 18% is adopted with RLV as a secondary metric. If the RLV exceeds the

acquisition cost, then the project is deemed viable. Typically, if the residual land value is less than the cost of acquisition then the project is not viable. A residual land value of less than **\$1,400/sqm** would mean a project is not viable. It is noted that the adopted **\$1,400/sqm** rate is based on recent sales transactions of improved industrial sites within the Broadmeadow precinct.

The cost of demolition and site preparation works has been included in the feasibility assessment. It is noted that additional remediation may result in less viable development.

The following table summarises the results of tipping point analysis to establish the base FSR where development would be viable under current market conditions. The results show that with no affordable housing a base FSR of 1.3:1 is required to meet the project hurdle rate of 18% IRR and \$1.68m RLV equating to a \$/sqm rate of **\$1,400** on the site area. The modelling suggests that affordable housing contributions would only apply to higher density developments greater than 1.3:1 FSR for the non-residential areas. The results show that at a FSR of 1.4:1, a 1% AH contribution is achievable, at 1.5:1, 5.6% is viable, 6.70% at 1.90:1 and 12% at 2.5:1.

Broadmeadow non-residential tipping point analysis

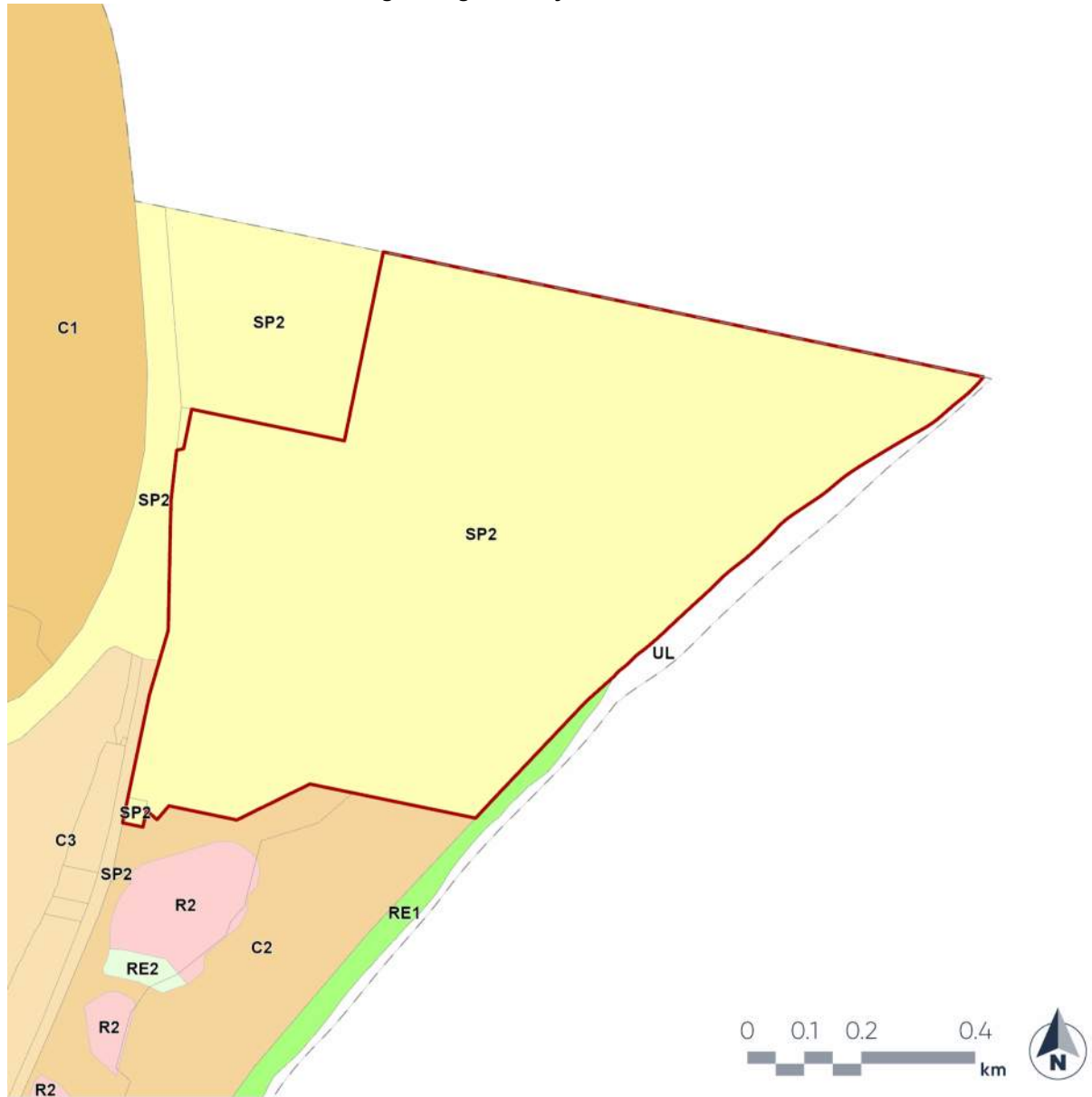
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Description	1.30:1 FSR No Affordable housing (Base case)	1.40:1 FSR % Affordable housing contribution	1.50:1 FSR % Affordable housing contribution	1.90:1 FSR % Affordable housing contribution	2.5:1 FSR % Affordable housing contribution
Site area (sqm)	1,200				
FSR	1.30	1.40	1.50	1.90	2.50
AH Contribution (%)	0.00%	3.30%	5.60%	6.70%	12%
Land purchase	\$1.68m (@\$1,400/sqm)				
Hurdle rate (IRR)	18% (Target IRR)				
Project IRR	17.57%	18.00%	18.0%	17.98%	18.05%
RLV (Residual Land Value) @18 discount rate	\$1.65m	\$1.68m	\$1.68m	\$1.68m	\$1.68m

Source: HillPDA, 2022

C3 Stockton North

Stockton North is north of Newcastle City Centre and forms part of the larger Stockton suburb. Stockton is the only residential suburb in Newcastle that is located north of the Hunter River. The Stockton North precinct is zoned SP2 Infrastructure and is in government ownership. There are no residential buildings on the site with the majority of residential development occurring south of the precinct in Stockton. The Stockton North Affordable Housing Contribution Scheme Area is shown below.

Stockton North Precinct with existing zoning underlay



Legend

- | | |
|---------------------------------------|-----------------------------|
| Newcastle LGA Boundary | C3 Environmental Management |
| Cadastral boundary | R2 Low Density Residential |
| AHCS Precinct Boundary | RE1 Public Recreation |
| NLEP 2012 Land Zoning | |
| C1 National Parks and Nature Reserves | RE2 Private Recreation |
| C2 Environmental Conservation | SP2 Infrastructure |
| | UL Unzoned Land |

C3.1 Market research

Stockton North is primarily undeveloped and held by government bodies with no housing sales within the precinct. To develop revenue and cost assumptions, Stockton was utilised as a proxy for the precinct as it is physically close to North Stockton (around 1km) and possesses similar amenity.

Based on market and feasibility analysis, there is potential for a 5.8% contribution based on uplift of existing residential in Stockton. Since Stockton North possesses a lower land value, with no existing residential development and limited amalgamation of sites, there is capacity for at least a 5.8% contribution. It should be noted that the NSW Government made a pre-election commitment to ensure that developments on surplus public land includes a minimum of 30% affordable, social and universal housing.

For the purposes of modelling, a site value for land acquisition based on recent market transactions for improved properties in Stockton has been adopted. This site value is conservative, as the land in Stockton North is currently owned by government agencies, so would be developed on a residual land value basis. The following table details the analysis of recent transactions in the suburb of Stockton categorised by existing land use zoning.

Site sale by zoning in Stockton (improved)

Zoning	# of sales	Low	High	Median	Adopted rate	# of sales below adopted rate	% of sales below adopted rate
R2	125	\$1,027	\$4,956	\$2,434	\$2,200	41	33%
E1	8	\$574	\$4,818	\$3,568	\$2,200	3	38%

Source: HillPDA analysis, 2022. Valuer General sales data. *Improved site values ** Refer Appendix for sales

***Sales in Stockton from January of 2021 to May 2022

For residential sites (R2 Low Density Residential), the analysis shows a median rate of between **\$1,027-\$4,956/sqm**. Residential land ranged from a sale rate of **\$1,027-4,956/sqm**. Based on the analysis, a rate of **\$2,200/sqm** for existing residential sites is adopted. In total, 41 sites of the 125 analysed sales were below the **\$2,200/sqm** rate. This is equivalent to **33%** of analysed residential sales. As the sales data indicates existing residential site values vary greatly, with developers typically looking for lower-middle end sites (likely rundown with minimal improvements and not recently constructed) or premium properties that would achieve the upper end of sale values.

There were only 8 sales transactions analysed for the E1 zone, with 3 of the 8 sales transacting for below \$2,200. The median rate for E1 land was higher than R2 land, however for the purposes of modelling a rate of \$2,200 for both R2 and E1 land is adopted.

C3.2 Revenue assumptions

To inform revenue side assumptions, recent sales of residential apartments were reviewed in and around North Stockton. The analysis showed no existing sales in the suburb of Stockton the study area was expanded to include neighbouring and comparable areas. For the purposes of modelling, comparable markets in premium areas either close to the water or high in amenity including Cooks Hill and Wickham were used.

Address	Bed	Type	Purchase price	Purchase date	NSA	\$/sqm NSA
1/31 Laman Street, Cooks Hill	4BR	Unit	\$810,000	Dec-2020	108	\$7,500
2/31 Laman Street, Cooks Hill	1BR	Unit	\$465,000	Jul-2020	50	\$9,300
3/31 Laman Street, Cooks Hill	1BR	Unit	\$465,000	Aug-2020	50	\$9,300
103/31 Laman Street, Cooks Hill	1BR	Unit	\$490,000	Jul-2020	50	\$9,800
506/10 Bishopsgate Street, Wickham	2BR	Unit	\$890,000	Sep-2021	88	\$10,114
701/10 Bishopsgate Street, Wickham	2BR	Unit	\$745,000	Sep-2021	83	\$8,976
1301/10 Bishopsgate Street, Wickham	3BR	Unit	\$1,197,000	Sep-2021	119	\$10,059

610/11 Dangar Street, Wickham	1BR	Unit	\$485,000	Jun-2021	53	\$9,151	
1110/11 Dangar Street, Wickham	1BR	Unit	\$640,000	Feb-2022	51	\$12,549	
1206/11 Dangar Street, Wickham	2BR	Unit	\$755,000	Feb-2021	62	\$12,177	

Source: RPdata, Domain, *Discussion with selling agents ** ■ Comparable, ■ Inferior, ■ Superior

Core assumptions for North Stockton are as follows:

- **Revenue – North Stockton**
 - 1 bedroom - \$550,000 per unit
 - 2 bedroom - \$750,000 per unit
 - 3 bedroom - \$987,000 per unit
- **Land purchase price 'as is value'**
 - \$2,200/sqm site area

Note that the precinct is mostly in government ownership and this rate represents an improved value for a development site in Stockton through consolidating existing residential developments. Therefore, it is likely that the actual 'as is value' would reflect a residual land value of a development opportunity, and therefore would likely be lower. This would improve the viability and capacity to pay a contribution.

C3.3 Precinct assumptions

The same general modelling assumptions as the preceding precincts have been made. Additional assumptions made specific to North Stockton are as follows:

- Construction costs
 - \$2,800/sqm* of residential GFA. *Premium quality build for North Stockton reflecting the high level of amenity.

C3.4 Tipping point analysis

The following table summarises the results of the tipping point analysis to establish the base case in which development would be viable under current market conditions in North Stockton. The results show that with no affordable housing, a base FSR of 1.2:1 is required to meet the project hurdle rate of 18% IRR.

The tipping point methodology is applied to understand the affordable housing contribution possible at various FSRs to still satisfy the target hurdle rates. The analysis gives an indication of the performance under current market conditions in Stockton. The results show that at an FSR of 1.2:1, the project is viable with no affordable housing contribution. This suggests that affordable housing contributions would only apply to higher-density developments greater than 1.2:1 FSR in North Stockton.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Description	1.20:1 FSR No Affordable housing (Base case)	1.30:1 FSR % Affordable housing contribution	1.40:1 FSR % Affordable housing contribution	2.00:1 FSR % Affordable housing contribution	2.10:1 FSR % Affordable housing contribution
Site area (sqm)	1,200				
FSR	1.20	1.30	1.40	2.00	2.10
AH Contribution (%)	0.00%	2.35%	4.30%	12.99%	12.70%
Land purchase	\$2.6m (@\$2,200/sqm)				

Hurdle rate (IRR)	18% (Target IRR)				
Project IRR	22.67%	18.07%	18.32%	17.70%	18.10%
RLV (Residual Land Value) @18 discount rate	\$3.06m	\$2.64m	\$2.67m	\$2.59m	\$2.65m

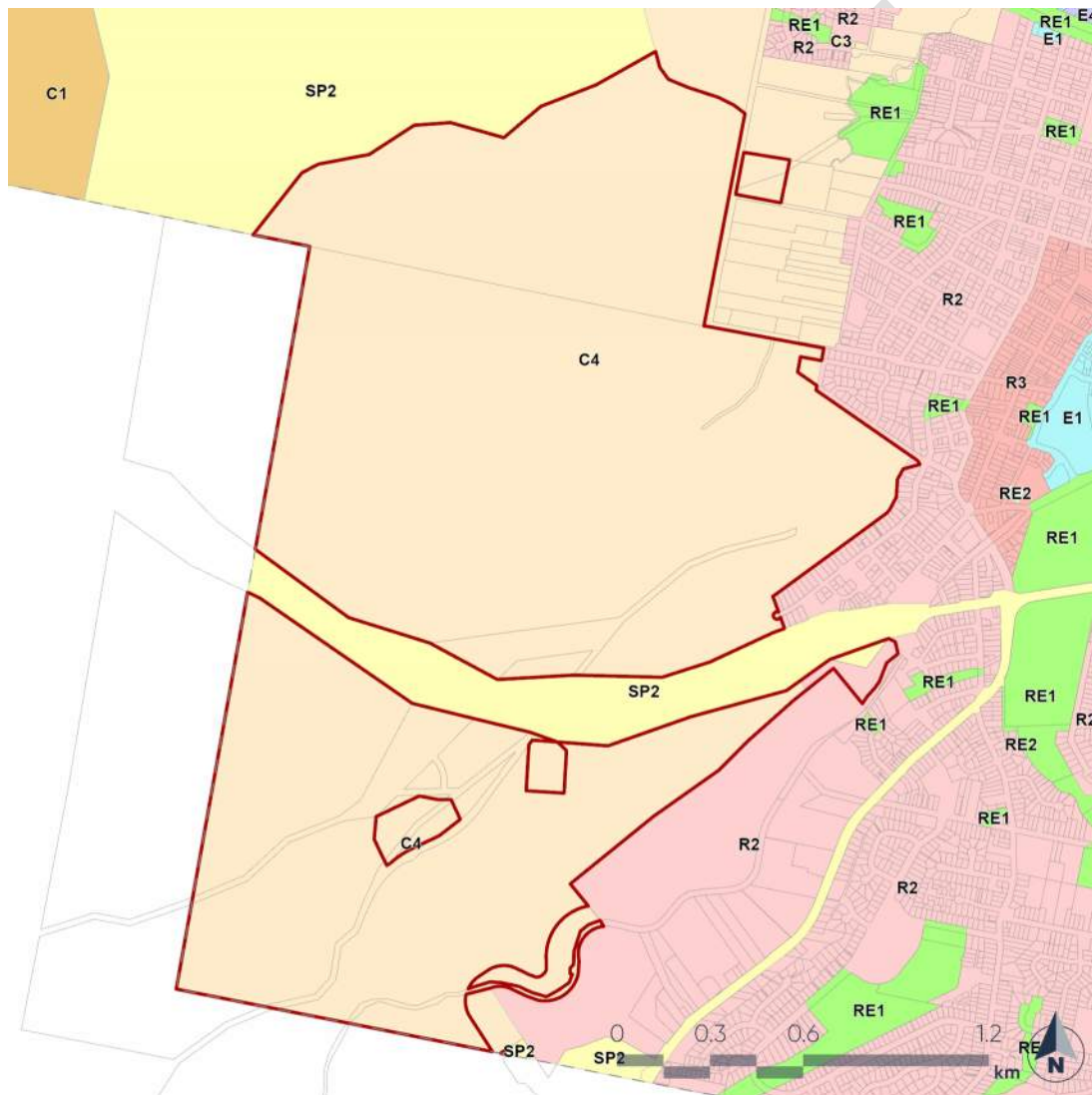
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C4 Western Corridor

The Western Corridor has been identified as an Affordable Housing Contribution Area. Feasibility analysis for the Western Corridor Affordable Housing Contribution Area is included should any lands within this area be found appropriate for future development. It is noted that this scheme would apply to development in an urban release area, or development on a new residential site in the Western Corridor subject to detailed technical studies and investigations.

The site known as Eden Estates has been used as example site for feasibility purposes as it is considered representative of the Western Corridor. It is currently under consideration as a nominated, potential place strategy site. It is identified as a housing investigation area with the potential to deliver a new community in future. Any future development of the site as an urban release area is subject to detailed technical studies and investigations.

Eden Estates with existing zoning underlay



Legend

- | | |
|---------------------------------------|-------------------------------|
| Newcastle LGA Boundary | E1 Local Centre |
| Cadastral boundary | E4 General Industrial |
| AHCS Precinct Boundary | R2 Low Density Residential |
| NLEP 2012 Land Zoning | |
| C1 National Parks and Nature Reserves | R3 Medium Density Residential |
| C3 Environmental Management | RE1 Public Recreation |
| C4 Environmental Living | RE2 Private Recreation |
| | SP2 Infrastructure |

For the purposes of modelling, a 45ha sub-precinct was identified to test the viability of an affordable housing contribution in the current market. Typically, a large greenfield site like Eden Estates would be staged depending on market take-up. To understand the high-level implications of an affordable housing contribution in greenfield areas a super lot comprising 45ha assuming subdivision, infrastructure costs, and dedication of a proportion of serviced developable land as affordable housing, or an equivalent monetary contribution has been identified.

C4.1 Market research

To inform revenue side assumptions, sales of serviced lots and englobo land (unserviced, undeveloped land) in and around Eden Estates were reviewed. The analysis showed limited sales of englobo land in the study area, so the study area was expanded to include neighbouring and comparable greenfield areas. The following table summarises the results.

Market evidence for englobo land sales in and around the study area

Land sales	Purchase price	Zoning	Purchase date	Site area	\$/ha	
102 Lake Road Elmore Vale	\$14,650,000	-	Feb-2022	25.63ha	\$571,595	Comparable
1 Glendon Crescent, Glendale	\$27,500,000	-	Dec-2019	736.18ha	\$37,354	Inferior
173 Waterside Drive, Fletcher	\$470,000	-	Jul-2020	4.85	\$96,907	Inferior

Source: RPdata, Domain, *Discussion with selling agents ** Comparable, Inferior, Superior

There were a total of three englobo land sales in the surrounding region with largely varying rates. Typically, larger lots achieve a lower \$/ha rate. The sale at 1 Glendon Crescent in Glendale was for a 736.18 hectare lot in 2019 for a \$37,354/ha site area. In adopting a land value the sale at 102 Lake Road, Elmore Vale was considered to be most comparable, achieving a rate of \$571.595/ha in February 2022.

Market evidence for serviced lots in and around the study area

Address	Purchase price	Zoning	Purchase date	Site area	\$/sqm site area	
30 Watalong Way Edgeworth	\$450,000	R2	May-2021	1,655	\$271.90	Comparable
2 Keylkeyl Close Edgeworth	\$315,000	R2	Jun-2020	622	\$506.43	Comparable
42 Watalong Way Edgeworth	\$515,000	R2	Aug-2021	80	\$638.95	Comparable
21 Mortlock Road Cameron Park	\$500,000	R2	Mar-2022	502	\$996.01	Superior
20 Mortlock Road Cameron Park	\$500,000	R2	Mar-2022	512	\$976.56	Superior
47 Estelville Circuit Cameron Park	\$520,000	R2	Mar-2022	563	\$923.62	Superior
9 Turnock Drive Cameron Park	\$570,000	R2	Dec-2021	1092	\$521.97	Superior
126 Estelville Circuit Cameron Park	\$500,000	R2	Feb-2022	542	\$922.50	Superior
16 Milburn Circuit Boolaroo	\$461,000	R2	Jul-2021	537	\$858.47	Superior
4 Milburn Circuit Boolaroo	\$520,000	R2	Dec-2021	523	\$994.26	Superior

Source: RPdata, Domain, *Discussion with selling agents ** Comparable, Inferior, Superior

Based on the market evidence above, the following land cost and revenue assumptions have been made for the purposes of modelling:

- **Revenue**
 - \$600/sqm lot sale (\$300,000 per lot) (conservative rate)
- **Land purchase price** 'as is value'
 - Residential \$600,000/ha site area (conservative rate)

C4.2 Precinct assumptions

The same general modelling assumptions as the preceding precincts have been made. Additional assumptions specific to this precinct are as follows:

- Assuming 14 dwellings per hectare (on-site area)
- Assuming net developable area (NDA) is 60% of site area, and gross developable area (GDA) is 85% of site area (site minus constrained lands)
- Infrastructure cost is \$1.7mil per hectare of GDA
- % land dedication for affordable housing (serviced land)
- Take up rate of 10 lots per month (over 3 stages)
- Consultants and professional fees: 4.0%

C4.3 Tipping point analysis

Based on the analysis, a 5% affordable housing contribution is currently viable. A dedication of 8% and 10% is not viable in the current market. The sensitivity modelling indicates that a 1.5% increase in revenue would be sufficient to make Scenario 2 viable. It is possible that a market escalation of 1.5% would be possible over a medium-long term.

	Scenario 1	Scenario 2	Scenario 3
Description	Base case 5% affordable housing contribution	8% affordable housing contribution	10% affordable housing contribution
Site area (sqm)*	45ha	45ha	45ha
AH Contribution (%)	5%	8%	10%
Land purchase	\$27m (@600,000/ha)		
Hurdle rate	12% (IRR)		
Take up rate	10 lots per month		
Stages	3 stages		
IRR	12.79%	11.21%	10.41%
RLV	\$28.2m	\$25.77m	\$24.63m

C5 1% city-wide affordable housing contribution

This scheme includes an affordable housing contribution rate of 1% of additional GFA for residential development that proposes more than 200sqm of residential GFA on the site and an additional dwelling. This reflects anywhere that substantial uplift would occur from the existing development footprint and an intensification of uses. While there has not been feasibility testing to support this rate, it is considered the rate is likely to be viable, or to have acceptable impacts on viability, because:

- It is a nominal contribution amount that is 1% of more than 200sqm GFA.
- The total amount of the contribution for an apartment in a 12 unit development with 80sqm GFA per apartment would be less than the Housing Productivity Contribution (HPC) charge (\$5,066 per apartment).
- It will only apply to developments that are increasing residential floorspace beyond 200sqm, which means it is most likely applying to development undertaken by 'sophisticated' developers who have the comprehensive knowledge to undertake such developments.
- As detailed feasibility testing has not occurred, roughly a quarter of the Broadmeadow residential rate has been applied. It is considered that the Broadmeadow residential modelling could be considered indicative of the whole LGA, under the case study approach.
- The R2 Low Density Residential and the R3 Medium Density Residential zones in Newcastle includes 'Residential Accommodation' as a permitted use. 'Residential Accommodation' dwelling types include attached dwellings, multi dwelling housing and residential flat buildings. As such, it is considered appropriate to have a mechanism to capture contributions on development that provides significant uplift in these areas.

Attachment 1 Broadmeadow market research
Recent site sales in Broadmeadow (Jan 2021 to Mar 2022)

Address	Sale price	Sale date	Area	\$/SqM	Zone
5 Koree Road, Broadmeadow	885,000	May-22	367	2,413.40	R3
17 Belford Street, Broadmeadow	1,056,000	Apr-22	473	2,231.10	R3
119 Darling Street, Broadmeadow	860,000	Apr-22	328	2,622.00	R2
159 Lambton Road, Broadmeadow	850,000	Mar-22	683	1,244.50	E3
26 Young Road, Broadmeadow	750,000	Mar-22	474	1,581.60	R3
92 Broadmeadow Road, Broadmeadow	878,000	Mar-22	328	2,678.50	R3
170 Dumaresq Street, Broadmeadow	1,291,000	Mar-22	251	5,137.30	R2
137 Darling Street, Broadmeadow	1,315,000	Feb-22	765	1,718.70	R2
1 Heddon Road, Broadmeadow	690,000	Feb-22	316	2,187.00	R3
223 Denison Street, Broadmeadow	844,000	Jan-22	221	3,813.80	R2
Darling Street, Broadmeadow	27,000	Jan-22	36	740.2	RE1
3a Heddon Road, Broadmeadow	815,000	Dec-21	266	3,068.50	R3
21 Coorumbung Road, Broadmeadow	970,000	Dec-21	272	3,567.50	R3
3/180 Broadmeadow Road, Broadmeadow	1,600,000	Dec-21	916	1,747.30	E1
24 Pokolbin Street, Broadmeadow	815,000	Nov-21	304	2,685.30	R3
93 Gosford Road, Broadmeadow	795,000	Oct-21	304	2,619.40	R3
65 Coorumbung Road, Broadmeadow	835,000	Oct-21	405	2,063.30	R3
126 Lambton Road, Broadmeadow	1,777,000	Sep-21	387	4,589.00	E3
6 Newton Street, Broadmeadow	1,720,000	Sep-21	1,048	1,641.20	E3
8 Newton Street, Broadmeadow	1,135,000	Sep-21	708	1,602.70	E3
2 Young Road, Broadmeadow	725,000	Sep-21	234	3,098.30	E1
21 Denney Street, Broadmeadow	870,000	Sep-21	411	2,116.80	R3
4 Cameron Street, Broadmeadow	1,851,300	Sep-21	628	2,949.80	E3
4 Newton Street, Broadmeadow	1,066,500	Sep-21	1,069	997.7	E3
101 Broadmeadow Road, Broadmeadow	715,000	Aug-21	487	1,468.50	E4
26 Pokolbin Street, Broadmeadow	910,000	Aug-21	279	3,267.50	R3
15 Broadmeadow Road, Broadmeadow	2,400,000	Aug-21	1,777	1,350.60	E4
11 Broadmeadow Road, Broadmeadow	2,800,000	Aug-21	3,250	861.5	E4
50 Broadmeadow Road, Broadmeadow	712,000	Aug-21	462	1,542.80	E4
117 Darling Street, Broadmeadow	850,000	Jul-21	765	1,111.00	R2

78 Denney Street, Broadmeadow	790,000	Jul-21	304	2,603.00	R3
3 Melbourne Road, Broadmeadow	650,000	Jul-21	215	3,023.30	R3
23 Melville Road, Broadmeadow	905,000	Jul-21	297	3,045.10	R3
28 Pokolbin Street, Broadmeadow	770,000	Jul-21	272	2,831.90	R3
25 Belford Street, Broadmeadow	530,000	Jun-21	310	1,710.80	MU1
53 Belford Street, Broadmeadow	735,000	Jun-21	327	2,246.30	E1
25 Belford Street, Broadmeadow	1,215,000	Jun-21	506	2,402.10	MU1
1 Melbourne Road, Broadmeadow	855,000	May-21	354	2,414.60	R3
138 Everton Street, Broadmeadow	825,000	Apr-21	235	3,518.10	R2
13 Pokolbin Street, Broadmeadow	958,000	Apr-21	487	1,967.50	R3
206 Denison Street, Broadmeadow	772,000	Mar-21	533	1,448.40	R2
33 Belford Street, Broadmeadow	700,000	Mar-21	539	1,299.00	MU1
2 Belford Street, Broadmeadow	700,690	Mar-21	297	2,357.60	R4
24 Teralba Road, Broadmeadow	735,000	Mar-21	360	2,039.40	R3
6 Cameron Street, Broadmeadow	1,272,728	Mar-21	443	2,875.60	E3
8 Cameron Street, Broadmeadow	1,272,728	Mar-21	492	2,586.80	E3
8 Brown Road, Broadmeadow	807,500	Feb-21	487	1,658.50	R3
57 Bruncker Road, Broadmeadow	810,000	Feb-21	455	1,779.00	R4
47 Teralba Road, Broadmeadow	840,000	Feb-21	222	3,792.30	R3
96 Bruncker Road, Broadmeadow	516,000	Feb-21	196	2,632.70	R4
14 Teralba Road, Broadmeadow	260,000	Feb-21	469	553.9	R3
1 Tara Road, Broadmeadow	700,000	Feb-21	687	1,018.90	E3
31 Graham Road, Broadmeadow	565,000	Jan-21	221	2,553.10	E1

Source: Valuer General

Other recent site sales

Address	Purchase price	Zoning	Purchase date	Site area	\$/sqm site area
63 Veda Street Hamilton	\$1,816,000	R3	May-2022	637	\$2,850.86
45 Chatham Street Hamilton	\$1,250,000	R3	May-2022	496	\$2,520.16
47 Chatham Street Hamilton	\$1,260,000	R3	Aug-2021	493	\$2,555.78
2 Young Road Broadmeadow	\$725,000	E1	Sep-2021	234	\$3,098.29
1 Dixon Street Hamilton	\$1,010,000	R3	Apr-2022	405	\$2,493.82
24 Pokolbin Street Broadmeadow	\$815,000	R3	Nov-2021	304	\$2,680.92
13 Reay Street Hamilton	\$1,350,000	R3	Feb-2022	411	\$3,284.67
38 Samdon Street Hamilton	\$1,650,000	R4	Mar-2022	686	\$2,405.24
50 Broadmeadow Road Broadmeadow	\$712,000	E4	Aug-2021	462	\$1,541.13

101 Broadmeadow Road Broadmeadow	\$715,000	E4	Aug-2021	487	\$1,468.17
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Source: CoreLogic, 2022

Strata sales

Address	Bed	Type	Purchase price	Purchase date	NSA	\$/sqm GFA
106-108 Brunner Road, Adamstown	3BR	Unit	\$995,000	Asking price	101	\$9,851
5/104 Brunner Road, Adamstown	2BR	Unit	\$550,000	Feb-2021	66	\$8,333
3/8 Fourth Street, Adamstown	3BR	Unit	\$694,000	Jun-2020	109	\$6,367
4/4 Rosemont Street, Adamstown Heights	4BR	Unit	\$1,410,000	Feb-2022	187	\$7,540
2/2 Winsor Street, Merewether	3BR	Unit	\$968,814	Apr-2020	118	\$8,210
3/2 Winsor Street, Merewether	2BR	Unit	\$730,000	Feb-2020	72	\$10,139
4/2 Winsor Street, Merewether	3BR	Unit	\$1,100,000	Feb-2020	118	\$9,322
5/2 Winsor Street, Merewether	3BR	Unit	\$795,900	Sep-2020	118	\$6,745
104/37 Donald Street	1BR	Unit	\$453,000	Sep-2021		
203/37 Donald Street	2BR	Unit	\$490,000	Feb-2020	62	\$7,903
1/116 Tudor Street	2BR	Unit	\$489,500	Sep-2020	112	\$4,371
105/116 Tudor Street	1BR	Unit	\$410,000	Aug-2019	51	\$8,039
204/116 Tudor Street	2BR	Unit	\$596,000	Aug-2020	80	\$7,450
205/116 Tudor Street	1BR	Unit	\$433,500	Sep-2019	52	\$8,337
206/116 Tudor Street	3BR	Unit	\$820,000	Jun-2019	114	\$7,193
303/116 Tudor Street	3BR	Unit	\$835,375	Oct-2020	143	\$5,842
304/116 Tudor Street	2BR	Unit	\$700,000	Sep-2021	83	\$8,434
1/1 Jenner Parade	3BR	Unit	\$1,350,000	Jul-2021	120	\$11,250
3/1 Jenner Parade	3BR	Unit	\$1,275,000	Oct-2021	200	\$6,375

Source: CoreLogic, 2022

Development site sales

Address	Site area	FSR	GFA proposed	Levels	Units	Sale date	Price (\$)	\$ Rate / sqm Land	\$ Rate / sqm GFA	\$ Rate / unit
79-83 Brunner Road & 70-74 Gosford Road	2,453	1.47	3,614	5	37	Oct-2017	\$2,075,000	\$845.90	\$574	\$56,081
48-52 Brunner Road	1,591	1.49	2,375	4	26	-	-	-	-	-
144-148 Brunner Road	2258	1.53	3,455	5	40	8/08/2013	\$1,280,000	32,000	\$370.48	\$32,000

Source: Cordell Connect; HillIPDA Research, 2022

Attachment 2 North Stockton market research
Recent site sales in Stockton (Jan 2021 to Mar 2022)

Address	Sale price	Sale date	Area	\$/sqm	Zone
18 Pembroke Street, Stockton	750,000	Jun-22	284.5	2,636.20	R2
44 Douglas Street, Stockton	1,100,000	Jun-22	505.92	2,174.26	R2
4 Douglas Street, Stockton	800,000	Jun-22	295.4	2,708.19	R2
56 Maitland Street, Stockton	930,000	Jun-22	233.9	3,976.06	E1
25 Newcastle Street, Stockton	800,000	May-22	246	3,252.03	R2
100 Roxburgh Street, Stockton	1,200,000	May-22	297.2	4,037.69	R2
12 Hereford Street, Stockton	1,250,000	May-22	569.1	2,196.45	R2
24 Hunter Street, Stockton	1,265,000	May-22	309.8	4,083.28	R2
58b Fullerton Street, Stockton	1,080,000	May-22	465.4	2,320.58	R2
7 Lomond Street, Stockton	1,150,000	May-22	562.8	2,043.35	R2
5 Roxburgh Street, Stockton	1,240,000	Apr-22	379.4	3,268.32	R2
172 Dunbar Street, Stockton	1,100,000	Apr-22	505.9	2,174.34	R2
214 Fullerton Street, Stockton	980,000	Apr-22	670.3	1,462.03	R2
76 Mitchell Street, Stockton	800,000	Apr-22	371.8	2,151.69	E1
12 Beeston Road, Stockton	1,100,000	Mar-22	575.4	1,911.71	R2
1 Coal Street, Stockton	1,150,000	Mar-22	347.9	3,305.55	R2
23 Pembroke Street, Stockton	800,000	Mar-22	290.8	2,751.03	R2
92 Scobies Lane, Stockton	1,000,000	Feb-22	278.2	3,594.54	R2
213 Dunbar Street, Stockton	1,475,000	Feb-22	505.9	2,915.60	R2
152 Fullerton Street, Stockton	790,000	Feb-22	290.9	2,715.71	R2
21 William Street, Stockton	770,000	Feb-22	346.5	2,222.22	R2
13 Barrie Crescent, Stockton	2,600,000	Feb-22	663.9	3,916.25	R2
83 Mitchell Street, Stockton	1,350,000	Feb-22	375.4	3,596.16	R2
227 Mitchell Street, Stockton	2,500,000	Feb-22	505.3	4,947.56	R2
130 Dunbar Street, Stockton	1,100,000	Feb-22	404.7	2,718.06	R2
14 Roxburgh Street, Stockton	1,050,000	Feb-22	470.2	2,233.09	R2
153 Douglas Street, Stockton	1,450,000	Feb-22	505.9	2,866.18	R2
46 Mitchell Street, Stockton	1,120,000	Feb-22	246.6	4,541.77	E1
92a Mitchell Street, Stockton	1,000,000	Feb-22	416.1	2,403.27	R2
15 Lomond Street, Stockton	1,050,000	Dec-21	404.7	2,594.51	R2

6 Hunter Street, Stockton	1,000,000	Dec-21	290.9	3,437.61	R2
19 Mitchell Street, Stockton	1,300,000	Dec-21	269.8	4,818.38	E1
127 Mitchell Street, Stockton	1,800,000	Nov-21	663.9	2,711.25	R2
37 King Street, Stockton	1,000,000	Nov-21	469.4	2,130.38	R2
1/27 Mitchell Street, Stockton	780,000	Nov-21	0		R2
105 Dunbar Street, Stockton	1,070,000	Nov-21	335.8	3,186.42	R2
34 Eames Avenue, Stockton	1,650,000	Oct-21	505.9	3,261.51	R2
20 Hereford Street, Stockton	1,225,000	Oct-21	505.9	2,421.43	R2
212 Dunbar Street, Stockton	1,150,000	Oct-21	505.9	2,273.18	R2
63 Forfar Street, Stockton	1,100,000	Oct-21	455.3	2,415.99	R2
43 Hereford Street, Stockton	1,450,000	Oct-21	505.9	2,866.18	R2
222 Dunbar Street, Stockton	950,000	Oct-21	309.7	3,067.48	R2
7 Mitchell Street, Stockton	1,010,000	Oct-21	234	4,316.24	R2
2/35 Hereford Street, Stockton	788,000	Oct-21	0		E1
38 Pitt Street, Stockton	1,200,000	Oct-21	430	2,790.70	R2
58 Fullerton Street, Stockton	1,850,000	Oct-21	569.1	3,250.75	R2
45 Maitland Street, Stockton	950,000	Sep-21	335.1	2,834.97	R2
30 Eames Avenue, Stockton	2,100,000	Sep-21	423.7	4,956.34	R2
128 Douglas Street, Stockton	820,000	Sep-21	366.7	2,236.16	R2
186 Douglas Street, Stockton	940,000	Sep-21	505.9	1,858.07	R2
125 Mitchell Street, Stockton	2,200,000	Sep-21	1008	2,182.54	R2
159 Dunbar Street, Stockton	1,350,000	Sep-21	505.9	2,668.51	R2
92 Dunbar Street, Stockton	1,355,000	Sep-21	486.9	2,782.91	R2
62 Hereford Street, Stockton	1,050,000	Sep-21	385.7	2,722.32	R2
243 Mitchell Street, Stockton	2,400,000	Sep-21	505.9	4,744.02	R2
14 Queen Street, Stockton	850,000	Sep-21	271.9	3,126.15	R2
4 Clyde Street, Stockton	955,000	Sep-21	464.8	2,054.65	R2
170 Douglas Street, Stockton	1,000,000	Sep-21	505.9	1,976.68	R2
14 Flint Street, Stockton	1,205,000	Sep-21	784.1	1,536.79	R2
9 William Street, Stockton	900,000	Sep-21	303.5	2,965.40	R2
270 Fullerton Street, Stockton	800,000	Sep-21	366.7	2,181.62	R2
88 Roxburgh Street, Stockton	1,125,000	Sep-21	461.6	2,437.18	R2
13 King Street, Stockton	920,000	Aug-21	360.4	2,552.72	R2

38 Mitchell Street, Stockton	850,000	Aug-21	392.1	2,167.81	E1
2 Punt Road, Stockton	1,120,000	Aug-21	322.5	3,472.87	R2
92 Roxburgh Street, Stockton	815,000	Aug-21	505.9	1,610.99	R2
70 Forfar Street, Stockton	875,000	Jul-21	505.9	1,729.59	R2
3 Barrie Crescent, Stockton	1,650,000	Jul-21	505.9	3,261.51	R2
8 Hereford Street, Stockton	1,100,000	Jul-21	524.8	2,096.04	R2
59 Clyde Street, Stockton	800,000	Jul-21	505.9	1,581.34	R2
2/179 Mitchell Street, Stockton	950,000	Jul-21	0		R2
6b King Street, Stockton	850,000	Jul-21	0		R2
112 Dunbar Street, Stockton	1,320,000	Jul-21	505.9	2,609.21	R2
12 William Street, Stockton	785,000	Jul-21	349.5	2,246.07	R2
5 Lomond Street, Stockton	895,000	Jul-21	468.9	1,908.72	R2
34a Queen Street, Stockton	680,000	Jul-21	204.7	3,321.93	R2
14 Pembroke Street, Stockton	1,690,000	Jul-21	360.4	4,689.23	R2
43 King Street, Stockton	770,000	Jul-21	407.2	1,890.96	R2
60 Hereford Street, Stockton	900,000	Jun-21	385.7	2,333.42	R2
45 Fullerton Street, Stockton	1,540,000	Jun-21	404.71	3,805.19	R2
2/137 Mitchell Street, Stockton	1,225,000	Jun-21	0		R2
70 Newcastle Street, Stockton	1,300,000	Jun-21	446.6	2,910.88	R2
61 Clyde Street, Stockton	440,000	Jun-21	240.3	1,831.04	R2
6a King Street, Stockton	850,000	Jun-21	0		R2
100 Fullerton Street, Stockton	920,000	Jun-21	485.2	1,896.13	R2
26 Flint Street, Stockton	1,000,000	Jun-21	629	1,589.83	R2
166a Douglas Street, Stockton	1,200,000	Jun-21	505.9	2,372.01	R2
32a Douglas Street, Stockton	530,000	Jun-21	244.9	2,164.15	R2
15 North Street, Stockton	920,000	May-21	231.6	3,972.37	R2
11 Beeston Road, Stockton	811,000	May-21	537.5	1,508.84	R2
4/35 Hereford Street, Stockton	640,000	May-21	0		R2
7 Roxburgh Street, Stockton	370,000	May-21	360.4	1,026.64	R2
106a Roxburgh Street, Stockton	903,750	May-21	246.6	3,664.84	R2
5 Roxburgh Street, Stockton	935,000	May-21	379.4	2,464.42	R2
23 Mitchell Street, Stockton	150,000	May-21	261.1	574.49	E1
85 Dunbar Street, Stockton	1,025,000	May-21	597.82	1,714.56	R2

7 Douglas Street, Stockton	995,000	May-21	388.38	2,561.92	R2
6 Monmouth Street, Stockton	865,000	May-21	335.1	2,581.32	R2
91a Roxburgh Street, Stockton	1,150,000	May-21	506	2,272.73	R2
67 Douglas Street, Stockton	776,600	May-21	506	1,534.78	R2
29 Mitchell Street, Stockton	1,230,000	May-21	344.7	3,568.32	E1
2/86 Fullerton Street, Stockton	1,010,000	May-21	746.1	1,353.71	R2
12 Mitchell Street, Stockton	1,110,000	May-21	284.5	3,901.58	R2
40 Monmouth Street, Stockton	1,125,000	Apr-21	701.9	1,602.79	R2
224 Fullerton Street, Stockton	797,000	Apr-21	575.4	1,385.12	R2
6 King Street, Stockton	850,000	Apr-21	0		R2
81 Roxburgh Street, Stockton	790,000	Apr-21	480.6	1,643.78	R2
13 William Street, Stockton	800,000	Apr-21	324	2,469.14	R2
205 Mitchell Street, Stockton	2,020,000	Apr-21	1012	1,996.05	R2
188a Fullerton Street, Stockton	700,000	Apr-21	505.9	1,383.67	R2
98 Dunbar Street, Stockton	1,450,000	Apr-21	1011.83	1,433.05	R2
286 Fullerton Street, Stockton	735,000	Apr-21	370.7	1,982.74	R2
39 Crown Street, Stockton	880,000	Mar-21	376.9	2,334.84	R2
165 Dunbar Street, Stockton	940,000	Mar-21	505.9	1,858.07	R2
206 Dunbar Street, Stockton	931,000	Mar-21	505.92	1,840.21	R2
20 King Street, Stockton	1,200,000	Mar-21	735	1,632.65	R2
11/82 Maitland Street, Stockton	465,000	Mar-21	0		R2
21 Stone Street, Stockton	1,275,000	Mar-21	550.1	2,317.76	R2
102 Dunbar Street, Stockton	1,200,000	Mar-21	505.9	2,372.01	R2
36 Church Street, Stockton	900,000	Mar-21	347.8	2,587.69	R2
112 Roxburgh Street, Stockton	850,000	Mar-21	505.9	1,680.17	R2
22 Queen Street, Stockton	1,100,000	Feb-21	392	2,806.12	R2
133b Douglas Street, Stockton	850,000	Feb-21	230.2	3,692.44	R2
118 Douglas Street, Stockton	830,000	Feb-21	341.5	2,430.45	R2
133d Douglas Street, Stockton	750,000	Feb-21	281.7	2,662.41	R2
47 Hereford Street, Stockton	1,000,000	Feb-21	347.8	2,875.22	R2
2 North Street, Stockton	925,000	Feb-21	373.1	2,479.23	R2
7 Douglas Street, Stockton	850,000	Feb-21	388.38	2,188.58	R2
114 Dunbar Street, Stockton	860,000	Feb-21	461.6	1,863.08	R2

133c Douglas Street, Stockton	850,000	Feb-21	230.7	3,684.44	R2
169b Douglas Street, Stockton	865,000	Jan-21	355.7	2,431.82	R2
72b Dunbar Street, Stockton	880,000	Jan-21	234	3,760.68	R2

Source: Valuer General

Other recent site sales

Address	Purchase price	Zoning	Purchase date	Site area	\$/sqm site area
127 Mitchell Street Stockton	\$1,800,000		Nov-2021	664	\$2,710.84
14 Roxburgh Street Stockton	\$1,050,000		Feb-2022	470	\$2,234.04
92A Mitchell Street Stockton	\$1,000,000		Feb-2022	416	\$2,403.84
83 Mitchell Street Stockton	\$1,350,000		Feb-2022	375	\$3,600.00
21 William Street Stockton	\$770,000		Feb-2022	347	\$2,219.02
15 Lomond Street Stockton	\$1,050,000		Dec-2021	405	\$2,592.59

Source: CoreLogic, 2022

Strata sales

Address	Bed	Type	Purchase price	Purchase date	NSA	\$/sqm NSA
1/31 Laman Street, Cooks Hill	4BR	Unit	\$810,000	Dec-2020	108	\$7,500
2/31 Laman Street, Cooks Hill	1BR	Unit	\$465,000	Jul-2020	50	\$9,300
3/31 Laman Street, Cooks Hill	1BR	Unit	\$465,000	Aug-2020	50	\$9,300
103/31 Laman Street, Cooks Hill	1BR	Unit	\$490,000	Jul-2020	50	\$9,800
506/10 Bishopsgate Street, Wickham	2BR	Unit	\$890,000	Sep-2021	88	\$10,114
701/10 Bishopsgate Street, Wickham	2BR	Unit	\$745,000	Sep-2021	83	\$8,976
1301/10 Bishopsgate Street, Wickham	3BR	Unit	\$1,197,000	Sep-2021	119	\$10,059
610/11 Dangar Street, Wickham	1BR	Unit	\$485,000	Jun-2021	53	\$9,151
1110/11 Dangar Street, Wickham	1BR	Unit	\$640,000	Feb-2022	51	\$12,549
1206/11 Dangar Street, Wickham	2BR	Unit	\$755,000	Feb-2021	62	\$12,177

Development site sales

Address	Site area	FSR	GFA proposed	Levels	Units	Sale date	Price (\$)	\$ rate / sqm land	\$ rate / sqm GFA	\$ rate / unit
71 Hanbury Street (Lot 100 DP854535)	451	1.60	721	3	3	Jul-2021	\$575,000	\$1,274.94	\$797.5	\$191,666
9 & 11 Beaumont Street (Lots 1 & 2 DP137349)	815	1.86	456	2	4	-	-	-	-	-

Source: Cordell Connect; HillPDA Research, 2022

Attachment 3 Western Corridor market research
Site sales

Address	Purchase price	Zoning	Purchase date	Site area	\$/sqm site area
Serviced lot sales					
30 Watalong Way Edgeworth	\$450,000	R2	May-2021	1,655sqm	\$271.90
2 Keylkeyl Close Edgeworth	\$315,000	R2	Jun-2020	622sqm	\$506.43
42 Watalong Way Edgeworth	\$515,000	R2	Aug-2021	806sqm	\$638.95
21 Mortlock Road Cameron Park	\$500,000	R2	Mar-2022	502sqm	\$996.01
20 Mortlock Road Cameron Park	\$500,000	R2	Mar-2022	512sqm	\$976.56
47 Estelville Circuit Cameron Park	\$520,000	R2	Mar-2022	563sqms	\$923.62
9 Turnock Drive Cameron Park	\$570,000	R2	Dec-2021	1092sqm	\$521.97
126 Estelville Circuit Cameron Park	\$500,000	R2	Feb-2022	542sqm	\$922.50
16 Milburn Circuit Boolaroo	\$461,000	R2	Jul-2021	537sqm	\$858.47
4 Milburn Circuit Boolaroo	\$520,000	R2	Dec-2021	523sqm	\$994.26
Land sales					
102 Lake Road Elermore Vale	\$14,650,000	-	Feb-2022	25.63ha	\$571,595
177 Woodford Street Minmi	\$38,968,025	-	Sep-2020	11.05ha	*
144 Woodford Street Minmi	\$38,968,025	-	Sep-2020	160.01ha	*
10 Woodford Street Cameron Park	\$38,968,025	-	Sep-2020	163.73ha	*
1 Glendon Crescent Glendale	\$27,500,000	-	Dec-2019	736.18ha	\$37,354
173 Waterside Drive Fletcher	\$470,000	-	Jul-2020	4.85	\$96,907

Source: CoreLogic, 2022

Attachment 5 Financial feasibility criteria

To undertake the feasibility modelling, HillPDA used the proprietary software Estate Master, an industry standard used by developers, financiers, and property valuers. This method calculates the residual land value (RLV) by subtracting the expected development costs from the expected net sales revenue plus a margin for its profit and risk. A feasibility assessment is based on profit and risk factors that are subjective elements that determine the rate of return expected from the developer, and a subsequent rate the developer is willing and able to purchase a site for based on these expected returns. For the hypothetical modelling, regard has been given to the following performance metrics:

- **Project Internal Rate of Return (IRR):** Is the actual return on the investment on an annualised basis, expressed as a percentage. This metric considers the time value of money in its calculation within a cash flow and indicates average returns over a defined period. Typically, this is 13% for small-scale residential projects, 12% for commercial office buildings and 16-18% for residential high-rise towers
- **Net Present Value (NPV):** Is the difference between the present value of cash inflows and the present value of cash outflows over a period. NPV is used in capital budgeting and investment planning to analyse the profitability of a projected investment or project
- **Residual Land Value (RLV):** Is the hypothetical calculated maximum price that a developer would pay for the land to achieve the defined hurdle rates (such as IRR or margin). The residual land value is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates based on the most probable development option for the land. Typically, if the residual land value is less than the cost of acquisition then the project is not viable.

To test the viability of the proposed development, HillPDA adopted the IRR and RLV as the primary performance measures to understand the viability of each scenario. It is noted that the DPE guidelines suggest a 20% hurdle rate for the IRR. However, in HillPDA's experience and analysis of data, the current market is lower at 16%-18%.

Considering the lower risk for residential subdivision a **Project IRR of 12% p.a.** was adopted as the primary hurdle rate for the Western Corridor and a **Project IRR of 18% p.a.** for residential developments in Broadmeadow and North Stockton. Additionally, the project residual land value (RLV) was used as a secondary metric.

Industry-standard performance indicators

Performance	Subdivision (IRR)	Development (IRR)
Feasible	>12%	> 18%
Marginally feasible	11%-12%	17%-18%
Not feasible	< 11%	< 17%

Source: HillPDA 2022

Attachment 5 Economic context

Growth by suburb strata

Period	Broadmeadow		Stockton		Newcastle
	% Change in price	Sales per annum	% Change	Sales per annum	% Change
Mar 2022	8.17%	10	0%	9	19.63%
Mar 2021	0%	10	0%	2	5.67%
Mar 2020	0%	8	0%	2	-3.57%
Mar 2019	0%	12	0%	1	0.96%
Mar 2018	0%	8	0%	3	8.33%

Source: CoreLogic

Change in median house price

Period	Broadmeadow		Stockton		Newcastle
	% Change in price	Sales per annum	% Change	Sales per annum	% Change
Mar 2022	18.57%	24	22.05%	89	24.26%
Mar 2021	8.53%	37	22.59%	90	12.4%
Mar 2020	11.69%	22	-6.25%	65	-2.42%
Mar 2019	-11.83%	24	-4%	65	0.81%

Source: CoreLogic

Change in median land price

Period	Broadmeadow		Stockton		Newcastle
	% Change	Sales per annum	% Change in price	Sales per annum	% Change
Mar 2022	0%	1	0%	0	31.42%
Mar 2021	0%	0	0%	0	7.79%
Mar 2020	0%	1	0%	0	2.61%
Mar 2019	0%	0	0%	0	9.46%
Mar 2018	0%	0	0%	1	6.46%

Source: CoreLogic

Greater Newcastle Region Net Dwelling Completions by Financial Year

Newcastle			
Financial Year	Detached	Multi-Unit	Total
2013-14	151	252	403
2014-15	193	467	660
2015-16	187	501	688

2016-17	117	708	825
2017-18	240	892	1132
2018-19	140	775	915
2019-20	58	838	896

Source: DPE NSW Housing Activity, 2022

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