

**Submission
No 21**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Northern Beaches Council

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Mr Alex Greenwich, MP
Legislative Assembly Select Committee on Essential Worker
Housing – Chair
NSW Parliament
6 Macquarie Street
SYDNEY NSW 2000

Our Ref: 2024/635046

Dear Mr Greenwich,

Legislative Assembly Select Committee inquiry into Essential Worker Housing

Northern Beaches Council is pleased to submit this response to the Legislative Assembly Select Committee inquiring into and reporting on options for essential worker housing in New South Wales. The broad scope of the Terms of Reference rightly reflects the complex challenges and opportunities we face in increasing housing for essential workers.

We welcome the review of the planning system and the chance to comment on strategies to provide more essential worker housing in perpetuity. We also support unlocking both private and government-owned land for this purpose.

It is crucial that the NSW Government clearly defines ‘essential worker housing’ and supports the application of a minimum rate for affordable housing, particularly for land subject to residential development uplift from State-led planning reforms. This includes the planned Low and Mid-Rise (LMR) Housing Reform areas, which aim to expand the range of permissible housing types across residential areas while allowing more than a doubling of building heights in town centre precincts on the Northern Beaches, without requiring an affordable housing contribution.

We support addressing the ongoing challenge of high property prices and rents, which have a significant impact on essential workers. On the Northern Beaches, median rents are considered well beyond the affordable rental range with 38.41% of households in rental stress (rental costs > 30% of income) and 17.23% of households in mortgage stress (mortgage costs > 30% of income).

The Northern Beaches LGA has historically had a lower proportion of social housing than other parts of Sydney, with only 1.6% of dwellings being social housing rentals, compared to 4.1% in Greater Sydney in 2021.¹

¹ Northern Beaches Council, 2021. *Northern Beaches Local Housing Strategy*. [online] Available at: <https://eservices.northernbeaches.nsw.gov.au/ePlanning/live/Common/Output/Document.aspx?t=webdoc&id=hcU3KUHqDb4V0A60ki4OEg==> [Accessed 3 September 2024].

Northern Beaches Council's Local Housing Strategy targets nearly 1,900 new social and affordable housing dwellings within the next 12 years (by 2036). We have been actively working to increase affordable housing through an Affordable Housing Policy adopted in 2017 and a subsequent Affordable Housing Contribution Scheme endorsed in 2022, committing to a 10% affordable rental housing target for all strategic plans and planning proposals for "upzoning" of land.

Despite Council's efforts, recent research by the University of Sydney and HOPE Housing indicates a consistent net loss of essential worker residents in the Northern Beaches from 2011 to 2021². This trend is particularly pronounced among younger essential workers, who are increasingly reliant on private rental markets and less likely to purchase homes due to rising unaffordability. This research highlights a significant gap in the stock of essential worker housing on the Northern Beaches.

Council's submission aligns with the inquiry's Terms of Reference and emphasises the need for the NSW Government to support councils in introducing a flat-rate contribution for affordable housing for all new development and particularly to areas of development uplift from State Government planning reforms.

1. That the Committee inquire into and report on options for essential worker housing in New South Wales, specifically:

(a) Establishing an appropriate definition for essential worker housing for the NSW Government to adopt, including criteria for prioritising worker cohorts and geographical areas.

Essential worker (also called 'key' or 'frontline' workers) housing refers to affordable and accessible housing for those providing critical 'on-the-ground' public services in sectors such as healthcare, education, emergency services, policing, transport, childcare and community welfare. These workers, typically earning low to moderate incomes, need to live near their workplaces to perform their duties in-person and respond to emergencies. Ensuring that essential workers, who are most often employed by or perform their duties on behalf of the NSW Government, can access suitable housing close to their workplaces is vital for maintaining the continuity and effectiveness of essential public services.

The NSW Government must prioritise essential workers on lower incomes, such as early-career healthcare and emergency services personnel, whose jobs may require them to be 'on-call' and in close proximity to key locations like hospitals (such as Northern Beaches Hospital) or ambulance stations. This also extends to other public services in the Northern Beaches LGA, including schools and bus depots.

Housing in the Northern Beaches LGA, like in other coastal and inner-ring LGAs of Sydney, remains unaffordable for essential workers, including early-career registered nurses and police constables. The median unit price in these areas is often out of

² Gilbert, C., Nasreen, Z. and Gurrán, N., 2023. *Tracking the housing situation, commuting patterns and affordability challenges of essential workers: a report prepared for HOPE Housing*. Sydney: The University of Sydney and HOPE Housing. [online] Available at: <https://urbanism.sydney.edu.au/tracking-the-housing-situation-commuting-patterns-and-affordability-challenges-of-essential-workers/> [Accessed 3 September 2024].

reach for these workers, even with a 30-40% shared equity contribution under the NSW Government's Shared Equity Home Buyer Helper, which closed on 30 June 2024 and is no longer available for key workers.³

Priority should be given to essential worker housing in the Northern Beaches LGA, where the cost of median-priced two-bedroom rentals, even with a 20% discount, remains extremely high. Additionally, the area has a low concentration of essential worker residents relative to the labour force, with a decline in their numbers over the five years leading to the 2021 Census.⁴

Key recommendations:

1. Ensure essential worker housing is located near key public facilities such as hospitals, schools, and bus depots.
2. Reintroduce or replace the NSW Government's Shared Equity Home Buyer Helper scheme to support key workers in securing home ownership on the Northern Beaches.
3. The NSW Government and its service providers (e.g. Healthscope for Northern Beaches Hospital and Keolis Downer for public transport) to provide affordable rental housing for its essential workers in the Northern Beaches.

(b) Identify options to increase housing supply for essential workers, including but not limited to:

(i) planning tools and reforms

It is critical that the NSW Government take leadership by implementing a minimum rate for affordable housing contributions (e.g. such as 5%) with increased rates in areas where house prices are highest and development is more feasible across Greater Sydney.

Where reforms cannot be implemented at state level, the NSW Government must commit to supporting local councils in applying a minimum flat-rate contribution for affordable housing on all new developments where it is deemed feasible, and on land subject to residential development uplift from State-led planning reforms, including the LMR Housing Reforms. This should be in place by the last quarter of 2024, in time for the implementation of Stage 2 of those reforms.

(ii) incentives for developments on privately owned land

An Affordable Housing Contribution needs to be implemented from the outset when private landowners receive the 'incentive' (and unearned value uplift) of upzoning. This

³ NSW Government (Revenue NSW), n.d. *Shared Equity Home Buyer Helper*. [online] Available at: <https://www.nsw.gov.au/housing-and-construction/home-buying-assistance/previous-programs/shared-equity> [Accessed 3 September 2024].

⁴ Gilbert, C., Nasreen, Z. and Gurran, N., 2023. *Tracking the housing situation, commuting patterns and affordability challenges of essential workers: a report prepared for HOPE Housing*. Sydney: The University of Sydney and HOPE Housing. [online] Available at: <https://urbanism.sydney.edu.au/tracking-the-housing-situation-commuting-patterns-and-affordability-challenges-of-essential-workers/> [Accessed 3 September 2024].

raises the question of why the LMR Reforms do not use this uplift as an opportunity to provide more affordable housing. The State reforms involve rezoning land to permit higher-density development. If they proceed, thousands of additional dwellings could be constructed in the Northern Beaches LGA. Concerningly, the LMR Housing Reforms do not include requirements for any provision of additional affordable housing.

In contrast, Northern Beaches Council's Affordable Housing Contribution Scheme (AHCS), which has been in operation since 2022, addresses uplift (but is currently unable to be applied to upzoning by the LMR Reforms). The AHCS and associated Local Environmental Plan (LEP) clause, identify the types of developments, the contribution rate for affordable housing, and how dwellings are to be dedicated.

For example, within the Frenchs Forest Precinct, 15% of the gross floor area is to be provided as an affordable housing contribution within the town centre, and 10% outside of it. So far, five (5) Development Applications (DAs) have been lodged with the Council within the Frenchs Forest Precinct that are covered by the AHCS and affordable housing clause, totalling 25 units to be dedicated to the Council for affordable housing.

In the medium to long term, the costs associated with affordable housing are incorporated into the cost profile of any potential development before the acquisition of a development site, thereby directly reducing the sale price landowners could achieve, as purchasers (i.e. property developers) would require a tenable profit margin (effectively shifting the windfall 'planning gain' from private to public interests).

Promoting models like build-to-rent projects by community housing providers (CHPs), could also offer long-term solutions for essential worker housing. These models maintain affordability in perpetuity and could be particularly relevant in high land value regions like the Northern Beaches.

For example, the build-to-rent project at the former church site at 389 Illawarra Road, Marrickville, utilises privately owned land to provide 54 small-footprint apartments to eligible residents at 80% of the market rate for rent. About one in five homes are set aside for priority groups, including essential workers.⁵ As a sign of support, Inner West Council also waived over \$1 million in development contribution fees for this project. However, for this model to effectively address affordable rental housing for essential workers on the Northern Beaches, the discount on market rent would need to exceed 20%, as median rents are considered well beyond the affordable rental range.

(iii) opportunities within developments on government owned land

Northern Beaches Council recommends that the NSW Government review its surplus land on the Northern Beaches to prioritise the delivery of essential worker housing. There have been very few recent examples of new essential housing constructed by the NSW Government within the Northern Beaches LGA, although a recent development consent granted last year at North Manly is welcomed.⁶

⁵ Bolger, R., 2024. *First tenants prepare to move into Marrickville micro apartments in build-to-rent housing partnership*. [online] ABC News. Available at: <https://www.abc.net.au/news/2024-03-27/nightingale-micro-apartments-marrickville-build-to-rent/103630652> [Accessed 3 September 2024].

⁶ Landcom, 2024. *Queenscliff*. [online] Available at: <https://landcom.com.au/projects/queenscliff> [Accessed 3 September 2024].

This project involves adapting the former Queenscliff Community Health Centre into affordable and diverse housing. Landcom and Link Wentworth (a CHP) will deliver a low-scale development, with at least 12 of these apartments designated as affordable rental housing for women over 55 in housing stress, while 13 apartments may also be available as affordable housing. Although this project helps address affordable housing needs in the Northern Beaches, its focus on housing for essential workers is limited.

Due to the high cost of housing within the LGA, Northern Beaches Council has struggled to attract operational staff, including those in childcare services and cleaning. The former Manly Council had a now-discontinued initiative known as the 'Coast Car', which provided transportation to the Central Coast, but this did not benefit employees living in areas like Penrith and Parramatta.

Council also does not have housing available for its staff, although this may change in the future as approved affordable housing stock is delivered. It is anticipated that Council will tender for a Community Housing Provider to manage and deliver future affordable housing for use by essential workers. This could include staff employed by the Council, provided eligibility is assessed by an external agent based on clear criteria.

Key recommendations:

4. Establish a minimum 5% affordable housing contribution rate for all developments on land subject to uplift from State-led planning reforms (including the LMR Reforms) or support councils in enforcing this from the outset by Q3 2024.
5. Provide greater financial incentives for build-to-rent models that offer long-term affordable rental housing for essential workers in high land value areas.
6. Implement policy changes to ensure that the discount on market rent exceeds 20% to secure genuinely affordable rental housing for essential workers in high land value areas.
7. Conduct a detailed review of surplus and disused government land on the Northern Beaches for potential use as affordable housing for essential workers.

(iv) investigate reforms that promote fiscal sustainability, innovation and essential worker housing in-perpetuity

(v) other related matters.

On 14 December 2023, the NSW Government introduced in-fill affordable housing changes to the Housing SEPP to encourage private developers to boost affordable housing and deliver more market housing. The reforms include a floor space ratio (FSR) bonus of 20–30% and a height bonus of 20–30% for projects that allocate at least 10-15% of gross floor area (GFA) to affordable housing. Currently, the affordable housing portion of the development must remain affordable and be managed by a registered community housing provider for a minimum of 15 years. This requirement should be revised to ensure affordable housing is delivered in perpetuity.

Council welcomes the Housing Australia Future Fund (HAFF), established on 1 November 2023, as an investment vehicle to enhance social and affordable housing. This initiative builds on the NSW Government's success with the Social and Affordable Housing Fund (SAHF). Council also commends the Premier's announcement on 16 June 2024 of a \$450 million investment to deliver over 400 build-to-rent apartments for essential workers over the next three years.⁷

The NSW Government should advocate for HAFF and State funding to be directed towards residential projects in high-need areas. Additionally, it should promote investment from not-for-profits and superannuation funds in essential worker housing, particularly where rental affordability is a significant issue, such as the Northern Beaches. It is essential to ensure the value of both Commonwealth and NSW Government investments by requiring project proponents include a not-for-profit CHP to ensure the investment benefits the community in perpetuity.

While Council collects data (which we are happy to share with the inquiry) on the number of approved affordable housing dwellings dedicated as part of its Affordable Housing Contributions Scheme, a standardised state-wide approach should be established. A publicly accessible and centralised framework should be established to monitor affordable housing across NSW, including projects that are approved, built, and delivered. Currently, while a development application (DA) with an affordable housing component may be approved, there is no coordinated approach to ensure that the affordable housing is built or allocated to affordable housing.

Affordable housing should be secured in perpetuity, and the NSW Planning Portal could be adapted to capture data about the affordable housing components of DAs by including relevant additional fields for applicants. It is also noted that the Department of Planning, Housing and Infrastructure does not track or monitor the performance of its affordable housing SEPPs.

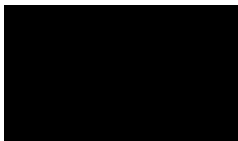
Key recommendations:

8. Revise the Housing SEPP to ensure that floor space and height bonuses deliver affordable housing in perpetuity, not just for 15 years.
9. Advocate for applications to the Housing Australia Future Fund (HAFF) and state affordable housing funding to be directed towards projects focusing on essential worker housing in high-need areas such as the Northern Beaches.
10. Promote investment from not-for-profits and superannuation funds in essential worker housing within the Northern Beaches LGA.
11. Establish a publicly accessible framework to monitor and track affordable housing projects across NSW, ensuring transparency and accountability in the delivery of approved developments.

⁷ NSW Government, 2024. *New homes closer to jobs and services for essential workers*. [online] Available at: <https://www.nsw.gov.au/media-releases/new-homes-closer-to-jobs-and-services-for-essential-workers-sydney> [Accessed 3 September 2024].

Should you require any further information or assistance in this matter, please contact my office on [REDACTED].

Yours faithfully

A large black rectangular redaction box covering the signature of Scott Phillips.

Scott Phillips
Chief Executive Officer