

Eurobodalla Shire Housing Needs Study

MEETING EUROBODALLA'S HOUSING NEEDS

Draft Recommendations

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For

Eurobodalla Shire Council

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1. Background

This report makes practical recommendations for Council to consider in preparing its Residential Lands Strategy. This report responds to the issues raised in the companion research report (*Eurobodalla Housing Needs, Supply and Market Issues Paper*) with practical recommendations to facilitate appropriate and affordable housing in Eurobodalla Shire.

The *Issues Paper* identified housing needs, supply and market issues and trends influencing the provision of appropriate and affordable housing in Eurobodalla along with analysis of the extent to which current housing supply is meeting the needs of the various residential sub-markets in Eurobodalla.

This *Meeting Eurobodalla's Housing Needs* report draws on the findings of that research to make recommendations on:

- Options to stimulate residential development in Eurobodalla;
- Options to influence the supply of appropriate housing to meet local submarket needs;
- Options to influence the housing preferences of the various local submarkets;
- Options to influence the affordability of housing; and
- Options to influence the design of housing to ensure it is adaptable to meet the different needs of the various local sub-markets.

2. Housing supply and demand issues

The *Issues Paper* highlighted the following key issues affecting housing supply and demand in the Shire:

1. Market sectors and their needs

Non-resident (inward migrating) buyers are a strong driver of demand, and activity levels are volatile as activity in the non-resident market depends primarily on perceptions of 'affluence' in the key source markets – metropolitan Sydney (largest) and Canberra (slightly smaller). This external influence and volatility creates significant uncertainty in estimating future demand (and hence dwelling and land supply needs).

Population churn in older and young residents sees many younger families moving in and out of the Shire, many of whom are on moderate household incomes. At the other end of the age spectrum there is clearly a current trend and a forecast for the future, that sees residents over 70 leaving the Shire.

Prices have shown little movement over the last five years and while resident incomes are lower than the NSW average, affordability in the Shire is still reasonable. Development and construction costs are in part responsible for an undersupply in small lot detached (new) homes and villas.

2. Potential gaps in future dwelling supply

The analysis in the *Issues Paper* affirms the views of people who have been interviewed, to the extent that broadly, supply and demand are currently quite well balanced in the Shire. Within that broad picture there are some signs of gaps in particular segments. In particular:

- Medium density properties have not increased their share in the last decade, and
- Low maintenance properties (related to medium density but as a subset) is another area where there seems to be an undersupply

DA trends in recent years show the small scale of multi-unit and subdivision activity in the Shire.

	New second occupancy - number of DAs determined	New multi-unit <20 - number of DAs determined	New multi-unit - number of DAs determined	Subdivision only - number of DAs determined
2007-08	31	2	0	
2008-09	20		3	4
2009-10	18		1	1
2010-11	23		4	0
2011-12	11		5	1
2012-13	7		1	1

3. Land supply and associated zoning controls

The rate of development of new areas has slowed somewhat since the boom in the early 2000s. The Department of Planning has also reduced its forecasts for growth in the Shire's population.

Nevertheless, as pointed out in this report, much of the demand for residential housing comes from non-resident buyers, and this component of the market is quite volatile. Zoning controls themselves don't seem to be a major impediment to development, and there are few signs that local controls such as height controls or lot size controls are limiting development of multi-unit or multi story developments in urban areas.

4. Economics of development

Shire residents have relatively low incomes and while affordability is reasonable for much of the housing stock, the costs of construction and development are such that it can be difficult for builders to supply new homes at prices affordable to Shire residents or competitive with established stock.

5. Local development/construction industry

New residential construction is dominated by smaller, local builders, alongside some of the mid-sized home builders, while large developers are active down to about the Wollongong region, but have less interest further south. One implication of this is that the mid-high quality medium density/small lot villa developments (which are an important part of the mix for smaller families and couples) are not well represented in the Shire.

6. Impact of the wider economy

The Shire has high levels of home ownership in many suburbs – indicating residents with high asset value but often low incomes. This mix provides some insulation against external economic shocks as those residents are affected positively by high interest rates and are less affected by falls in real wages or increases in unemployment.

The other aspect of national socio-economics that is influencing the Shire is the aging of the baby boomer population and their housing preferences. A key factor in the region (as opposed the Shire) is the perception of affluence of the non-resident buyers, as demand in the Shire is influenced by factors well outside the experience and control of Shire residents or Council. The important role of non-resident owners and people moving into the Shire as drivers of residential housing demand, means that changes in these types of consumer preferences will no doubt have significant impacts on the Shire.

3. Options and recommendations for Council

A series of conclusions, implications and options were drawn from the *Issues Paper* and then tested with a group of stakeholders. The rationale for this was that Council's future actions in regards residential development would benefit from being 'reality checked' by people active in the housing industry. These stakeholders included builders and developers, housing providers, real estate agents and property analysts.

The options tested with stakeholders were:

Overall supply and demand

Our research so far indicates that there appears to be little need to attempt to stimulate residential development in Eurobodalla in the short term. What is your view?

Submarkets

- A market segment that currently seems underserved is retirees living independently and looking to downsize. Is there anything Council can or should be doing to encourage development of villa style independent living or other small-lot housing options?
- Another market segment that is developing slowly is medium density developments around urban centres. We recognise that the market is currently quite soft, but are there any particular constraints either in terms of process (eg amalgamating then subdividing adjoining lots), or planning regulations (eg minimum lot sizes) that are affecting developments for this market?
- Low cost housing, and social housing in particular, is in relatively short supply. Are there any aspects of Council's planning controls or planning process that is affecting development for this market?

The options and recommendations below have been formulated with stakeholder feedback in mind, along with discussions with Council staff and the experience of the consulting team in working on these issues in other areas.

1. Options to stimulate residential development in Eurobodalla

Overall, there is little need to stimulate residential development in Eurobodalla at present. Housing supply is active and seems to be broadly keeping pace with the slower rates of population growth that the Shire has experienced in recent years. Stakeholders generally agreed that supply and demand are reasonably well balanced at present. Given the exposure to externally-driven demand from non-resident buyers this situation may change rapidly at some time in the future, and Council needs to incorporate provision for faster rates of residential construction and population growth into its residential land strategy. The most appropriate form for this is to ensure suitable areas are identified and deemed ready for development, so that if demand picks up new supply can be brought to market quickly.

Feedback from stakeholders was consistent in recognising that Council's approach to residential development has improved (from the market perspective) in recent years, and that there are few Council-driven regulatory impediments.

One stakeholder commented: "I believe that the current regime at ESC facilitates such activity quite well compared with in past years. Planning staff generally are helpful and progressive. Subdivision down to small lot sizes is an extremely common practice by small developers at present and turning one title into three is not uncommon. Infill is alive and well in the Batemans Bay area."

However, there are two areas where Council may need to review its policies and practices:

- Sea level policy – the cost of assessing vulnerability under the current policy is high, and a clearer, more easily applied approach is sought by stakeholders. However, it is important to note that the setting of floor levels is complicated by there being variability in water levels between different locations. The requirement to identify site specific levels ensures the correct levels are set and can therefore be defended in the event of any future challenges.
- The combination of existing height limits and sea level requirement effectively mean that there are no blocks in Batemans Bay where more than 3 levels of residential would be permitted. This not only restricts supply but also prevents developers from making use of an exemption in the Home Building Act where Home Warranty Insurance is not required for 'multi-level' buildings (defined as more than 3 levels not including carpark). The LEP has made provisions in the Batemans Bay area for up to 18m height limits to accommodate future sea level rise and increased density.

There is currently a review underway that will deliver clear advice on how to treat the risk of sea level rise across all locations in the Shire. This process has been substantially delayed by parallel State Government processes including the NSW Coastal and planning reforms. Eurobodalla and Shoalhaven City Councils are currently leading the State in developing a new set of guidelines and policy responses on sea level rise following the withdrawal of the NSW Government from providing advice on sea level rise for planning purposes.

RECOMMENDATIONS

- 1.1 Ensure high levels of customer service in the residential building sector are maintained through appropriate resourcing.
- 1.2 Continue Council's 'client focussed' system where one person in Council is the contact point for an applicant, and steers the application through within Council.
- 1.3 Review procedures used in assessing vulnerability to sea level change and introduce clear guidelines and a simplified assessment process for applicants.
- 1.4 Review height limits in the main urban centres.

2. Options to influence the supply of appropriate housing to meet local submarket needs

Current rates of supply and demand are broadly in balance, but there are gaps in some important submarkets. The following table summarises the main drivers, for each submarket along with gaps and suitable responses.

	Drivers	Gaps	Response
Sea change baby boomers	Demographics, incomes and affluence in Sydney and Canberra.	No real gaps, potential issues with vibrancy and attractiveness.	Facilitate commercial renewal including shop top/mixed use.
Downsizing retirees	Amenity improvements.	Proximity to Batemans Bay or other high amenity centre. Ground level attached units.	Review zoning & controls. Medium and long term town centre planning and connectivity.

	Drivers	Gaps	Response
Families with young children	Income and job security Family size (birth rate).	Affordability, especially of new stock).	Pipeline of new release areas (underway). Mix of price points (links to developer scale and lot size).
Small local households	Income and job security. Amenity	Proximity to Batemans Bay or other high amenity centre.	Review zoning & controls. Enhance town centre and fringe amenity. Broaden employment base.
Low income renters	Income Job mobility.	Quality low cost housing. Limited public/assisted (NRAS) housing.	Activate Council links with social housing providers. Consider relaxing some DA requirements (eg parking/landscaping).

The issue of small lot housing arose because of the apparent lack of supply of small lot homes in Eurobodalla, particularly for downsizing seniors. However, it is acknowledged that this may well be

outside Council's influence, especially as the LEP allows for 300m² lots and for multi-dwelling housing in R2 & R3 and for such development under c4.1C of LEP 2012.

There is a significant amount of residential land currently available in Eurobodalla, and most of it has already been subdivided into lots of 450sqm and upwards. Development of small lot housing therefore requires at least 2 adjoining lots to be acquired and re-subdivided.

Small lot housing is seen by many larger developers and builders in NSW as a major growth area for the next decade, and there has already been considerable innovation in design in response. The main driver is affordability, and lots as small as 125sqm have been developed in Canberra and are planned in Sydney's Growth Centres. Smaller lots would enable freehold title in denser, villa style developments, and are likely to be attractive to developers and buyers. Small lots are currently available as strata title in townhouse or villa integrated developments, and this will remain. The additional consideration is for freehold small lot housing in high density villa style developments which might be suitable in some areas around Batemans Bay (and perhaps Moruya) town centres. Small lot freehold options should not be available across the Shire, though, as they need to be part of the detailed planning mix for high amenity areas where higher densities meet community aims and expectations.

In the Eurobodalla Shire, there is probably little demand for this type of development in the short term, because of the flat housing market and the limited involvement of larger developers and builders in the local market. However, in the longer term, it is a trend worth monitoring. Given the time and cost involved in acquiring adjoining lots, amalgamating and obtaining consent to re-subdivide, to make this process more efficient in future it would be worth Council considering incorporating small lots at initial subdivision.

Stakeholder feedback reinforced that even while local zoning and structure plans enable small lot and/or multi-unit developments, proponents can face significant time (waiting for approval) and cost (of compliance with requirements for approval) barriers in getting proposal approved, and a more solution-focused approach from Council would be welcomed.

One stakeholder also commented that "The cost of development infrastructure (including headworks charges and consent costs) is excessive and is a huge deterrent to developers."

RECOMMENDATIONS

- 2.1 Consider more flexible minimum lot sizes in appropriate accessible locations surrounding urban centres as part of a review of planning controls. This might include extending the Shire's lot averaging system to designated areas where higher density subdivision is warranted.
- 2.2 Encourage small lots at initial subdivision in suitable new release areas through a review of planning controls.

3. Options to influence the housing preferences of the various local submarkets

Master-planned residential development generally provides better outcomes than piecemeal development, especially by ensuring appropriate and well located facilities and good urban design. However it is usually only feasible in larger developments. While not necessarily Council's responsibility, a number of NSW Councils have chosen to co-ordinate development in key locations

by helping to assemble larger sites or by co-ordinating the development process over land held in multiple ownership. Others have invited Urban Growth NSW to assist them in this role.

Such activities may not be relevant to Eurobodalla at present, and they fall outside the issue of planning controls, but options might be considered in the longer term.

The housing preferences of older people are more diverse than a simple move from larger family home to smaller couple only home post retirement.

In particular, many seniors become increasingly concerned about their health and mobility as they enter their 70s. Limited hospital services in the Shire, along with a shortage of GPs, appear to be a factor in the departure of many seniors in this age group. This situation can only be indirectly addressed by Council, although promoting economic development, strengthening the role of key centres like Batemans Bay as service centres, should have a positive impact. Stronger key centres will raise the appeal of living in close proximity – attracting both developers and buyers and increasing densities in suitable areas. In terms of housing choice, a wider choice of small homes in areas with good accessibility to existing services and facilities is desirable, particularly well-designed and easy-to-manage homes in level locations.

One of the stakeholders commented that the smaller-lot villa style offer is “a great segment of the industry that I have been interested in for years and if I were staying here I would be moving toward getting into it”.

The Shire also has a limited number of contemporary retirement villages compared to most coastal areas in NSW. “Lifestyle” villages with good onsite recreation facilities and villa-style dwellings could be particularly attractive, as could villages with an on-site aged care facility. The retirement village sector, after a decade of rapid expansion, has experienced weak growth and internal reorganisation since the GFC but is confidently predicted to grow strongly in the longer term. One stakeholder commented that a villa-style independent living retirement project at Rosedale was effectively stopped in its pre-consent stage due to finance difficulties brought about by the GFC though the research strongly supported the concept, and the developer had “no trouble finding interested parties to buy and run the completed project”.

RECOMMENDATIONS

- 3.1 In partnership with Council staff involved in strategic services and community services, prepare a Strategy to promote Ageing in Place among older residents, by improving access to services and addressing housing choice. Options to be canvassed may include incentives to attract doctors to the area, support for community care services, identification of key locations suitable for ageing in place and likely to attract older seniors, facilitating small lot and villa style development, and attracting contemporary retirement villages. Such options need to be explored in the wider context of the Shire’s planning controls.

4. Options to influence the affordability of housing

Housing affordability on the private market is much better in the Shire than in many parts of NSW, but the local population includes a substantial number of low income households who cannot afford to buy and who struggle to find an affordable home to rent.

A particular difficulty is provision of social housing, which is in short supply in the Shire. One stakeholder commented that the NSW Centre for Affordable Housing recognises Eurobodalla as an area of high need in terms of the limited social and affordable housing supply. "Waiting lists are usually 5+ years for all types of social housing, and we have only just started to provide very limited affordable housing".

A number of regional Councils support locally based Class 1 housing associations to identify development opportunities and to support their bids for funding. This allows Associations to prepare designs or feasibility studies for projects in the knowledge that, if funding is secured, the project can proceed with minimum delay.

Many of the factors underlying the provision of social housing are outside Council's control, and remain the responsibilities of State and Federal Governments. Without targeted financial incentives there is little likelihood that private developers will supply this segment.

RECOMMENDATIONS

- 4.1 Council should consider a more active working relationship with affordable housing providers (and in particular local housing associations) in order to support their development activities and to assist them in obtaining access to State and Federal incentives to build low cost and social housing. Council should consider tasking a suitable staff position to drive this relationship and actively link State Government policies and incentives to affordable housing builders and providers in the Shire.
- 4.2 Council should consider incentives to promote the development of affordable rental housing, for instance through reduced parking requirements, relaxed lot size and landscaping requirements, or DA and other fee reductions, rates discounts etc.
- 4.3 Council should be actively promoting State and Federal incentives to build low cost and social housing.

5. Options to influence the design of housing to ensure it is adaptable to meet the different needs of the various local sub-markets.

The most basic requirement for a sustainable and appropriate housing stock is that it should offer a good choice of dwelling styles, sizes and prices, in order to meet not only the needs of current submarkets but also to address changing lifestyles, population structure and affordability into the future.

More specifically, homes that are designed to be adaptable and/or flexible are predicted to be increasingly demanded over the coming decades, in order to cater to changing lifestyles, smaller households and an ageing population. However, it is recognised that the building industry is conservative, and in areas like Eurobodalla, where most homes are constructed by small local builders, innovation may be slow to become established.

Flexible dwellings may be defined as dwellings that are designed so that their size and layout can be changed in response to the changing needs of the occupants, for example young couples may have children and find they need a bigger space to live in or older people may find their house is too big for their needs when their children have left the family home. Flexible design allows rooms to be re-purposed at lower cost than in standard dwellings.

Adaptable homes are designed to be usable and, if necessary, easily modified by people with changing physical needs, in particular as they grow older or lose full mobility. Thus they are built with wide doorways and they avoid steps. This is often referred to as Universal Design, as the dwelling can equally be occupied by people who have no specific needs.

A number of Councils in NSW have introduced LEP and/or DCP requirements to include adaptable homes in new residential developments (generally developments of five or more dwellings), usually in defined areas with reasonably level topography and good access to services. Regional examples include Bega Valley, Bellingen, Maitland, and Blue Mountains Councils.

Incentives can also be considered. These might be purely financial (eg. reduced Section 94 levies for adaptable units) or procedural (eg. guaranteed assessment periods).

A focus on secondary dwellings could also be considered, for instance requiring applications for dual occupancy or a secondary dwelling only if the second dwelling meets the required standards.

RECOMMENDATIONS

- 5.1 Council should consult widely with the local development and building industries and with housing providers and real estate agents with a view to promoting adaptable housing, perhaps initially by facilitating demonstration projects and with a view to the eventual introduction of planning controls or assessment incentives. It is acknowledged that measures to encourage the inclusion of adaptable housing as part of development involving four units or more are included in Council's current suite of development control plans.

4. Summary of Recommendations

1 Stimulate residential development

- 1.1 Ensure high levels of customer service in the residential building sector are maintained through appropriate resourcing.
- 1.2 Continue Council's 'client focussed' system where one person in Council is the contact point for an applicant, and steers the application through within Council.
- 1.3 Review procedures used in assessing vulnerability to sea level change and introduce clear guidelines and a simplified assessment process for applicants.
- 1.4 Review height limits in the main urban centres.

2 Influence sub-market supply

- 2.1 Consider more flexible minimum lot sizes in appropriate accessible locations surrounding urban centres as part of a review of planning controls. This might include extending the Shire's lot averaging system to designated areas where higher density subdivision is warranted.
- 2.2 Encourage small lots at initial subdivision in suitable new release areas through a review of planning controls.

3 Influence sub-market preferences

- 3.1 In partnership with Council staff involved in strategic services and community services, prepare a Strategy to promote Ageing in Place among older residents, by improving access to services and addressing housing choice. Options to be canvassed may include incentives to attract doctors to the area, support for community care services, identification of key locations suitable for ageing in place and likely to attract older seniors, facilitating small lot and villa style development, and attracting contemporary retirement villages. Such options need to be explored in the wider context of the Shire's planning controls.

4 Influence housing affordability

- 4.1 Council should consider a more active working relationship with affordable housing providers (and in particular local housing associations) in order to support their development activities and to assist them in obtaining access to State and Federal incentives to build low cost and social housing. Council should consider tasking a suitable staff position to drive this relationship and actively link State Government policies and incentives to affordable housing builders and providers in the Shire.
- 4.2 Council should consider incentives to promote the development of affordable rental housing, for instance through reduced parking requirements, relaxed lot size and landscaping requirements, or DA and other fee reductions, rates discounts etc.
- 4.3 Council should be actively promoting State and Federal incentives to build low cost and social housing.

5 Influence design

- 5.1 Council should consult widely with the local development and building industries and with housing providers and real estate agents with a view to promoting adaptable housing, perhaps initially by facilitating demonstration projects and with a view to the eventual introduction of planning controls or assessment incentives. It is acknowledged that measures to encourage the inclusion of adaptable housing as part of development involving four units or more are included in Council's current suite of development control plans.

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