

**Submission
No 19**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Liverpool City Council

Date Received: 10 September 2024

Select Committee on Essential Worker Housing
Parliament of New South Wales
6 Macquarie Street
SYDNEY NSW 2000

Submission lodged through the NSW Parliament Website.

Dear Committee Members,

Re: Legislative Assembly Select Committee on Essential Worker Housing – Liverpool City Council Submission

Liverpool City Council (“Council”) appreciates the opportunity to make a submission on the Legislative Assembly Select Committee Inquiry into Essential Worker Housing. Council has considered the Inquiry Terms of Reference and strongly supports initiatives that will increase housing supply for essential workers.

The Australian Bureau of Statistics (ABS) defines households experiencing “rental stress” as lower-income households that spend more than 30 per cent of their gross income on housing costs. Analysis of 2021 Census Data showed that in 2021, 41.2 per cent (or 10,041 households) of renting households across the Liverpool Local Government Area (LGA) were experiencing “rental stress”.

More recently, analysis commissioned by Digital Finance Analytics found that in August 2024, 85.18 per cent of renting households in the Liverpool postcode (2170) were experiencing “rental stress”.

Attachment 1 provides a detailed summary of Council’s submission on the Inquiry Terms of Reference. Council requests that the recommendations outlined in this submission are considered and prioritised by the Select Committee as part of the Parliamentary Inquiry. Council is committed to working with the NSW Government to improve opportunities for essential worker housing across South-West Sydney and deliver realistic solutions to the housing affordability crisis.

Should you require any further information, please contact Mark Hannan, Council’s Manager City Planning, on [REDACTED] or at [REDACTED]

Yours sincerely



Lina Kakish
Director Planning and Compliance

Attachment 1 – Detailed Comments

1. Background Information

The Liverpool LGA is experiencing substantial population growth, with a forecast population increase from the current population of 251,438 people to approximately 352,811 people by 2046, representing an overall increase of 40% (Forecast ID). With such population growth, more suitable and diverse housing options are required, alongside the need for supporting infrastructure to ensure these homes are serviced adequately.

According to Profile ID (2021), Liverpool City Council has a score of 968 on the SEIFA Index of Advantage and Disadvantage. The SEIFA Index offers a general view of the relative level of disadvantage, and a low score indicates relatively greater disadvantage, and lack of advantage in the public. Liverpool currently ranks 48 out of 128 NSW Local Government Areas, and is below the neighbouring LGA of Penrith, Blacktown, Wollondilly and Camden, Hawkesbury, Penrith and Wollondilly.

Within the Liverpool LGA, residential development is primarily controlled under two planning instruments – the Liverpool Local Environmental Plan (LEP), and the State Environmental Planning Policy (Precincts – Western Parkland City) 2021 (SEPP WPC 2021). Under these existing planning frameworks, our LGA has extensive capacity to cater for additional residential development.

A recent report in support of Council's LEP Review Project identified a total capacity of approximately 143,000 dwellings under the existing planning controls within the Liverpool LGA. More specifically, there is a latent capacity of 73,900 dwellings (realistically developable land that is free from major constraints).

Much of the discussion around affordable housing, and the housing crisis is centred on supply. With the rationale that if we build more housing, supply will exceed demand, subsequently improving housing affordability. However, the discussion must be more nuanced than this.

Over recent years Liverpool continues to lead in approvals for dwellings, with 1,992 approvals in 2022-2023, being the third highest in Greater Sydney (following Blacktown City Council and Hills Shire Council's). Despite the high approval rate, the shortage in material and labour supply, and market feasibility means that approvals do not represent completions and housing delivery. Therefore, any planning reforms must take this into account, and aim to balance housing supply, market factors as well as good planning practices.

2. Liverpool LEP Review Project

Despite meeting housing targets and already having extensive capacity within the planning framework, Council is undertaking a review of the Liverpool LEP to encourage additional housing in appropriate locations. This is in accordance with actions from the Liverpool Local Strategic Planning Statement (LSPS) and Local Housing Strategy.

Council endorsed the following principles to guide the application of residential land uses under the new LEP. These received a high level of support from the Liverpool community and stakeholders.

1. Encourage high-density residential development in the vicinity of the Liverpool City Centre and along Transport Corridors;
2. Facilitate appropriate transitions from R4 High Density Residential to R3 Medium Density Residential zoned land;
3. Promote high quality multi dwelling housing developments in R3 Medium Density Residential zone to support housing diversity; and
4. Protect suburban character of low-density residential areas.

On 29 May 2024, Council endorsed the new LEP being sent to Department of Planning, Housing and Infrastructure (DPHI) for a Gateway Assessment. The Planning Package was submitted to the Department of Planning, Housing and Infrastructure on 28 August 2024.

3. Parliamentary Inquiry – Essential Worker Housing

Council has provided detailed comments below in response to the individual items detailed in the Inquiry Terms of Reference. Council does however acknowledge that each LGA in NSW has unique challenges within their community, and this is especially true when talking about housing needs, and skill shortages.

Additionally, the unique challenges experienced by each area are further exacerbated between Regional NSW, and Greater Sydney. For example, Byron Shire and Narrabri Shire Councils have challenges unique to their community, which are substantially different to those experienced by the Liverpool LGA, and therefore may require different skillsets to grow and support their local economy. A nuanced and context-aware solution to essential worker housing is crucial.

- *3(a) – Establishing an appropriate definition for Essential Worker Housing*

Essential workers may differ between geographic region on the basis of existing skills, (or lack thereof), and types of anchor employment opportunities.

Any 'essential worker housing' definition must respond to local contexts and labour market concerns. Provision should be provided that enables local Councils to add / remove some of the considerations in the definition. This would deliver Local Government with the flexibility to respond to local contexts.

The following considerations should be incorporated into the definition:

- **Employment Type:** It is important to establish which type of workers are considered 'essential'. Noting this may vary depending on location, however, at a minimum it should consider workers in the following industries as Essential Workers:
 - Health
 - Education

- Emergency Services (NSW Police, NSW Fire & Rescue, Ambulance NSW, etc.)
- Department of Communities and Justice
- Any industry within a Local Government Area that is identified as a skills shortage within that area.
- **Location:** For essential worker housing to work successfully in Greater Sydney, it is important for the housing to be located close to public transport nodes and services such as hospitals, schools, retail centres, etc. This will reduce private vehicle reliance and ensure the land use caters for the needs of its residents. It is worth noting, Regional NSW will have different locational requirements given the lack of public transport and high reliance on private motor vehicles.
- **Zoning:** Consideration must be given to which land use zonings the definition will be listed as a permissible use. Noting that each Council uses land-use zones differently, therefore further consultation should be conducted with Councils.
- **Environmental Constraints:** The definition must consider if the land use is restricted on land which is subject to environmental constraints including flood prone land, bushfire prone land, contaminated land and environmentally sensitive land, etc.
- **Housing Type:** It is important that diverse housing types, and sizes are available to cater for the needs of all residents (e.g. single person households, couples, families, etc.). The definition should consider what land use type will be used for essential worker housing. Given the above, shop-top housing, residential flat buildings and mixed-use developments would be the most suitable housing type in a Greater Sydney context but not necessarily be relevant for Regional NSW.
- **Affordable Housing:** For essential worker housing to function successfully, it must be considered 'Affordable Housing', and rented below market rent. It is important that the definition specifically states that such development is to be rented as affordable rental housing **in perpetuity**.
- *3(b) – Identify options to increase housing supply for essential workers including but not limited to:*
 - i. **Planning tools and reforms**

The Parliament of New South Wales published a Research Paper in August 2024 called '*The Economics of Housing Supply: Key concepts and issues*' (Research Paper 7, 2024). The Paper acknowledged that the planning system is often cited as a key barrier to delivering new housing, however it acknowledged that planning systems and zoning capacities are very localised.

Combining statewide housing data does not accurately capture the nuances of housing issues and planning controls at a local level. This is directly relevant to any planning reform relating to essential worker housing, as each location has different challenges. As such, any planning reforms must take local context into consideration.

In addition to establishing an appropriate definition for essential worker housing, a supporting guideline must be prepared which outlines the design criteria and expectations for essential worker housing development. It is recommended that the Government Architect NSW *Apartment Design Guideline* is included for consideration, particularly in a Greater Sydney and Outer Metropolitan context.

ii. Incentives for developments on privately owned land

There are multiple levers that have already been adopted in relation to the development of affordable housing on privately-owned land. Development incentives within planning controls for the inclusion of affordable housing within new developments are currently permitted under “Chapter 2: Affordable Housing” of the “*State Environmental Planning Policy (Housing) 2021*”.

This already provides means by which market-led residential construction can obtain development incentives for the inclusion of affordable rental housing. Some analysis should be undertaken of the take up of such bonuses throughout Greater Sydney, and how many affordable rental houses are being delivered under the scheme before it is expanded further.

Council has written to the DPHI on multiple occasions expressing their support for additional affordable housing across Western Sydney. In January 2023 (as part of a submission for the Explanation of Intended Effects on the Housing SEPP), and again on 7 May 2024, following a Resolution of Council on 27 March 2024, Council requested an amendment to the *State Environmental Planning Policy (Housing) 2021* mandating that housing delivered under the current bonus scheme remains affordable housing in perpetuity. Amendments to the bonuses to facilitate this outcome is welcomed so long as development outcomes are balanced to ensure adverse impacts are mitigated. These comments are reiterated as part of this submission.

iii. Opportunities within developments on government owned land

The NSW Government has a pivotal role to play in the provision of appropriate housing for essential workers as the market is not meeting the existing demand. Where the market cannot, or will not increase housing supply, the NSW Government has the resources, skills and experience to undertake this function and deliver new housing.

From a Local Government perspective, although majority of Councils do not have the resources, skills and experience to deliver new housing, Councils do own surplus land in locations that could be repurposed for essential worker housing if viable mechanisms were provided to encourage repurposing of the land for residential development. For example, the NSW Government could introduce a program which incentivises Councils to re-purpose redundant land for affordable housing projects. This program could also include community housing providers, and may assist in getting housing delivered faster, as many private developers are not commencing construction given the difficult market conditions.

iv. Investigate reforms that promote fiscal sustainability, innovation and essential worker housing in-perpetuity

Currently under the Housing SEPP 2021, the affordable housing component is only required to be retained for a 15-year period. Council has previously requested and reiterates the request for this to be amended, and for the affordable housing component of any development to be maintained in perpetuity.

The primary way essential worker housing can be developed and retained in perpetuity is if the NSW Government builds and retains ownership of the housing. With the exception of the City of Sydney, most Local Governments do not have the necessary resources, skills and experience to undertake these types of projects.

Other options that could be investigated include:

- Requiring Affordable Housing Contributions Schemes to be drafted for any up zonings;
- Low-rate loans to developers who deliver new affordable rental housing in perpetuity; and
- A new mandated land use definition for Local Environmental Plans for both 'Affordable Housing' as well as 'Essential Worker Housing'. Both definitions should include specific location criteria that require developments to be located close to public transport, services and employment.

In late 2023 / early 2024, Liverpool City Council staff worked in collaboration with staff from the Western Sydney Planning Partnership (WSPP) in developing a Regional Affordable Housing Contribution Scheme ("the Scheme"). This was to satisfy the requirement from the DPPI to prepare an Affordable Housing Contribution Scheme (AHCS).

The Scheme applied to nine Western Sydney Councils – including Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith, and Wollondilly – and intended to take a regional approach to affordable housing contributions. In summary, the Scheme aimed to allow sub-regional pooling of contributions with the aim of increasing the scale of contributions available to affordable housing providers. However, on 27 March 2024, Council chose not to endorse the proposal proceeding to exhibition and resolved to remove Liverpool City Council from the Scheme.

The above example illustrates the challenges of requiring local Councils, even when they collaborate at a regional scale, with developing and implementing affordable housing schemes. The NSW Government should consider developing affordable housing schemes similar to the one drafted by the Western Sydney Planning Partnership on behalf of Councils to reduce the administrative burden on individual Councils. Furthermore, the NSW Government could also investigate legislating the implementation of a scheme a mandatory requirement that all Councils must act upon rather than simply as a requirement to 'prepare' a scheme.

Finally, the NSW Government could investigate mandating a minimum percentage of new housing developments that must be delivered as affordable housing (and in perpetuity). This would enhance transparency and clarity for both Councils and the private sector, as there would be a clear indication on the scale required. Currently, under NSW legislation, affordable housing is

more of an “opt in” option for new developments which is rarely taken up by the private sector. Making the provision mandatory would not only increase the provision of affordable housing where it is most needed, it would also lead to an equalisation of costs as all proponents would need to factor in an affordable housing component for their respective residential developments.