

## Legislative Assembly Select Committee on Essential Worker Housing

### Response to Supplementary Question for witnesses – Committee Hearing 25 October 2024

#### QUESTION

What eligibility and/or price criteria would be required to ensure Northern Beaches based essential workers can access shared equity schemes?

#### ANSWER

*Summary:* Council recommends adopting eligibility criteria for essential worker housing tailored to the local workforce needs. To ensure affordability, Council proposes removing property price caps and income thresholds, and adopting a shared equity model that reduces financial risk for essential workers.

#### Essential Worker Occupations

Council recommends adopting eligibility criteria for essential worker housing that are responsive to the workforce needs of the local community.

These criteria could align with Council's submission to the Inquiry, which states that *"Essential worker housing refers to affordable and accessible housing for those providing critical public services in sectors such as healthcare, education, emergency services, policing, transport, childcare, and community welfare. These workers typically earn low to moderate incomes and need to live close to their workplaces to perform their duties in person and respond to emergencies."*<sup>1</sup>

Council also acknowledges the merits of an approach that considers essential workers specific to the local government area (LGA). Based on the 2021 Census data, healthcare and social assistance, and retail trade are the leading industries on the Northern Beaches, representing 26,452 local workers (or 26.9% of the workforce)<sup>2</sup>, indicating the need to expand eligibility to include retail workers, such as those in supermarkets and grocers, who are vital to the community. Furthermore, Council supports broadening eligibility to include roles identified by HOPE Housing's *Essential Worker Housing Program*, including cleaners.<sup>3</sup>

#### Price/Asset Caps

Council recommends removing property price/asset caps or setting them based on suburb-specific median property prices (adjusted annually), which on the Northern Beaches could range from \$1 million to \$1.8 million for a 2-bedroom property. Government schemes such as the NSW *Shared Equity Home Buyer Helper* (ended in

<sup>1</sup> Northern Beaches Council - Submission, Parliament of New South Wales, 'Inquiry into essential worker housing – Submissions', <https://www.parliament.nsw.gov.au/committees/listofcommittees/Pages/committee-details.aspx?pk=327#tab-submissions> [accessed 6 November 2024]

<sup>2</sup> .id, Northern Beaches Council, 'Key statistics for workers' <https://economy.id.com.au/northern-beaches/workers-key-statistics?Indkey=23000> [accessed 6 November 2024].

<sup>3</sup> HOPE Housing, 'For essential workers' <https://hopehousing.com.au/for-essential-workers/> [accessed 6 November 2024].

June 2024) and the Federal *Help to Buy Program* (not yet started) are not suitable and too low for Northern Beaches essential workers due to high property prices, insufficient income thresholds, and inadequate shared equity contributions (i.e. the NSW shared equity scheme contribution is 40% for a new home and 30% for existing dwellings). For example, the median price for a 2-bedroom apartment in Dee Why is \$1,000,000, and in Manly, it's \$1,800,000, far above the \$950,000 (Cth) and \$900,000 (NSW) asset cap thresholds set by the programs.

### Income Thresholds and 50% Shared Equity Contribution

Council recommends removing gross income thresholds, following similar approaches such as that taken by HOPE Housing. Affordability varies by location, meaning thresholds would need to be suburb-specific, as outlined above.

However, Council has conducted a high-level estimation on potential income thresholds to maintain affordability based on certain assumptions: a 5% deposit, a 45% bank loan, and a 50% shared equity government contribution. For a single household, the income threshold could be up to \$100,000, which would potentially allow them to afford a 1-bedroom apartment in Dee Why.<sup>4</sup> For a couple household (i.e. a couple with children), the threshold could be up to \$200,000, potentially enabling them to afford a 2-bedroom apartment in Dee Why or Manly.<sup>5</sup> However, these thresholds would also need to be adjusted annually.

### Equitable Homeownership Model

Council recommends a shared equity model that equally distributes both gains and losses based on investment proportions, reducing financial risk for essential workers and ensuring fairer homeownership outcomes. The government contribution should not accrue interest but instead share in any capital gains (or losses) made at the time of sale.

Council is concerned that the Federal Government's *Help to Buy Program* could place undue financial burden on essential workers, as any capital gains or losses would be borne solely by the worker (i.e. not shared based on investment portions), with interest potentially added to the contribution.<sup>6</sup> In contrast, HOPE Housing's model offers a more balanced approach, where both the government and the worker share in the financial outcomes based on their respective contributions.<sup>7</sup>



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<sup>4</sup> Domain, 'Dee Why suburb profile' <https://www.domain.com.au/suburb-profile/dee-why-nsw-2099> [accessed 6 November 2024].

<sup>5</sup> Domain, 'Manly suburb profile' <https://www.domain.com.au/suburb-profile/manly-nsw-2095> [accessed 6 November 2024].

<sup>6</sup> Australian Government, Housing Australia, 'Support to buy a home' <https://www.housingaustralia.gov.au/support-buy-home> [accessed 6 November 2024].

<sup>7</sup> HOPE Housing, 'For essential workers' <https://hopehousing.com.au/for-essential-workers/> [accessed 6 November 2024].