



Kings Hill Urban Release Area

Economic Benefit Assessment

October 2019

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KINGS HILL URBAN RELEASE AREA

Supporting opportunities. Maintaining affordable housing.

GROWING POPULATION: DRIVING DEMAND

1.1%

average per annum increase in Port Stephen's population between 2012 and 2018 has driven significant demand for housing.



Port Stephens population is projected to grow by **1.3%** per annum to 2036, reaching over 92,000 people. Kings Hill could accommodate **10,000** of these future residents.

GROWING HOMES: TO SATISFY DEMAND



development of at least **11,050 additional dwellings** between 2016 and 2036 is required to cater to Port Stephen's future population. Kings Hill would help to ensure dwelling requirements are met through the delivery of **3,500 dwellings**.

ECONOMIC TRANSFORMATION: JOBS GROWTH



Five of the Government identified Greater Newcastle catalyst areas are located **within 20km** of Kings Hill. These centres alone are expected to provide **32,450 jobs** by 2036.

885

on-site jobs could be generated upon completion of the Kings Hill, supported by over 250 indirect jobs.

DELIVERING ON GOVERNMENT POLICY



The KHURA helps to deliver key strategies made by all levels of Government with it supporting population growth, delivering housing close to jobs and generating local economic activity through its support of small business and generation of critical mass.

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Executive Summary

Kings Hill Urban Release Area (KHURA) is situated adjacent to the Pacific Highway approximately 25kms north of Newcastle CBD and 8km north of Raymond Terrace, in Port Stephens LGA.

The KHURA comprises a total land area of over 800ha and is held by seven individual landowners and is expected to yield approximately 3,500 new dwellings for around 10,000 residents.

The nature of the Lower Hunter region is changing. The region is growing rapidly with internal migrants¹ attracted to the region's affordability as well as its existing and foreseeable employment opportunities with Government having allocated significant investment to the region. To keep pace with growth there is an urgent need to deliver new housing. If the region's supply does not keep pace with demand, it will face the issue experienced across Australia, particularly in Sydney, of steep housing price increases due to a misalignment of demand and supply.

The development of KHURA will be critical to avoiding this impending issue. The KHURA plans to provide a mix of dwelling types supporting the forecast increase in a mix of household compositions. Units will be developed to support 'Couple only' and 'Lone person' households whilst separate houses will cater to couple with children families. These residences will be supported by local retail, commercial services, recreation, education facilities and open space.

The KHURA supports a number of Government initiatives and strategies. At a state level the Government's key focus is growth. The Government plans to target investment in regional centres that are forecast to grow such as the Hunter, ensuring they grow sustainably through access to better incomes, job opportunities, services, housing supply, community infrastructure and high-quality education. The KHURA helps to deliver these key initiatives namely through its support of population, dwelling and employment growth. The KHURA will allow for growth to be well located, supporting services in key strategic centres and job opportunities inside and outside of the KHURA (Williamstown, Tomago, Raymond Terrace and Heatherbrae, Newcastle CBD) with it also contributing to increased housing supply, open space and education. Local government support similar initiatives but at more localised level. The council have established a hierarchy and network of urban centres. Raymond Terrace is identified as the regional centre which is to be supported by specialised centres, town centres and a network of smaller neighbourhood centres/villages including the future Kings Hill. Council strategies focus on supporting economic growth in Port Stephen's 'four economies' (defence and aviation, manufacturing and logistics, services and tourism). The KHURA will support the growth of local businesses through its neighbourhood centre,

¹ Migration to Port Stephens from other regions across Australia.

however, it will also help support the planned focus of higher order services in Raymond Terrace by increasing its local consumer base. On completion the resident population is expected to contribute over \$140 million in additional retail expenditure annually, a lot of which will be directed at local centres within the Lower Hunter, particularly centres such as Raymond Terrace. More generally, the development will help the identified employment precincts to grow and strengthen by providing housing proximate to employment opportunities with proximity and accessibility a key consideration for people when choosing where to live. Also supporting council initiatives is the KHURA's provision of tourism activities such as horse riding and tree surfing as well as planned provision of accommodation. These uses will help to support growth in the tourism sector.

To support its strategies and initiatives, the Government has been investing heavily in the Hunter region's local infrastructure. Namely, road upgrades including committing \$1.6 billion to the construction of an extension of the M1 Pacific Motorway to the Pacific Highway at Raymond Terrace, over \$800 million on a new rail fleet to service the region and a commitment to funding a business case for faster rail between Newcastle and Sydney. Further, over the past few years, the region has experienced a spark in private investment from bodies such as University of Newcastle which have been investing heavily into upgrading and developing new campuses. This continued widespread investment has been another key driver of migration to the region.

The development of the KHURA will generate significant direct investment into the local economy. Expenditure on upfront infrastructure is expected to total \$105.4 million whilst the cost of construction of both residential and non-residential properties is expected to total over \$1.1 billion (2018 dollars). Expenditure on the construction of residential and non-residential properties is expected to generate 177 full-time equivalent jobs per annum directly in the construction industry over a 15-year period and a further 279 full-time equivalent jobs per annum indirectly. When completed, investment from businesses located in the KHURA could provide direct ongoing employment for around 885 people generating an industry value-add (IVA) of \$71.7 million per annum. This increases to \$137.9 million per annum gross value-add when combined with the project's residential components.

KHURA will not undermine the existing and future developments in the Lower Hunter region, rather the KHURA (and its associated infrastructure) will support and facilitate them. The development will deliver a net economic benefit to society playing a key role in supporting the economic growth of Port Stephens and the Lower Hunter more generally.

The development of the KHURA will result in significant direct investment as well as providing a housing solution to support the region's growing population. The development will not only create jobs on-site but support local job creation. The delivery of the KHURA will assist in the ongoing transition of Port Stephens into a strong, self-sufficient, regional economy that is diverse, affordable and full of opportunity.

1 Introduction and Background

MacroPlan was commissioned by APP Corporation (on behalf of Kings Hill Developments Pty Ltd) to provide an economic business case to demonstrate the economic benefits of developing the Kings Hill Urban Release Area (KHURA).

This report explores how the development of Kings Hill supports State and Local Government initiatives as outlined in key strategic documents notably their economic objectives including planned job generation and forecast dwelling requirements. Following this, the report provides a detailed breakdown of the economic impacts of the project including the outcomes of direct investment into the project, long and short-term jobs generated and the impact of this employment generation on industry value add.

1.1 Subject Site

The KHURA is located in the Port Stephens LGA in the Lower Hunter Region. It is situated adjacent to the Pacific Highway approximately 25kms north of Newcastle CBD and 8km north of Raymond Terrace.

The KHURA comprises a total land area of over 800ha and is held by seven individual landowners and is expected to yield approximately 3,500 new dwellings for around 10,000 residents. Other planned uses include:

- A small town centre with retail and professional services to accommodate the convenience needs of the resident population;
- A highway service centre for vehicles travelling along the Pacific Highway;
- Tourist activities including:
 - Horse riding;
 - Tree surfing ;
 - Indigenous caves including educational and cultural activities ;
 - Environmental conservation sanctuary accompanied by tourism activities;
 - Tourist information centre;
- Educational research centre;
- K-12 School;
- Hotel / motel / resort which may comprise semi-retirement (assisted living) units;
- Function centre;
- Cellar door premises accommodating local Hunter Valley wines;
- Weekend markets for local growers; and
- Public open space.

The purpose of the development is to provide a vibrant community that promotes a healthy lifestyle and is attractive to both residents with its access to jobs and opportunity as well as tourists/visitors through its natural beauty.

Figure 1. Location of Kings Hill Urban Release Area



Source: NearMap, MacroPlan

2 Key Strategic Documents and Initiatives

This section demonstrates how the development of KHURA will help to deliver key strategic documents at both a local and regional level.

2.1 A 20-Year Economic Vision for Regional NSW (2018)

In 2018, the NSW Government released 'A 20-Year Economic Vision for Regional NSW' which aims to set out a clear pathway for ensuring that Regional NSW will continue to be a vibrant and growing part of the economy, and that people are supported in their decision to live in the regions.

The Plan refers to NSW as a state of many smaller economies. The Hunter (thus Port Stephens) is located in what it identifies as a 'Metro Satellite' economy. Metro Satellites are relatively high-density communities on the outskirts of major centres, in this case, Newcastle. The Plan expects that in the next two decades, Metro Satellites will transform from satellite areas of bigger cities, to become major hubs in their own right, attracting large numbers of families seeking new lifestyle and employment opportunities.

The Plan identifies the need to focus on growth by targeting investment in regional centres which are forecast to grow (such as the Hunter) and to prioritise efforts for the greatest and most sustainable economic and population growth, and ensuring the population have access to a mix of dwelling types, enjoy high standards of living and healthier and happy lifestyles. Government plans to deliver these initiatives through better incomes, job opportunities, services, recreation facilities, access to housing and high-quality education. The KHURA strongly supports these State Government initiatives with it supporting growth in population, provision of a mix of dwelling types and employment opportunities. This growth will be well located supporting services in key strategic centres and job opportunities outside of the KHURA (Williamstown, Tomago and Heatherbrae).

2.2 Hunter Regional Plan 2036 (2016)

The Hunter Regional Plan 2036 was prepared to guide the NSW Government's land use planning priorities and decisions over the next 20 years for the Hunter Region. The Plan aims to strengthen the region's economic resilience, deliver increased housing diversity and choice, support a rich natural environment and support thriving local communities.

The Plan is structured around a number of goals for the region including directions and actions to achieve the Plan's vision. The key goals, directions and actions supported by the development of the KHURA are as follows:

Goal 1: The leading regional economy in Australia

Direction 4: Enhance inter-regional linkages to support economic growth

The Hunter has several national freight networks linking NSW to the global transport gateways of the Port of Newcastle and Newcastle Airport. Increased traffic flows have seen an increase in inefficiencies along the freight networks, notably, the formation of the Hexham Bridge bottleneck. To support future growth, the Plan seeks both road and rail upgrades. Proximate to Kings Hill is the planned extension of the M1 Pacific Motorway to Raymond Terrace which will allow traffic to bypass the Hexham Bridge, cutting travel times and improving efficiencies.

Actions

- 4.1 Enhance inter-regional transport connections to support economic growth.
- 4.2 Work with stakeholders to upgrade transport network capacity in line with changing demands.
- 4.3 Strengthen and leverage opportunities from the interconnections with other regions, particularly the Pacific Highway, the Golden Highway and the New England Highway.

Direction 6: Grow the economy of MidCoast and Port Stephens

Actions

- 6.4 Promote growth of industries that can leverage accessibility provided by the Pacific Highway.

The KHURA supports both Direction 4 and Direction 6. Kings Hill has a direct link to the Pacific Motorway making it highly accessible. Accessibility for employees, freight deliveries and customers is crucial to many businesses, easy access is a great incentive for local business to locate in the region.

Direction 8: Promote innovative small business and growth in the service sectors

The Plan notes that the service sector is growing rapidly in comparison to other industries in the Hunter Region's economy. Due to the region's progressive shift from an economy reliant on industry/mining to a serviced based economy, the Plan notes that supporting service sector growth and innovation is key to the Hunter's economic success as it drives business competitiveness and job creation.

The Plan identifies small businesses as the largest employers in the Hunter Region, with two-thirds of the 45,000 Hunter businesses employing fewer than four people. Small and medium businesses account for the largest share of job creation. Therefore, providing diverse development opportunities is important to support jobs growth in sectors such as professional services and creative industries as well as manufacturing.

Actions

- 8.1 Implement initiatives to promote small business growth and innovation, particularly in Newcastle City Centre and other strategic centres.

The Plan identifies the requirement to support service sector growth, in particular, the health sector. The KHURA's town centre is a prime location for local services businesses to locate (i.e. real estate agents and accountants) as well as medical centres including general practitioners and allied health professional's whom which would service the region's future population of approximately 10,000 people. These are key local services which are likely to be small businesses.

Goal 3: Thriving communities

The Plan notes that one of the Hunter Region's best assets is its natural features and open space. It notes that the ability to access these areas provides an opportunity for residents to lead a healthy lifestyle.

Direction 17: Create healthy built environments through good design

Actions

17.3 Enhance the quality of neighbourhoods by integrating recreational walking and cycling networks into the design of new communities to encourage physical activity.

Direction 18: Enhance access to recreational facilities and connect open spaces

Actions

- 18.1 Facilitate more recreational walking and cycling paths including planning for the Richmond Vale Rail Trail and expanded inter-regional and intra-regional walking and cycling links, including the NSW Coastal Cycleway.
- 18.2 Deliver connected biodiversity-rich corridors and open space areas for community enjoyment.
- 18.3 Enhance public access to natural areas, including coastal and lake foreshores.

Plans for the KHURA development include the allocation of approximately 50% of land within the URA for environmental conservation. The development is expected to host a network of walking pathways linking residential areas to each other, centres and parks. Furthermore, the development plans to host a range of recreational activities targeted at both local residents as well as tourists.

Goal 4: Greater housing choice and jobs

The Plan identifies the need for an additional 70,000 dwellings in the Hunter region by 2036. It notes that the provision of the land and the infrastructure to meet this demand is central to the Plan. The Plan indicates new housing will be developed at greenfield locations as well as through infill projects.

Direction 22: Promote housing diversity

Actions

- Action 22.3 Develop local housing strategies to respond to housing needs, including social and affordable housing, and support initiatives to increase the supply of affordable housing.

The Government has identified the KHURA as a key urban support area allocated for future residential development. The development of the KHURA will be a significant contributor to reaching the Government target of an additional 70,000 housing target by 2036. KHURA is expected to deliver around 3,500 dwellings over a 15 year timeframe. A constant stream of additional housing will be key to ensuring the Hunter region remains affordable to a range of housing types (ageing, young families, lone person households).

Direction 23: Grow centres and renewal corridors

Strategic centres will be the focus for population and/or economic growth over the next 20 years.

Actions

- 23.1 Concentrate growth in strategic centres, local centres and urban renewal corridors to support economic and population growth and a mix of uses.
- 23.5 Focus commercial and retail development within existing centres and transport hubs and ensure that locations for new centres are integrated with existing or planned residential development; do not undermine existing centres; encompass high quality urban design; and consider transport and access requirements.

KHURA is located adjacent to the Raymond Terrace strategic centre. Kings Hill itself is allocated a 'Current Urban Release Area' which are designed to support the development of strategic centres (such as Raymond Terrace) through the delivery of critical mass. The development of KHURA will enable growth in the local population helping support the success of the strategic centre by providing an increased consumer base.

Local Government Priorities

The NSW Government plans to work with each council to deliver the directions and actions set out in the Plan. The priorities build on the directions and actions in the Plan to achieve outcomes. KHURA is located in Port Stephens LGA.

Port Stephens Regional Priorities

- Protect the functioning of the Newcastle Airport and support its growth.
- Leverage proximity to major global gateways - and its attractive and valuable natural environment and coastal and rural communities – to generate economic growth and diversity.

Centres and employment

Regionally significant centres and employment land clusters:

- Global Gateways: Newcastle Airport
- Strategic centres: Raymond Terrace and Nelson Bay
- Centres of local significance: Salamander Bay, Anna Bay, Medowie, Karuah, Tanilba Bay, Lemon Tree Passage, Fern Bay, Hinton, Woodville and Seaham
- Significant employment land clusters: Tomago and Heatherbrae

Priorities for strategic centres:

Raymond Terrace

- Support its role as the main service centre in the Local Government Area, and in providing a range of facilities for surrounding communities, including retailing, government, civic and professional services.
- Investigate increasing social, transport and economic connections to surrounding communities and centres across the Greater Newcastle area.

Housing

Future housing and urban renewal opportunities:

- Deliver existing Urban Release Areas at Fern Bay, Medowie and Kings Hill (future).
- Investigate and deliver infill potential within the strategic centres of Raymond Terrace and Nelson Bay.

The Government's priorities are supported by the KHURA through:

- Generating economic activity through the natural environment with its planned environmental conservation and nature-based tourism activities.
- Supporting the growth of Newcastle Airport by providing an increased consumer base as well as a place for future employees of the airport (and surrounds) to live.
- Supporting Raymond Terrace through its delivery of critical mass.
- Delivering an urban area to Kings Hill.

2.3 Hunter: Regional Economic Development Strategy (2018)

The NSW Government and the Centre for Economic and Regional Development worked with local Councils across Regional NSW to develop Regional Economic Development Strategies. The Hunter Region's Regional Economic Development Strategy 2018-2022 does not encompass the same LGA boundaries as the Department of Planning and Environment's Hunter Regional Plan 2036. This Strategy specifically excludes the LGAs of Lake Macquarie, Newcastle and the Mid Coast.

The Strategy sets out a long-term economic vision and an associated strategy for the 'Hunter Functional Economic Region'. The Strategy identifies three core strategies to capture the opportunities, manage risks and deliver on the vision as follows:

- Improve inter and intra-connectivity of the Region to boost business opportunities in the 'engine' industries of Agriculture, Mining and Manufacturing.
- Manage transitions and risks to the Coal Mining and Electricity Generation sectors and diversify the Region's economy to build resilience.
- Improve infrastructure, services and amenities to fully realise and sustain the Region's growth potential.

Higher quality and more direct roads, better rail freight connections, easier international airport connections and improved telecommunications were all identified as a requirement to assist in opening up further business opportunities and reducing industry costs in the region. As such, the Strategy identifies a number of key infrastructure priorities to improve the region's connectivity including:

- Improved connections to the Hunter Expressway and Newcastle Airport;
- The Pacific Motorway (M1) extension to, and through, Raymond Terrace; and
- Mobile telecommunication towers and fixed line infrastructure.

The Strategy also acknowledges that to support economic growth, the Region will require maintaining and enhancing the region's attractive lifestyle and leveraging these features in attracting labour and businesses.

The KHURA provides an opportunity to support some of the objectives set out in the Strategy. New developments are an attractive proposition for both new and existing residents of a region. The prospect of new housing, parks, schools, community facilities and amenities are often key selling points for both future residents and businesses. New

development will help to grow the region's existing economic base both through increased population (increasing local consumption) as well as providing space for retail and small business to locate.

2.4 Greater Newcastle Metropolitan Plan 2036 (2018)

The Greater Newcastle Metropolitan Plan 2036 set out strategies and actions that will drive sustainable growth across Cessnock City, Lake Macquarie City, Maitland City, Newcastle City and Port Stephens communities, which together make up Greater Newcastle.

The Plan has been prepared to outline the vision to make Greater Newcastle a leading regional economy over the next 20 years as well as help to achieve the vision set in the Hunter Regional Plan 2036, that the Hunter be the leading regional economy in Australia with a vibrant new metropolitan city at its heart.

Through the implementation of the Greater Newcastle Metropolitan Plan 2036, the NSW Government will capitalise on the growth of the metropolitan area and turn it into a vibrant social and economic hub. The Plan sets out strategies and actions to achieve these socio-economic outcomes, and further protect and maintain the existing environment.

The focus of this Plan is structured around a number of strategies for the region, which provide further detailed actions to achieve outcomes that promote the vision of the Plan. The key outcomes, strategies and actions related to KHURA include:

Outcome 1: Create a workforce skilled and ready for the new economy.

The Plan aims to ensure a continued diversified and resilient economy in Greater Newcastle's with plans to focus on strengthening the regions health, education, defence, tourism and creative sectors of the new economy including the science, technology and advanced manufacturing industries.

Strategy 7: Respond to the changing land use needs of the new economy

- Action 7.1: Ensure an adequate supply of employment land, including industrial zoned land, to cater for demand of urban services in accessible locations.

Strategy 9: Plan for jobs closer to home in the metro frame

- Action 9.2: Enable small businesses growth in residential zones close to centres and transport connections.

The KHURA will have a vibrant town centre which will support both retail and commercial uses. This provides the opportunity for small businesses to locate in the region stimulating the local economy by inducing consumption and creating jobs. Further, plans for investment

in local tourist activities and accommodation will help drive increased visitation to the Hunter region thus supporting the local tourism industry.

Outcome 2: Enhance environment, amenity and resilience for quality of life

The Plan explains how access to the natural environment and open space as well as recreation networks increases quality of life. The Plan aims to balance conservation with increased access and connectivity to and between open spaces.

Strategy 10: Create better buildings and great places

- Action 10.1: Improve amenity of centres and urban renewal corridors through placemaking initiatives that strengthen the connection between people and the places they share.

Strategy 11: Create more great public spaces where people come together

- Action 11.1: Enhance community access to sporting, recreational, cultural and community services and facilities.

Strategy 12: Enhance the Blue and Green Grid and the urban tree canopy

- Action 12.1: Improve local access to open space, recreation areas and waterways so that 90% of houses are within a 10-minute walk of open space.

The KHURA's local proposed town centre will provide local residents with many employment opportunities in retail and other business services with most commuters/residents able to walk to the centre (or alternatively a very short drive).

Further, plans for the KHURA include a network of walking pathways linking residential areas to parks and open space with all residences within a 10-minute walk of open space.

Outcome 3: Deliver housing close to jobs and services

The Plan projects Greater Newcastle's population to reach 692,000 residents by 2036 (116,000 more than in 2016). In order to cater to population growth, the Plan indicates the requirement for 60,450 more dwellings over the next 20 years. The Plan also notes that the demographics of its population is changing which is expected to continue. To support the needs of this changing demographic the Plan identifies a need to diversify the mix of homes to meet a wide range of lifestyle needs and budgets, including young families, older people and singles.

The Plan proposes future development take place in both infill and greenfield locations. The Plan is targeting 60% of new housing to be developed in infill locations (36,250 lots) and 40% of new housing to be developed in greenfield locations (24,200 lots). The Plan has allocated the delivery of 11,050 in Port Stephens LGA, with 40% of this greenfield.

Strategy 17: Unlock housing supply through infrastructure coordination and delivery

- Action 17.1: Through the Urban Development Program, coordinate the delivery of state infrastructure to support development in priority housing release areas, urban renewal corridors and strategic centres.
- Action 17.2: Through the Urban Development Program, align plans for local infrastructure contributions to support the development of housing release areas and strategic centres.
- Action 17.3: Establish the Urban Development Program to:
 - identify priority housing release areas annually;
 - align infrastructure delivery; and
 - review the need for future growth areas as required to meet a 15-year development pipeline.

KHURA has the capacity to deliver around 3,500 dwellings over a 15-year timeframe helping to deliver the Plan's dwelling targets.

Catalyst Areas

The Plan identifies eleven Catalyst Areas, which are places of metropolitan significance that need a collaborative approach to ensure the delivery of new jobs and homes. The catalyst areas with the biggest impact on and from the development of the KHURA include Williamstown, Tomago and Beresfield – Black Hill.

Williamstown

KHURA is 10-15 minute drive from Williamstown. Williamstown has been identified as the global gateway for Greater Newcastle, providing domestic and international connectivity. The precinct hosts the RAAF Bases, civilian airport and has an emerging defence and aerospace precinct. Government is targeting an additional 3,000 jobs in Williamstown by 2036.

Tomago

KHURA is just a 10 minute drive from Tomago industrial area which is planned for expansion with a focus on advanced manufacturing. The Plan is to create an additional 700 jobs by 2036.

Beresfield – Black Hill

If the bridge proposed as part of the M1 Pacific Motorway extension to Raymond Terrace is constructed, KHURA will be approximately a 15-20 minute drive from the Beresfield – Black Hill precinct.

Beresfield – Black Hill has been allocated a freight and logistics hub and will include complementary manufacturing and light industrial activity. The Plan is targeting the creation of an additional 800 jobs by 2036 bringing the total number of jobs in the precinct to 6,050.

There are five catalyst areas within 20km of KHURA which by 2036 will provide 32,450 jobs (See Figure 2). Williamstown, Tomago and Beresfield – Black Hill are less than a 20 minute drive away with these three catalyst areas alone supporting 22,850 jobs in 2036, meaning there is in excess of 4,500 additional jobs planned within 20 minutes of the KHURA. With a significant number of jobs planned, it is likely that there will be increased migration to the

region in pursuit of employment opportunities. Proximity to employment is a key factor for households when deciding where to live. The KHURA being located so central to three catalyst areas indicates there is likely to be significant demand for housing in and around the Kings Hill area. The development of the KHURA would ensure this demand is supported and does not result in increased house prices due to a local under supply of housing.

Figure 2. 2036 Job Targets for Catalyst Areas



Source: MacroPlan, GNMP

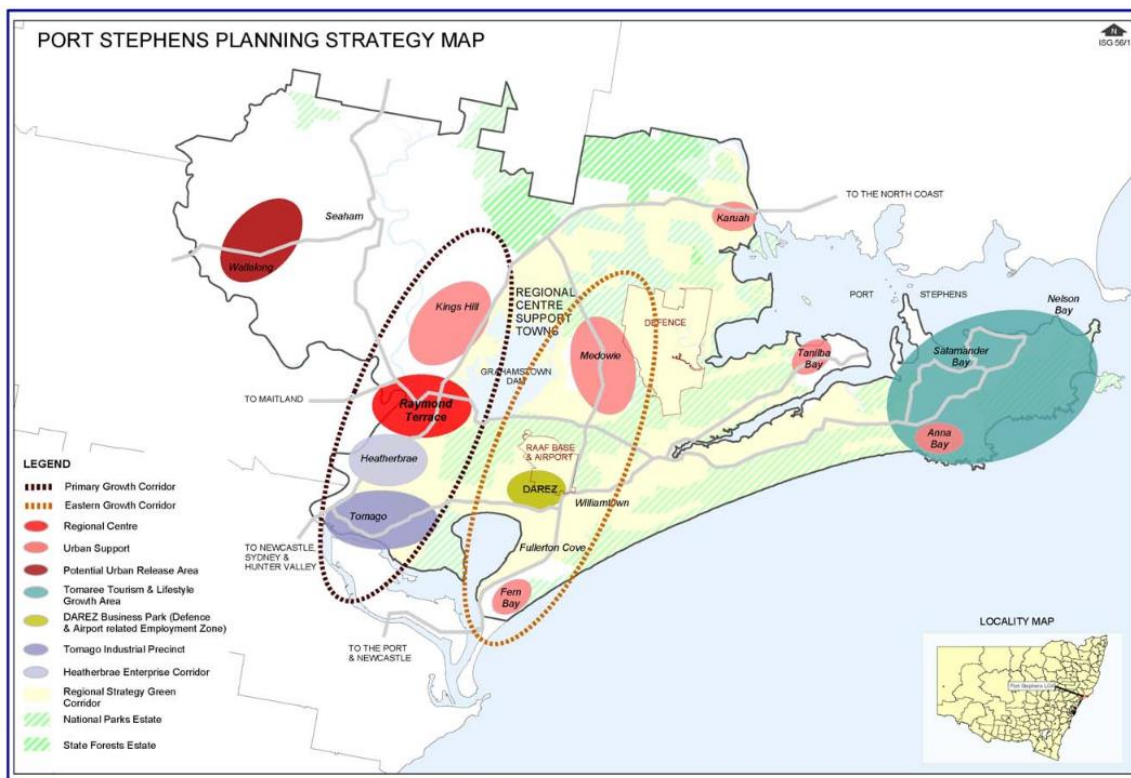
2.5 Port Stephens Planning Strategy 2011-2036 (2011)

The Port Stephens Planning Strategy 2011-2036 is the most up-to-date planning strategy for the LGA. Macroplan note that since the Plan was created, the Hunter Regional Plan and Greater Newcastle Metropolitan Plan 2036 have been released. To reflect these plan's, Port Stephens Council is currently developing an updated Local Strategy Planning Statement

(LSPS), with a draft to be released in early 2020. Alongside the LSPS, the Council is devising a housing strategy for the region to reflect to the Regional Plan's with a draft strategy due in late 2019. In the interim period, the Port Stephens Planning Strategy still provides the basis for the Council's Principal LEP and therefore is still a key strategic document.

The Plan describes Council's land use strategy to 2036 providing a development strategy for residential, commercial and industrial land in Port Stephens. The Plan reflects the Department of Planning and Environment's Regional Strategy at the time the 'Lower Hunter Regional Strategy' (which has since been replaced by the Hunter Regional Plan).

Figure 3. Port Stephens Planning Strategy Map



Source: Port Stephens Planning Strategy, 2011

The Plan establishes a hierarchy and network of urban centres. Raymond Terrace is identified as the regional centre which is to be supported by specialised centres, town centres and a network of smaller neighbourhood centres/villages.

Kings Hill is identified as a future town centre, this means the centre will contain businesses and shopping for the surrounding district including health and professional services mixed with medium density housing.

The Plan identifies the strategic direction for Kings Hill including:

- A proposed population of 11,000 people in 4,500 dwellings at full development.
- 8,500 sqm of retail floorspace at the town centre level (including 2,500 sqm of supermarket floorspace).

- Additionally, 2,200sqm of retail floorspace (including 110 sqm of supermarket floorspace).
- Ensuring the retail and commercial should be limited to that which services the immediate population so as not to undermine the role of Raymond Terrace.

When the Plan was devised, Kings Hill was planned for release in 2014 taking 25-30 years to fully develop the 4,500 lots.

The KHURA supports the Planning strategy through its development of the Kings Hill region including the delivery of the dwellings and retail/commercial floorspace.

2.6 Community Strategic Plan 2018-2028 (2018)

The Community Strategic Plan sets out the priorities for the community of Port Stephens over the next 10 years.

The key focus areas, strategies and delivery programs supported by the development of KHURA include:

Focus Area One: Our Community, Port Stephens is a thriving strong community respecting diversity and heritage

Strategy

C1 Community diversity. Our community accesses a range of services that support diverse community needs.

Delivery

C1.1 Provide facilities and services for children

C1.2 Encourage Port Stephens to be inclusive and access friendly

The KHURA's development of parks, open space, walking trails, a school, and other community facilities will help to support a healthy, vibrant and inclusive and community.

Focus Area Two: Our Place, Port Stephens is a liveable place supporting local economic growth

Strategy

P1 Strong economy. Vibrant local businesses, active investment. Our community has an adaptable sustainable and diverse economy

Delivery

P1.1: Support sustainable business development in Port Stephens

The development of commercial and retail floorspace as well as tourism activities at the KHURA will support the development of small business and therefore create local economic activity and generate local employment opportunities.

2.7 Port Stephens Economic Development Plan (2007)

In 2007, Port Stephens council released an economic development plan to address changing employment and industry structure. The plan identifies the 'four economies' of Port Stephens which include:

- Defence and aviation economy
- Global manufacturing and logistic economy
- Services economy (based around Raymond Terrace)
- Services and tourism economy (based around Belson Bay and Salamander Bay)

At the time the challenges facing Port Stephens were surrounding employment with a need to develop a broader base of employment including higher order services, developing employment skills in the workforce, reducing unemployment rates and creating employment opportunities for a growing population generated by new town developments including Medowie and North Raymond Terrace (Kings Hill).

To secure future jobs growth the Plan indicated the requirement for:

- The redevelopment of Raymond Terrace as a regional business and retail centre, including higher order knowledge and business services.
- The development of industrial areas in the LGA (Tomago and Heatherbrae).
- Facilitation of the airport expansion and related activities in the precinct.
- Development of local business activity in the new town centres (Medowie and Kings Hill).
- Grow the tourism sector.
- Build on strengths of existing sectors (i.e. manufacturing).

The development of the town centre within KHURA will support the growth of local businesses hence employment in retail and local services. The development will also help support the planned focus of higher order services in Raymond Terrace by increasing its local consumer base. The development also more generally will help the identified employment precincts to grow and strengthen by providing housing proximate to employment opportunities with proximity and accessibility a key consideration when choosing where to live and work. The KHURA also has plans to provide tourism activities such horse riding and tree surfing as well as planned provision of accommodation. These uses will help to support growth in the tourism sector.

2.8 Raymond Terrace and Heatherbrae Strategy (2015)

The Raymond Terrace and Heatherbrae Strategy is an action strategy created by Port Stephens council which seeks to make Raymond Terrace and Heatherbrae strong regional centres and 'a great place to live work and play'.

Whilst the Plan is focused on Raymond Terrace and Heatherbrae it refers to the importance of these centres in supporting growth areas such as Kings Hill. The development of Kings Hill will also support the strengthening of the economies of both Raymond Terrace and Heatherbrae by increasing the region's local consumer base as well as through the provision of housing helping to attract potential employees.

The key goal, directions and actions related to KHURA include:

Goal 1: A competitive economy with regional services, including transport, health, justice, government, commercial, retail, industrial and entertainment

The Plan refers to the Lower Hunter Regional Plan which highlights Raymond Terrace as a major regional centre. It notes the requirement for Raymond Terrace to provide the higher order functions of a regional centre to not only support its own population growth, but the surrounding growth at Kings Hill and Medowie.

Direction 1.4 – Raising the profile of Raymond Terrace through an economic and commercial strategy/prospectus

The Plan indicates that the profile of Raymond Terrace and its liveability was understated in the Lower Hunter Regional Plan. It notes there is a significant amount of employment opportunities in retail, finance, professional services and government services. Also noting the region is expected to have significant population growth (+8,034 by 2031) which will be largely accommodated by Kings Hill.

Goal 2: A city of housing choice, with homes that meet our needs and lifestyles with a focus on providing for affordable accommodation, which includes seniors living and student accommodation

The Plan notes that the Lower Hunter Regional Plan sets low additional dwelling targets for Raymond Terrace (+300 by 2031). It indicates these forecasts reflect the presumed greenfield developments at Kings Hill and Medowie. However, the strategy indicates it would like to increase its capacity to develop infill.

Goal 4: A resilient city with future development integrating heritage, consistency in the public domain and plan implementation

Direction 4.4 – Reinforcing the role of Raymond Terrace as the prominent commercial centre to service the future needs of Kings Hill, Medowie, Tomaree Peninsula and other small towns.

The Strategy indicates the purpose of this direction is to reinforce the need to underpin Raymond Terrace as the major regional centre in all future land-use planning decisions.

Kings Hill will play a key role in enabling the delivery of Raymond Terrace and Heatherbrae Strategy. As noted repeatedly in the Plan, Raymond Terrace is planned to play a higher order role acting as a commercial centre. Without an increased population base through the delivery of projects such as the KHURA, the region will not have enough critical mass to attract certain retail and business services making the delivery of a regionally significant centre very difficult.

3 Regional Investment

This section outlines major investment in infrastructure and development projects in the Hunter Region, noting how these investments will be impacted or supported by the development of the KHURA.

3.1 Road Infrastructure

In its 2019-20 budget, the Federal Government committed \$1.6 billion to the construction of an extension of the M1 Pacific Motorway to the Pacific Highway at Raymond Terrace. The extension will include 15 kilometres of a dual carriageway motorway with two lanes in each direction, bypassing Hexham and Heatherbrae and connecting M1 Pacific Motorway at Black Hill to the A1 Pacific Highway at Raymond Terrace. This connection will improve traffic flow for motorists and freight providing more consistent and reliable travel times, increasing accessibility to the surrounding road network and improve the Hunter region's connectivity to both Sydney and Brisbane. This road improvement will help increase in the attractiveness of the KHURA with it located along the Pacific Highway, with travel efficiency key to a person when choosing where to live.

3.2 Williamstown Aerospace Precinct

Williamstown Aerospace Precinct includes the lands which host the Royal Australian Air Force (RAAF) Base Williamstown, Newcastle Airport and the Defence and Aerospace Related Employment Zone (DAREZ) land. The NSW Department of Premier and Cabinet is investigating the potential to allocate this land a Special Activation Precinct (SAP) which would activate significant regional economic development and jobs through improved coordination of land use and infrastructure planning, land acquisition and investment in common-user infrastructure. At present total employment at the Williamstown Aerospace Precinct is about 4,850, with 3,500 at the RAAF base and 1,350 at the Newcastle Airport and in the adjacent employment lands working for aerospace firms. Based on Government commitments and private investment, job creation is expected to increase by thousands.

Newcastle Airport

The total number of passengers travelling through Newcastle Airport has been on a growth trajectory. The 2017-18 financial year was the airports busiest year to date with 1.27 million passengers passing through. The airport also broke its highest-ever daily passenger record for the second consecutive year, when more than 5,270 passengers travelled through the Williamstown facility in November 2018. These records have been supported by the large sums of investment the airport has received over the past few years, notably, the NSW Government majority funding the terminal expansion in 2017. This expansion saw the first international flights take off from the airport in November 2018. There is further plans for expansion with the NSW Government, stakeholders and the Airport currently investigating options for an upgraded runway that would allow longer range aircraft, opening up

destinations further afield and providing significant economic benefits through both increased freight capacity as well as supporting further growth in passenger movements hence tourism with the capacity to increase commercial flights.

Astro Aerolab Precinct

Astra Aerolab is a Defence and Aerospace precinct being developed on 76 hectares directly adjacent to Newcastle Airport and the RAAF Base Williamtown on DAREZ land. The Astra Aerolab precinct will allow aviation companies to establish themselves in the region and support the Royal Australian Air Force combat aircraft, including the F-35A Joint Strike Fighter.

Astra Aerolab has secured significant public investment and support from all levels of government including \$11.7 million from the NSW Government for vital infrastructure, with the precinct expected to ultimately deliver 5,500 new jobs.

RAAF Base Williamtown

The RAAF Base Williamtown presently employs about 3,500 people. This is anticipated to increase following the incremental introduction of the Joint Strike Fighter (JSF) which commenced in 2018 including investment in upgrading national air defence infrastructure. The Australian government has purchased 72 JSF (F-35A) aircraft of which 58 will be based at Williamtown RAAF base. The first F-35A aircraft was accepted into Australian service in 2018 and the first squadron, Number 3 Squadron, will be operational in 2021. All 72 aircraft are expected to be fully operational by 2023.

The KHURA will both benefit from and be beneficial to the Williamtown Aerospace Precinct. The precinct is located just a 15-minute drive from the KHURA. For future residents of the development, this means thousands of existing and future jobs across a range of disciplines are planned within commuting distance. Whilst from the precinct's perspective, the development of KHURA ensures there will be enough dwelling supply to house future employees.

3.3 Rail

3.3.1 New Intercity Fleet

A new fleet of intercity trains are expected to come into service from late 2019, carrying customers from Sydney to the Central Coast, Newcastle, the Blue Mountains and the South Coast. The fleet will increase to a total of 554 carriages with the purchase of an extra 42 carriages, significantly increasing peak hour services. According to Transport for NSW the key benefits of the fleet include *'improved accessibility, enhanced safety, improved comfort and modern features'*. The trains will provide spacious seating, tray tables, charging ports and storage space for luggage. In the 2019-2020 NSW Budget, a further \$812 million was committed to ensure the continued delivery of the New Intercity Fleet.

3.3.2 Faster Rail - Sydney to Newcastle

In March 2018 the Australian Government announced that it would provide matching funding for the development of a business case to facilitate faster passenger rail services between Sydney and Newcastle. The business case is due for completion in mid-2019. However, early reports indicate that in the immediate future, faster rail could be expected to provide services of at least 200km/h, slashing travel times with Newcastle's

current travel time of approximately 2.5 - 3 hours to just 2 hours. Making regional travel faster, safer and easier will be extremely beneficial to the local economy.

The strategic planning and delivery of better and faster rail connections within Greater Newcastle will increase the number of commuters, connect more people with Greater Newcastle, increase tourist visitation and encourage local investment. The rail is likely to drive increased migration from Sydney with the prospect of households being able to afford a home in Greater Newcastle which has an increasing number of employment opportunities, education facilities and lifestyle perks, all while being just a short distance from Sydney. As migration continues to grow so too will demand for housing. To ensure the Greater Newcastle region remains affordable, a steady flow of both infill and greenfield developments such as the KHURA is critical.

3.4 The University of Newcastle

NeW Space Campus

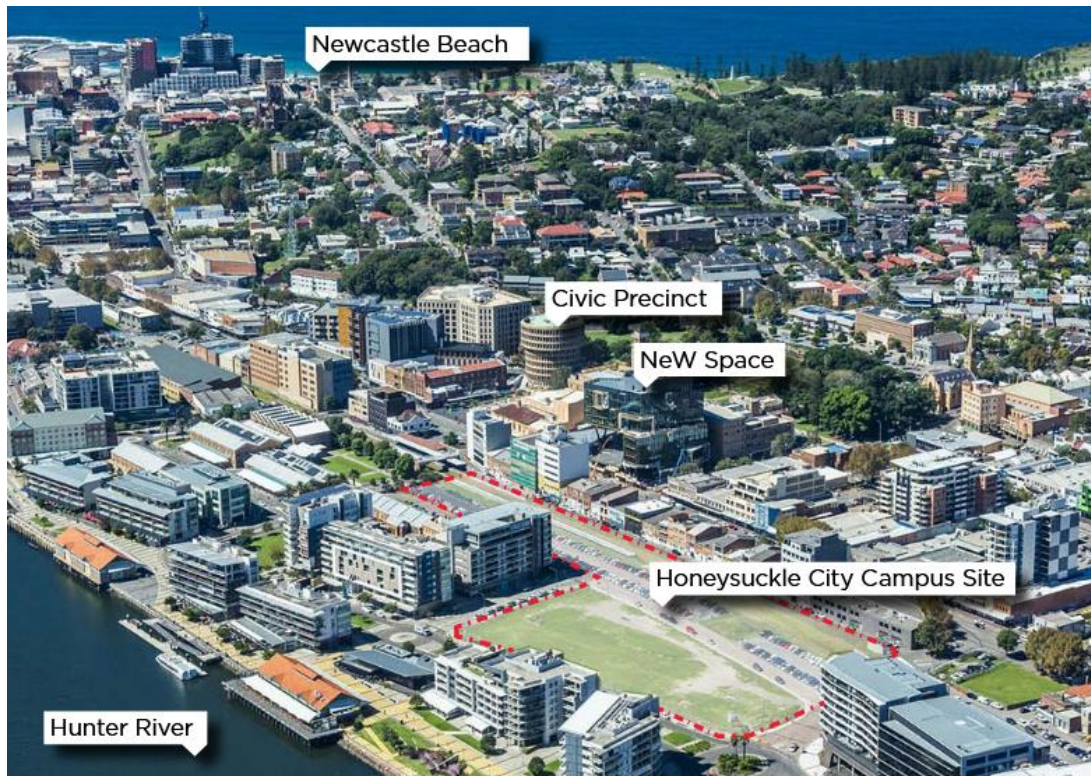
In July 2017, the University of Newcastle opened its NeW Space Campus, a \$95 million landmark education precinct in Newcastle's CBD. The campus hosts the latest in technology to support innovation in teaching and learning to deliver a world-class student experience.

Honeysuckle City Campus Development

In 2018, The University of Newcastle released a Concept Master Plan for its Honeysuckle site. The development is likely to take upwards of 10 years to realise in full and will deliver a mix of innovative research and education spaces, places to collaborate with industry and community, and accommodation for students. The first stage, 'The Innovation Hub' building (Figure 5, Site A1) has a target completion of late 2020.

While students of the university may not be inclined to live in Kings Hill, the sustained investment in recent years by the University of Newcastle is continuing to drive new employment opportunities.

Figure 4. Future Honeysuckle City Campus Site



Source: University of Newcastle

Figure 5. Honeysuckle City Campus Illustrative Master Plan – Stage 1 (A1)



Source: University of Newcastle

4 Region in Transition

4.1 Economic Transformation

Up until the 1990s the Hunter region was a major manufacturing centre in Australia. In response to globalisation and the decline of industry protection, the region transformed itself into a modern, diversified economy. The long-term transformation of the Hunter has seen it form into a largely service-based economy, with professional services, health, education and tourism sectors its largest and fastest growing industries. The manufacturing sector is still a large employer in the Hunter with core strengths in mining-related activity, food and beverage manufacturing and a range of niche areas in advanced manufacturing as firms have utilised the Hunter's depth of engineering skills and competitive cost base. The arrival of aerospace activity at Williamstown has provided a fillip to firms in advanced manufacturing. The Hunter's refocused manufacturing sector has sufficient natural advantages to remain competitive and sustainable into the future. Hence the region's economic diversity is expected to continue moving into the future.

The Hunter's diverse economy puts it in a unique position when compared to many other regional areas with it having broad based appeal to those working in both manufacturing/industrial industries and services industries. This means the Hunter provides residents with the opportunity to live in coastal townships without having to sacrifice employment opportunities – a luxury many other regional towns don't provide.

The following section outlines the changing economy in Lower Hunter Region² with a focus on Port Stephens LGA.

4.1.1 Employment

Resident Employment by Industry

In 2016, the most common industry residents of Port Stephens were employed in was health care and social assistance (3,469 or 12.7% of employed residents), followed by retail trade (3,012 people or 11.0%) and construction (2,761 people or 10.1%). Other common industries included public administration and safety (10.0%) and accommodation and food services (9.1%).

Like Port Stephens, the top three industries residents across the Lower Hunter Valley were employed in were, health care and social assistance (16.1%), retail trade (10.4%) and construction (9.2%). However, its fourth most common employer was education and training, driven by Newcastle LGA with home to schools, universities and TAFEs.

² The Lower Hunter region is formed by Port Stephens, Newcastle, Lake Macquarie, Maitland and Cessnock LGAs.

Kings Hill will deliver jobs that match the current workforce's skill sets with it likely to host medical and allied health businesses, retail as well as require a significant construction workforce for at least 15 years.

Employment Opportunities in the Region

In 2016, there was a total of 25,468 people working in Port Stephens. The most common industry of employment in the region was public administration and safety providing 3,761 jobs, most of which were jobs in defence (2,682 jobs) with the RAAF Base located in Williamstown. Other key industries included manufacturing (3,082 jobs), retail trade (2,689 jobs) and accommodation and food services (2,441 jobs).

In 2016, there were a total of 220,198 people working in the Lower Hunter. Health care and social assistance provided the most jobs (37,276 jobs), most of which were in hospitals and aged care facilities. Other key industries included retail trade (24,329 jobs), education and training (19,674 jobs) and accommodation and food services (19,030 jobs).

Self-containment

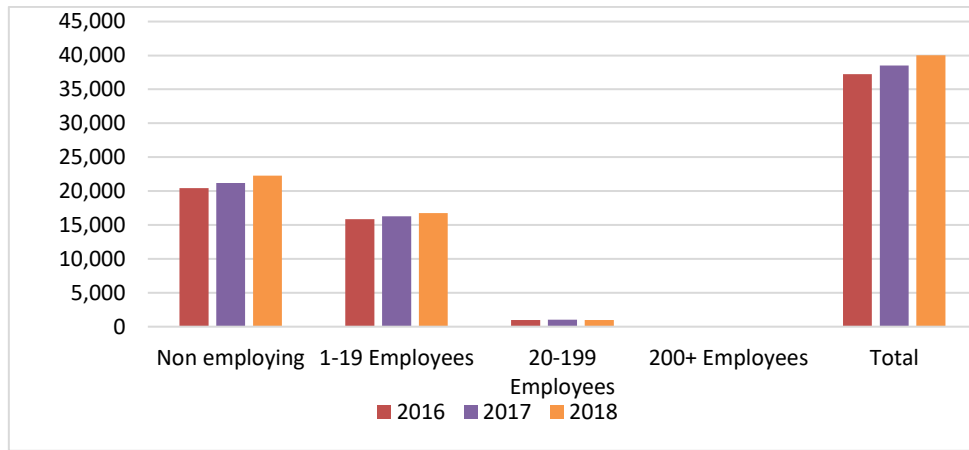
Employment self-containment looks at the total people that live and work within the same region. In 2016, 55.8% of people living in Port Stephens also worked in Port Stephens whilst the second most common place of employment was Newcastle LGA (20.8%).

While just over half of residents live and work within Port Stephens LGA, 88% of the working residents living and working in Port Stephens were employed somewhere within the Lower Hunter region.

4.1.2 Businesses

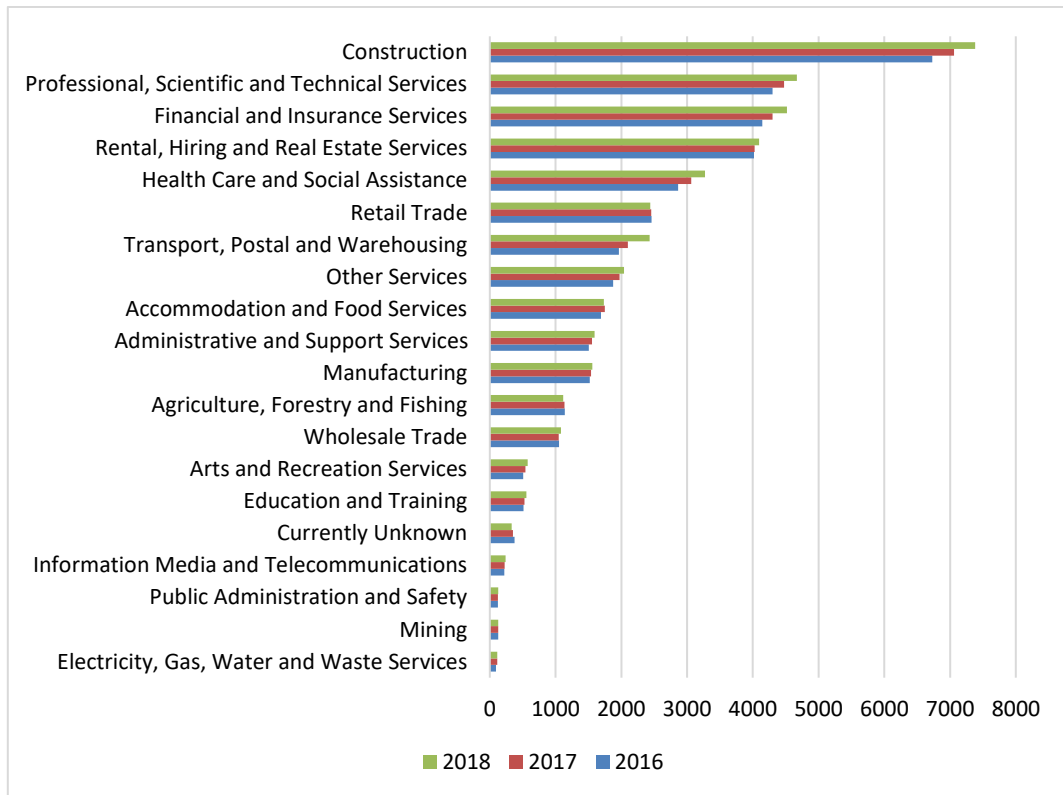
Over the 3 years to 2018, an additional 2,786 businesses began operating in the Lower Hunter bringing the regions total business count to 40,014. The largest increase in businesses stemmed from the construction industry (+650), followed by transport, postal and warehousing (+472) and health care and social assistance (+410).

Figure 6. Business Counts (2016-18), Lower Hunter Region



Source: ABS, 2018

Figure 7. Business Counts by Industry (2016-18), Lower Hunter Region

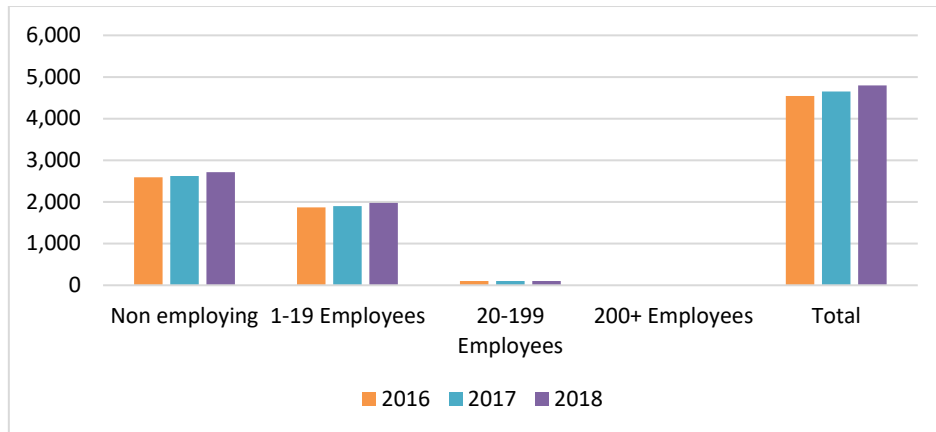


Source: ABS, 2018

The number of businesses operating in Port Stephens has been on upward trajectory. Between 2016 and 2018 an additional 248 businesses began operating in Port Stephens bringing the total business count to 4,796. Of new additions, 129 were non-employing while 105 had 1-19 employees.

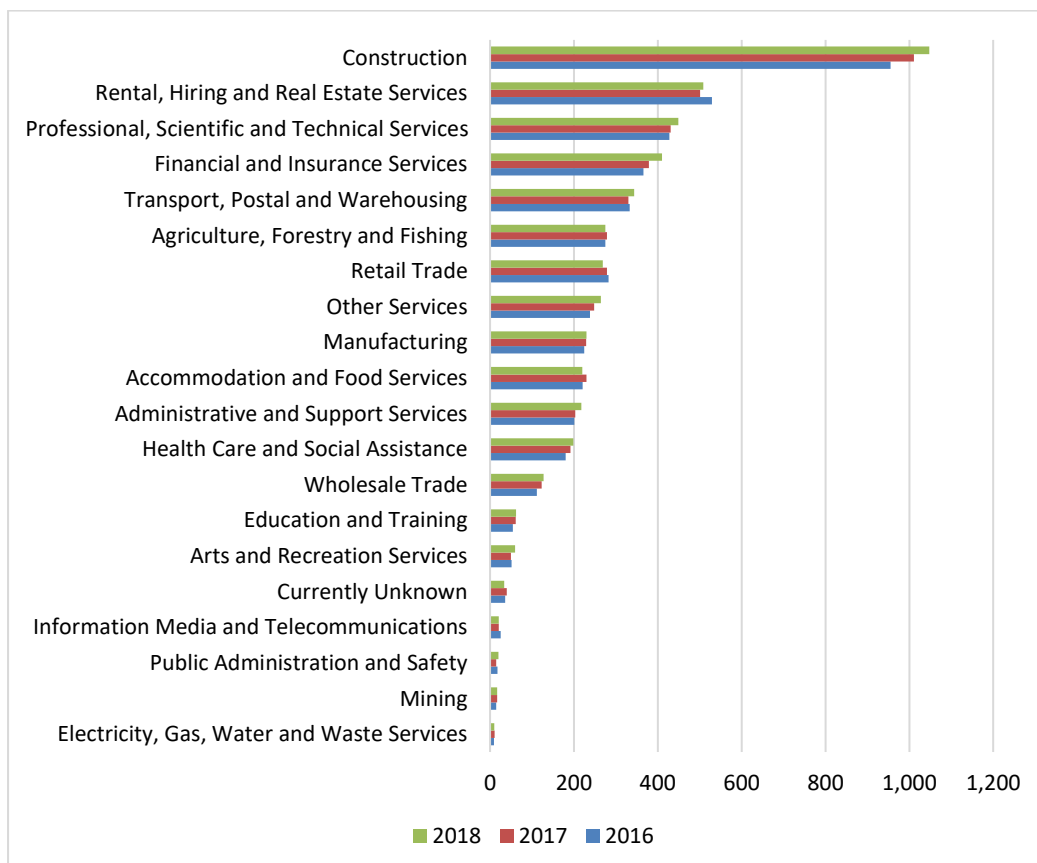
As seen in the table below, this significant increase was driven primarily by construction businesses (+93), finance and insurance services (+44) and professional and scientific services (+21).

Figure 8. Business Counts by Size (2016-18), Port Stephens LGA



Source: ABS, 2018

Figure 9. Business Counts by Industry (2016-18), Port Stephens LGA



Source: ABS, 2018

4.1.3 Summary of Findings

An analysis of the regions employment and business counts indicates that:

- The region has an abundance of employment opportunities in both white and blue collar industries;
- Business growth indicates this will continue, with growth in both white collar businesses such as professional, scientific and technical services as well as blue collar businesses such as transport, postal and warehousing and construction;
- Most people living in Port Stephens that are employed, work within the Lower Hunter Region. This indicates that the increasing employment opportunities across the Lower Hunter region will result in increased dwelling demand in the Port Stephens area with a clear preference for residents living in the LGA to be located in close proximity to work.
- With jobs in Tomago and Williamstown alone expected to have increased by 3,700 between 2016 and 2036, this demand will be significant.
- The development of the KHURA itself will further support growing/dominant industries notably construction, retail trade, health and a range of businesses services.

4.2 Socio-demographic Shift

The following section examines both the historic and forecast change in demographics in Lower Hunter Region and more specifically Port Stephens LGA.

4.2.1 Population

In the inter-census period from 2011 to 2016 the Port Stephens LGA grew at a compounded annual rate of 2.0% from 67,200 in 2011 to 74,100 in 2016. The entire Lower Hunter grew marginally slower at 1.2% to reach a total of 575,800 people in 2016.

Population projections sourced from the Department of Planning and Environment indicate that while the rate of growth will slow, growth in real terms will continue to be significant. Between 2016 and 2036, it is forecast that the population of Port Stephens will increase by 18,550 (or just under 930 p.a.) to approximately 92,650 people. Over the same 20 year period, the Lower Hunter as a whole is expected to have grown by 116,100 to reach 691,900 people. MacroPlan note that since these forecasts were made considerable Government investment has taken place within the Hunter region which has significantly increased the attractiveness of the region. Hence, MacroPlan is of the opinion that these forecasts may be understating future population outcomes. However, even under the base case Government forecasts, there is a clear requirement for increased residential development to accommodate the anticipated increase in local residents to ensure that future regional growth does not adversely impact on the Lower Hunter's affordability.

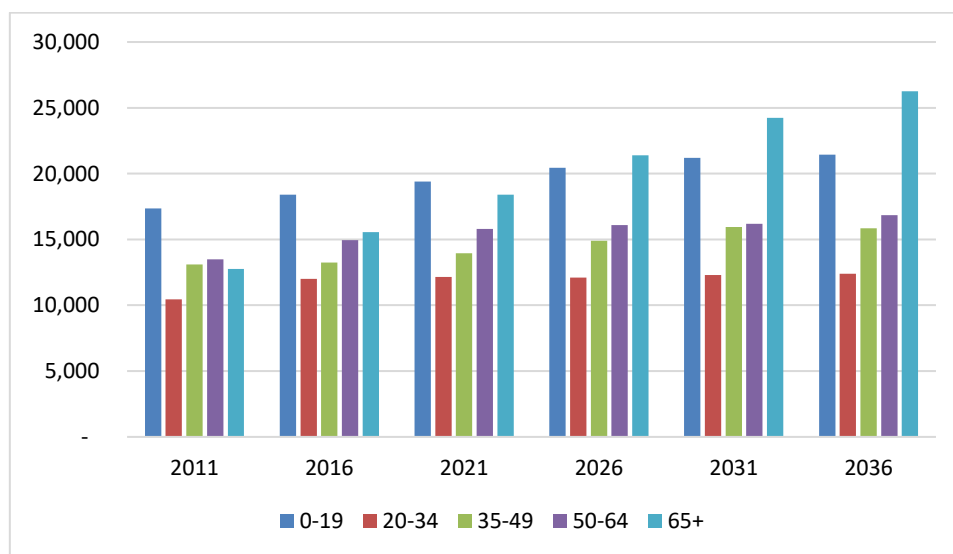
Within the Port Stephens LGA population growth is forecast to be driven by those within the downsizer/retiree cohort. By 2026, persons aged 65+ years will overtake the 0-19 year age cohort as the dominate age cohort in Port Stephens. By 2036, those aged 65+ will form 28% of Port Stephen's population followed by the pre-retirement cohort (50-64 years) who will account for a further 18%.

Similarly, growth in the Lower Hunter will be dominated by persons aged 65+ albeit off a much lower base. The population aged 0-19 is expected to remain the dominate age cohort until at least 2036, at which point those aged 65+ will be marginally higher (400 people).

Collectively, these population forecasts suggest that the area has an ageing population, a trend seen Australia wide. This indicates the need for increased development of units to support downsizers/retirees with the region currently dominated by separate houses.

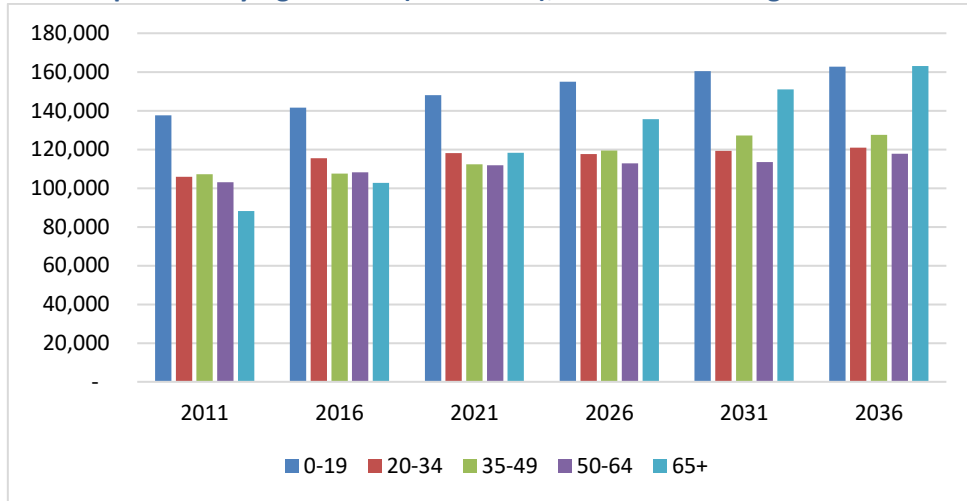
The mix in dwelling supply planned for KHURA will ensure that the retiree and downsizer market are accommodated through its unit developments whilst ensuring the still prominent family households are provided with spacious separate houses.

Figure 10. Population by Age Cohort (2011-2036), Port Stephens LGA



Source: DP&E, 2016

Figure 11. Population by Age Cohort (2011-2036), Lower Hunter Region

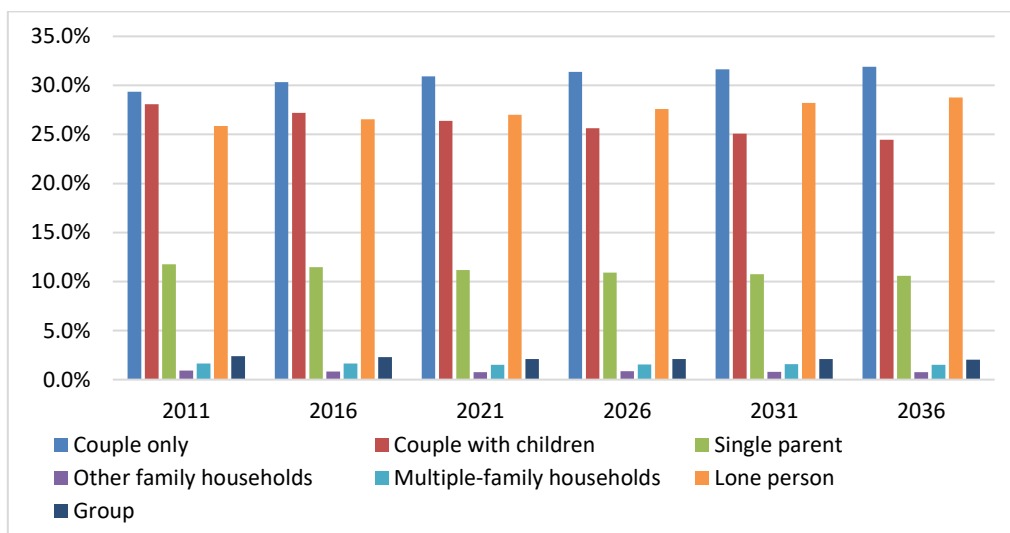


Source: DP&E, 2016

4.2.2 Households and Household Composition

In 2016, the DPE estimated there was a total of 30,500 households living in Port Stephens. By 2036 total household is expected to have increased by 9,150 to reach 39,650. In 2016, 'Couple only' households were the dominate household type in Port Stephens forming 30.3% of households. This was followed by 'Couple families with children' (27.2%). 'Couple only households' are forecast continue to dominate household formation in the local region, trending upwards to reach 31.9% of total households in 2036.

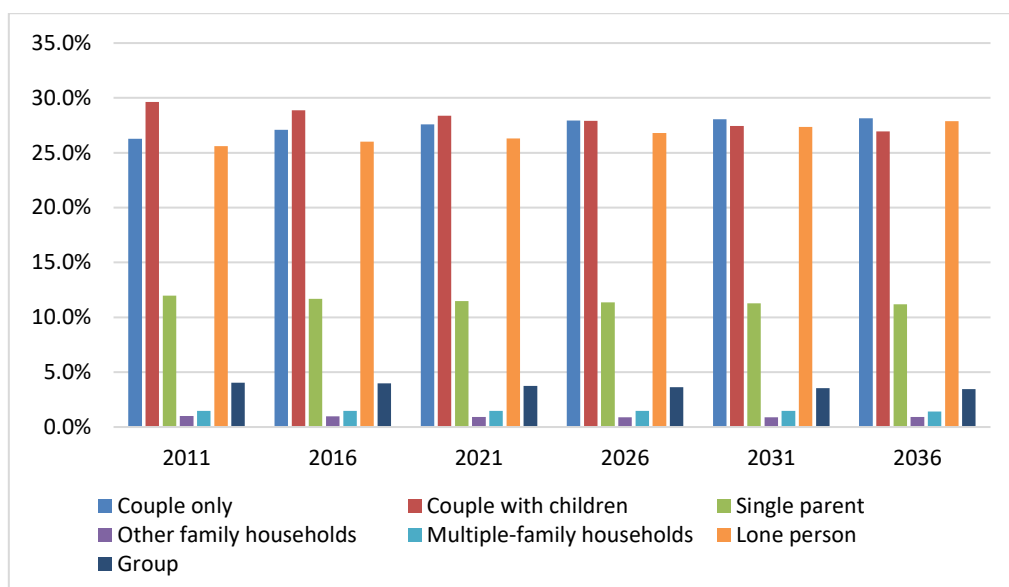
Figure 12. Household Composition (2011-2036), Port Stephens LGA



Source: DP&E, 2016

Unlike Port Stephens, in 2016 the dominate household type in Lower Hunter was ‘Couple with children’ (28.9%), followed by ‘Couple only’ (27.1%). By 2036, household formation is expected to have experienced a significant shift, with ‘Couple only’ households forming most households (28.2%), followed by ‘Lone person’ households (27.9%), then ‘Couple with children’ households (27.0%). With a relatively even split between household typologies, there is a clear need to ensure the delivery of a mix of dwelling types such as that planned at the KHURA.

Figure 13. Household Composition (2011-2036), Lower Hunter



Source: DP&E, 2016

4.2.3 Dwelling Tenure

Like many regional townships, in 2016, the most common form of housing tenure in Port Stephens was ownership with 40.3% of households owning their house outright (1.1% higher than in 2011) and a further 32.2% owning their homes with a mortgage (0.2% higher than in 2011) whilst just 27.5% of households were renters (-1.32% since 2011).

In 2016, there was similar levels of total ownership in the Lower Hunter region when compared to Port Stephens. However, more owners in the Lower Hunter owned their home with a mortgage (35.3%) whilst less owned their home outright (35.2%). The increased levels of homeownership with a mortgage was driven mostly by Newcastle and Maitland – this is not necessarily an indicator of wealth as this can be partly explained by these LGA’s having a higher proportion of persons aged 20-39 compared to other meaning households have had less time to pay off their mortgage.

4.2.4 Internal Migration

Housing affordability in Sydney has led to a significant increase in migration to regional areas in New South Wales – particularly migration to the Illawarra Region, Central Coast and

Greater Newcastle. House prices has been a key driver of outward migration from metropolitan Sydney for both young households as well as older households. Many young households in Sydney conclude their prospects of ownership in the metropolitan area are slim, however, recognise there is an opportunity for ownership in proximate regional centres. In terms of older households, coastal townships provide a twofold benefit. Firstly, they provide an opportunity to retire in quieter town by the sea. Secondly, many older households can sell their metropolitan homes and make a significant profit through the purchase of a regional home.

In 2016, 3,237 residents of Port Stephens LGA reported having lived in the metropolitan area 5 years earlier. The same data collected in 2011 reported that just 2,670 residents had migrated from the city in the 5 years to 2011. The Lower Hunter more generally experienced similar levels of growth with 2006-2011 migration to the region totalling 13,300 people, between 2011 and 2016 this increased to 15,126 migrants (1,826 more people).

4.2.5 Household Income

Household income in Port Stephens was significantly lower than the NSW benchmark. In 2016, the median household income in Port Stephens was \$1,180 per week compared to \$1,486 in NSW. This is likely a reflection of Port Stephens having a significant portion of its population were aged 60+ in 2016 (29.9%) compared to NSW where 21.9% of people were aged 60+, therefore retirees on a pension are likely to be bringing the median down. With wealth a factor of assets and income, the levels of homeownership would indicate that wealth in Port Stephens is not as low as income levels would indicate. However, it does demonstrate the region has a significant amount price sensitive buyers.

4.2.6 Summary of Findings

Based upon an analysis of both historic and forecast socio-demographic profiles, MacroPlan concludes that:

- The region has an ageing population with high levels of homeownership. KHURA may provide retirees with an opportunity to cash out of their existing homes and use their profit margin for future financial stability;
- 'Couple only' households are becoming increasingly dominant in the region whom are likely to have a preference for smaller housing. The KHURA plans to provide medium density housing to cater to this demand. Forecasts also indicate, particularly in Port Stephens, a significant increase in 'Couple family with children' households meaning there will still be a significant number of households in the market for separate houses.
- Whilst homeownership was high in the region, income levels still indicate the need to maintain an affordable housing market, particularly for young households. To ensure housing remains affordable, it is critical that dwelling supply increase substantially to prevent demand outweighing supply in turn resulting in increasing house prices.
- The development plans for KHURA support the changing nature of the population and household typology forecast for the region. The development proposes a mix of

units and separate houses supporting 'Lone person' and 'Couple only households', whilst ensuring separate housing is made available for 'Couple families with children' households.

6 Economic Impacts

The following section provides estimates of the overall economic impacts that the KHURA will create notably the jobs generated as a result of the development, the industry value-add (IVA) of the project and income generated by local expenditure.

A more detailed discussion concerning the methodology applied to derive the project's IVA is included at **Appendix A**.

6.1 Wider Economic Benefits

Based upon detailed assumptions, the construction value³ of the KHURA is expected to be up to \$1.1 billion (2018 dollars)⁴. This development investment will generate (assuming a 15-year construction period) 177 full-time equivalent jobs per annum directly in the construction industry and a further 279 full-time equivalent jobs per annum indirectly (for example, jobs in transport, with concrete needing to be delivered to the site).

At its fruition, the KHURA will provide the community with further employment opportunities in retail, education, commercial and tourism industries. Based upon plans provided, it is expected that when fully operational the site has the potential to employ around 885 people generating an IVA of \$71.7 million per annum⁵. Employment opportunities will stem from a range of sectors namely professional services, retail, accommodation, health, childcare and education. Indirectly it will employ approximately 251 people. These employment forecasts exclude tourism recreation activities and community facilities, as depending on specific uses employment will vary.

The value of residential living will reflect the value which residents attach to this location. The average value-added per dwelling in NSW is \$17,900 (2016/17), however, reflecting the rent in Port Stephens IVA per dwelling is nearer to \$16,400.

In sum, industry plus dwelling activity at KHURA will generate a value per annum of more than \$137.9 million (in 2016/17 terms).

³ Excludes infrastructure costs, developed/undeveloped recreation/tourism activities, wider community facilities (figures do however include the school) and parklands/trails.

⁴ Macroplan notes these are high level estimates and may be subject to change.

⁵ Job projections are indicative and may be subject to change (e.g. change in land uses/sizes).

6.2 Infrastructure Investment

To facilitate development of the KHURA, there is a proposal to forward fund its required infrastructure to ensure housing can be provided in a timely manner to support market demand. The proposed funding would deliver:

- **Pacific Highway Interchange:** An interchange at the Pacific Highway to facilitate primary and flood free access.
- **Community infrastructure:** the development of regional open space and community infrastructure including the dedication of K-12 public school site and the construction of a local shopping facility.
- **Stormwater Drainage Channel:** an approximately 3.5km long diversion channel to protect the Grahamstown Dam (Hunter's largest drinking water supply) from runoff resulting from development of the URA eastern catchment.
- **Driveway closures:** the staged closure of existing driveways and accesses onto the Pacific Highway to improve the road safety of the national highway.
- **Conservation of the ecological environment:** approximately 50% of land within the URA reserved for environmental conservation.
- **Other roads and services.**

In total, upfront infrastructure costs are expected to be in excess of \$100 million.

In the short-term the direct funding of the above infrastructure and services will lead to significant job generation across a range of disciplines. Upon completion, the direct funding of the above infrastructure and services will facilitate the provision of affordable housing in a highly accessible location, close to major regional employment centres notably the nearby RAAF Base, Newcastle Airport, Tomago and Heatherbrae and the higher order regional centre of Raymond Terrace.

The investment in infrastructure is more than just a benefit to the KHURA directly. Road upgrades, school provision, retail and environmental conservation will also benefit the wider Hunter region. This infrastructure investment will also help to facilitate further development within the Hunter with trunk infrastructure and services key to growing accessible, efficient and amenity rich communities that are an attractive place to live.

6.3 Expenditure

6.3.1 Residential Expenditure

This section looks at the potential impact of the increase in the residential population which the KHURA development will generate. Based on the likely demographic profile of the resident population and comparable areas, estimates of the income and spending capacity of future residents is assessed. Based on those profiles, estimates indicate the likely amount of money expected to be injected into the economy. MacroPlan has focused specifically on retail and health expenditure.

Retail spending includes a number of categories. MarketInfo data⁶, which is set out in the table below, categorises retail as:

- Take-home food, liquor and groceries (FLG) – goods typically sold in supermarkets and specialty fresh food stores
- Food catering – cafes, take-away outlets and restaurants
- Apparel – male and female apparel purchased
- Household goods - giftware, electrical, computers, furniture and homewares
- Leisure goods - newsagents, sporting goods, music, DVDs, games and books
- General Retail – pharmaceutical goods, cosmetics, toys, florists and mobile phones
- (Other) Retail Services – key cutting, shoe repairs, hair and beauty

To estimate average retail spend, MacroPlan assumed the retail expenditure at Kings Hill will be similar to that of 'Medowie – Ferodale – Campvale' district (herein Kings Hill proxy) with this district used in part to inform the Port Stephens Economic Development Strategy in relation to retail requirements at Kings Hill. MacroPlan notes however these estimates should be considered indicative.

Table 3 shows retail expenditure capacity for the Kings Hill proxy for the year 2016/17, inclusive of GST and compares these estimates with the averages for non-metro NSW and Australia. These figures in conjunction with forecast population of KHURA (approx. 10,000 people) estimate that on completion in the population would be spending over \$140 million on retail goods (2016/17 dollars) most of which will be spent in the Lower Hunter region.

Table 4 shows expenditure on health for the Kings Hill proxy for the year 2016/17, inclusive of GST and compares these estimates with the averages for non-metro NSW and Australia. These figures in conjunction with forecast population of Kings Hill estimate that on completion in the population would be spending \$12.9 million on health services (in 2016/17 dollars) most of which is likely to be spent in the Lower Hunter region.

⁶ MarketInfo is developed by Market Data Systems (MDS) and utilises a detailed micro simulation model of household expenditure behaviour for all residents in Australia. The model takes into account information from a wide variety of sources including the regular ABS Household Expenditure Surveys, national accounts data, Census data and other information sources. The MarketInfo estimates for spending behaviour are widely used by a majority of retail and property consultants.

Table 1 . Retail Expenditure Per Capita (2016/17 dollars)

Expense	Kings Hill Proxy	Non-metro NSW	Aust. Avg.
	\$ per annum	\$ per annum	\$ per annum
Total Food	\$8,015	\$8,177	\$7,999
Total Non-food	\$6,115	\$5,790	\$6,017
Total Retail	\$14,130	\$13,967	\$14,016
Categories			
<i>Fresh Food</i>	\$2,187	\$2,234	\$2,230
<i>Other Food & Groceries</i>	\$3,278	\$3,411	\$3,255
<i>Packaged Liquor</i>	\$813	\$793	\$766
<i>Food Catering</i>	\$1,737	\$1,738	\$1,749
<i>Apparel</i>		\$1,293	\$1,403
<i>Household Goods</i>	\$1,350	\$2,408	\$2,504
<i>Leisure</i>	\$2,562	\$607	\$621
<i>General Retail</i>	\$628	\$1,089	\$1,071
<i>Retail Services</i>	\$1,208	\$393	\$418

Source: MarketInfo, MacroPlan

Table 2 . Health Expenditure Per Capital (2016/17 dollars)

Expense	Kings Hill Proxy	Non-metro NSW	Aust. Avg.
	\$ per annum	\$ per annum	\$ per annum
Health services	\$1,288	\$1,303	\$1,303

Source: MarketInfo, MacroPlan

6.3.2 Employee Expenditure

During construction and operation, the KHURA will provide both permanent and transient employment. External studies have estimated that the average Australian spends approximately \$29.55 on going to work each day including expenditure on transport, food, grooming and clothing. Of this, \$11.40 is spent each day on coffee / energy drinks (\$3.70), lunch (\$6.45) and parking (\$1.25), all of which is likely to be spent within the area the person is employed.

Based upon the estimates of employment, this would mean that when KHURA is fully developed, persons employed within the KHURA would spend around \$2.5 million each year in the local area.

6.4 Tourism Industry Expansion

Port Stephens is known for its rich natural beauty with 26 beaches including the famous One Mile Beach along with its national parks including Mount Tomaree. People travel to Port

Stephens to enjoy the outdoors; swim, scuba dive, surf, hike, ride horses and search for wildlife.

The KHURA development will support growth in local tourism by expanding on the region's current nature-based activities and environmental conservations with plans to accommodate:

- Horse riding;
- Tree surfing;
- Indigenous caves including educational and cultural activities;
- Environmental conservation sanctuary accompanied by tourism activities; and
- Public open space.

To support local tourism activities and the attractiveness of the visiting the KHURA, the development will also host:

- Hotel / motel / resort (which may comprise semi-retirement units);
- Function centre;
- Weekend markets for local growers; and
- Cellar door premises accommodating local Hunter Valley wines.

In conjunction, the built environment such as retail and accommodation services and natural environment including outdoor recreation will encourage visitation to the KHURA thus facilitating visitation growth across the Port Stephens region, one of Government's key initiatives.

7 Conclusion

The nature of the Lower Hunter region is changing. The regions population is growing rapidly creating an urgent need to deliver new housing to ensure the regions relative affordability is not jeopardised. The KHURA will help to avoid this impending issue.

The KHURA will deliver a net economic benefit to society with the proposed development supporting a variety of uses. Plans for the development have been tailored to support the changing nature of the Lower Hunter region through its provision of a mix of dwelling types supporting the forecast increase in 'Couple only households' while also ensuring that separate houses are provided for still prevalent 'Couple with children families'.

The KHURA supports a number of Government initiatives and strategies namely through its support of population, dwelling and employment growth. The KHURA will allow this growth to be well located, supporting services in key strategic centres and job opportunities inside and outside of the KHURA (Williamstown, Tomago and Heatherbrae, Newcastle) with it also contributing to increased housing supply, open space and education.

The KHURA will support the growth of local businesses through its town centre, however it will also help support the planned focus of higher order services in Raymond Terrace by increasing its local consumer base. On completion the resident population is expected to contribute over \$140 million in additional retail expenditure annually, a lot of which will be directed at local centres such as Raymond Terrace.

The development of the KHURA will generate significant direct investment into the local economy. Expenditure on upfront infrastructure expected to be in excess of \$100 million whilst the cost of the construction of the development is expected to total \$1.1 billion (2018 dollars). Expenditure on the construction of the development alone is expected to generate 177 full-time equivalent jobs per annum directly in the construction industry over a 15-year period and a further 279 full-time equivalent jobs per annum indirectly. When completed, investment from businesses located in the KHURA has the potential to provide direct ongoing employment for at least 885 people generating an IVA of \$71.7million per annum. This increases to \$134.8 million per annum gross value-add when combined with the project's residential components.

Kings Hill will play a key role in supporting the economic growth of Port Stephens and the Lower Hunter more generally through its direct investment and support of population growth and job creation all of which will help to support the transition of Port Stephens into a strong, self-sufficient regional economy. However, with growth comes an increasing demand for housing and without adequate supply house price hikes are inevitable. The KHURA will be critical to maintaining housing affordability in Port Stephens by ensuring a healthy demand and supply balance.

Appendix A: Wider Economic Benefits: KHURA Methodology

The Australian Bureau of Statistics (ABS) constructs estimates of industry value-added (IVA) and gross regional product (GRP) for each of the States, but not at a regional or Local Government Area (LGA) level. There is insufficient data at the regional or LGA level for the ABS to assert a degree of confidence around IVA/GRP estimates, suggesting that estimates of IVA/GRP at the LGA or suburb level need to be treated with some caution.

With that qualification, the Office of the Chief Economist of Department of Industry, Innovation and Science (OCE) has published provisional estimates of regional GRP for 2014/15.⁷ The methodology used by the OCE is set out broad terms in its 2016 Report. It uses partial data, relative employee compensation (vs labour value-added and capital value-added for State industries) in most instances, to determine ratios and a region's share of State industry value-added. The methodology is reasonable and defensible but (as the OCE would agree) the results need to be treated with caution.

This report has adopted the OCE methodology, to generate 'estimates' of output by regions in Australia, in this case for the KHURA. Taking the estimates of floorspace by industry, we use standard measures of space per worker to derive a potential workforce if the floorspace were fully utilised. Then, 'total factor income' per worker by industry for NSW is applied to the number of workers per industry to generate an estimate of total factor income for each industry. Total factor income incorporates income generated from capital – the methodology incorporates the assumption of the NSW capital/labour ratio for each industry. The aggregate is an estimate of industry value-added.

Residential living is also a source of economic activity in its own right, which is related to the rental income generated. For 2016/17, the average value-added per occupied dwelling in NSW was \$17,900 per annum. However, based on lower rents in Port Stephens, value-added is closer to \$16,400 per dwelling (at a vacancy rate of 1.8%⁸).

The estimates of industry value-added and the contribution of dwellings, together generate an estimate of gross regional product (GRP) for this small area, i.e. the KHURA..

⁷ *Australian Industry Report 2016* <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/AustralianIndustryReport/industry-map.html>

⁸ *REINSW May 2019 Hunter region vacancy rate*

