

Legislative Assembly Select Committee on Essential Worker Housing

Questions on Notice - Shoalhaven City Council Response

Defining essential workers in Shoalhaven

Council's submission outlines a set of considerations for identifying essential workers. These include household income tests, identifying the occupations required to service the community's needs, and flexibility to accommodate the characteristics and employment profile of an area. The submission also recommends the review of research which attempts to define essential workers.

More recently, the examination of a definition has expanded to cover those occupations required to be physically present to perform their work. For example, cleaners, IT support, security guards, trades, warehouse logistics etc. in addition to the health, education, retail, and hospitality sectors.

Shoalhaven's economic statistics confirm the top three industries by job numbers are as follows. All three industries also represent the fastest growing industries between 2018 and 2023.

- Health care and Social Assistance (including hospital, medical and other health care, residential care, and social assistance services).
- Construction.
- Retail Trade.

Data on the ability of households to afford to purchase or rent housing (median household income vs property prices) suggests the following occupations are in greatest need of affordable housing:

- Carpenters and joiners
- Sales assistants
- Child carers

An example definition based on other recently established definitions, including the City of Melbourne's, is provided below. To provide flexibility to align with an area's or a changing economic profile, it does not define occupations:

Permanent⁽¹⁾ affordable rental housing⁽²⁾ that is appropriate for people who work within Shoalhaven⁽³⁾, who are required to be physically present⁽⁴⁾ to perform their work, and whose household earns very low, low, or moderate incomes⁽⁵⁾. The housing must be owned, or managed, or allocated⁽⁶⁾ and monitored by a Community Housing Provider.

Notes:

- (1) *Permanent indicates it is provided in-perpetuity.*
- (2) *Less than 30% of household income spent on rent.*
- (3) *Only local workers are eligible.*
- (4) *Cannot work from home.*
- (5) *As defined by legislation.*
- (6) *Can be delivered and transferred to a community housing provider.*

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Monitoring and enforcing an affordable housing development contribution scheme.

To inform the preparation of its 2024 Affordable Housing Strategy, Council engaged economic consultants HillPDA to undertake development feasibility analysis to identify a development's capacity to contribute towards the provision of affordable rental housing. This work found the current viability of in-fill development is challenged by increases in construction costs (5.8% in the past 12 months), presales requirements, and interest rate increases affecting consumer capacity to pay. It also found greenfield developments have some capacity to contribute.

The work recommended Council prepare a cautious affordable housing contribution scheme in readiness for when the market improves, development becomes viable, consumers adjust, and cost pressures ease. Such a scheme would likely consist of:

- A 1% of gross floor area monetary equivalent towards affordable rental housing for infill development. Incrementally increased after 5-years to 3%.
- A 5% contribution of dedicated, serviced lots for greenfield development.
- A 3-year delay to phase-in the contributions to give fair warning and certainty to the development industry.

The recommended phase-in is an approach supported by the peak industry representative group the Urban Development Institute of Australia in its feedback on the exhibition of the draft Affordable Housing Strategy.

The cost of providing affordable rental housing under the proposed scheme would be factored into *residual land value*, that is, the maximum a developer(s) will pay for a site given known development costs and liabilities. The scheme would exert downward pressure on residual land value and not increase the final cost of housing, which is generally set by the market and people's willingness to pay.

A governance framework for the scheme has not yet been developed, but Council's preference is for contributions to be transferred to Tier 1 Community Housing Providers. This is to remove financial risks, use opportunities to consolidate funding, use existing management and maintenance frameworks and processes, and ensure the housing remains affordable in-perpetuity.

Reservation of a quota of affordable rental housing delivered under the scheme for essential workers requires both:

- A clear definition of essential workers, and
- Embedding that definition into current framework(s) to select tenants.

This approach should ensure the affordable rental housing is provided as such in perpetuity and appropriate tenants are provided opportunities to access the housing. A new framework solely for essential workers may not be needed. A further challenge is the need to balance the provision of affordable rental housing for essential workers and other households in need of affordable housing.

The work and activities of community housing providers is regulated by the NSW's Government's Registrar of Community Housing. It achieves this through the framework of the *National Regulatory System for Community Housing* and the *NSW Local Scheme*. The Registrar is independent and reports directly to the Minister for Housing.