

**Submission
No 30**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Catholic Diocese of Maitland-Newcastle

Date Received: 11 September 2024

Introduction

The Catholic Diocese of Maitland-Newcastle welcomes the opportunity to provide a submission to the Inquiry into essential worker housing in Australia.

The Catholic Diocese of Maitland-Newcastle provides pastoral, social welfare, educational and childcare services for the community in the Newcastle, Lake Macquarie, Hunter, Upper Hunter and Manning areas. The Diocese encompasses six distinct agencies and collectively employs more than 5,200 staff, making it one of the region's largest employers. These agencies include:

- **Catholic Schools Office** is our largest agency and comprises 44 primary schools, 12 secondary schools, two K-12 schools, educating more than 21,000 students.
- **St Nicholas Early Education** operates 12 early education centres as well as the Out of School Hours care in 34 Catholic schools. Alongside this care, St Nicholas Pathways program supports study and career options for early education.
- **CatholicCare Social Services Hunter-Manning** is our community services agency and provides support, assistance and education through a range of child, youth and family services, foster care, counselling, homelessness, food security and refugee programs.
- **Hunter Community Housing** is a registered tier 2 community housing provider and offers affordable housing, supported independent living for young people, group homes, and a market residential program.
- **Catholic Community Fund** provides the treasury function for the Diocese and its agencies, ensuring the financial investments of the Diocese are prudently invested and managed.
- **Office of Safeguarding** is responsible for the safeguarding of all children and vulnerable adults who participate in the life of the Catholic Diocese of Maitland-Newcastle.

Positioning statement

Our position on essential worker housing is guided by:

- Our property development experience which includes the construction of 65 affordable dwellings across three sites in NSW, made possible through the National Rental Affordability Scheme
- The experience of Hunter Community Housing as a provider of affordable housing to low-moderate income households
- A large employer of essential workers – 2,600 schoolteachers and 770 childcare staff.
- Our vast region encompassing 10 local government areas, including metropolitan and regional zones.
- Substantial property holdings worth over \$1billion
- The likely effect that changes would have on our organisation, our staff and the people in our Diocese.

Key issues

The Diocese welcomes the Inquiry into essential worker housing and sees the key issues driving the need for change as:

- **Increasing cost and risk of property development affecting supply:** The delivery of new homes has slowed by a range of factors including the increased cost and shortage of building materials, skilled labour shortages, rising land values, access to finance and increased interest rates. More investment is required to ensure development ventures are economically feasible and risks minimised.
- **Household eligibility:** The current household income eligibility limit precludes some essential workers from accessing designated affordable housing. Incomes across these sectors and locations vary greatly and, in some instances, the income does not meet the criteria to qualify for affordable housing, yet the household remains in financial stress and housing needs remain.
- **Location of housing:** For essential workers who are on call, who are shift workers and who undertake physically demanding work, the proximity of their housing to their work location is vital. Close proximity means reduced commuting time, reduced traffic congestion and less risk of burnout. Similarly, housing for essential workers is needed across a variety of locations including metropolitan, regional and rural. Without this, the functioning of our cities and towns will be at risk.

Recommendations

The Inquiry has an opportunity to affect real change, and the Diocese wishes to put forward these concepts for consideration.

Planning tools and reforms

- **Floor space and height bonuses:** To encourage the construction of affordable housing, the NSW Government has introduced various incentives for residential developments. These include a 30% bonus in floor space and height, as well as an expedited development approval process for projects that allocate at least 15% of their space to affordable housing. The introduction of NSW legislation that would offer these same planning bonuses to essential worker housing, would stimulate investment and construction.
- **Inclusion in Transport Oriented Development zones:** Another development initiative that the NSW Government has introduced is the Transport Oriented Development (TOD) program. The program aims to create more well-located homes close to transport, jobs and services. Currently large developments in TOD zones must designate 2% of floor space for affordable housing. The Government has indicated this percentage will be increased over time. By legislating that new housing delivered in TOD zones must include a percentage provision of essential worker housing, the supply of well-located homes will increase. Housing located in TOD zones provides essential workers with the option to utilise public transport to keep commuting times low. This is particularly important for those workers who are on call, work in physically demanding roles or who undertake shift work.

Incentives for developments

It is broadly understood that the development of community housing is generally not as immediately profitable as other property investments that can charge full market rent or sale price. **However, with the appropriate government incentives** described below, the economic feasibility of such projects can be enhanced, which acts to stimulate development.

- **Upfront capital grants:** The provision of upfront capital grants is an effective funding mechanism for community housing providers to deliver social and affordable housing. When combined with access to low-interest loans, this approach provides an immediate economic stimulus to kickstart construction

quickly. Schemes such as the NSW Community Housing Innovation Fund and NSW Social Housing Accelerator Fund are examples of upfront capital grant funding. Broadening the scope of these schemes to include essential worker housing, would stimulate supply.

- **Ongoing gap payment funding:** The Housing Australia Future Fund (HAFF) was recently introduced to by the Federal Government to improve housing outcomes through funding that supports the delivery of 20,000 new social and 20,000 new affordable homes across Australia. HAFF offered these funding products:
 - Availability payments – quarterly payments over a 25-year period to cover the gap between rental income received and operational costs
 - Concessional loans – zero interest, 25-year loans
 - Upfront capital grants (in exceptional circumstances only)

Round one of HAFF (early 2024) was massively oversubscribed, indicating there is high demand from community housing providers for funding to deliver their shovel-ready housing projects. If additional funding was channelled into HAFF, more shovel-ready housing projects could be realised more quickly. Moreover, broadening the scope of HAFF to include essential worker housing, would further stimulate supply.

- **Subsidies:** The National Rental Affordability Scheme was introduced by the Federal Government in 2008 aimed at increasing the supply of affordable rental housing for low to moderate income households. Eligible property owners received a subsidy to rent their properties to eligible tenants for at least 20% less than the market value rent for a period of 10 years. The funding available through NRAS was an adequate incentive many property investors and delivered more than 30,000 homes. Indeed, the Diocese participate in the scheme and constructed 65 dwellings across three locations in NSW. Despite NRAS being an effective financial stimulus, there were learnings from the scheme:
 - In our experience, it was found that many essential workers did not qualify for NRAS housing as their incomes were above the eligibility threshold. While the scheme did help many eligible families, the loose allocation process meant it did not target those most vulnerable.
 - The annual subsidy provided to developers did not vary based on location or dwelling type. Unsurprisingly, the scheme ultimately funded many of smaller dwellings such as apartments which allowed developers to receive more of the subsidy.

Nevertheless, our 65 properties have been fully tenanted since completion, providing a safe, secure and affordable home for many eligible families. A refreshed scheme that adopts the effective elements of NRAS to encourage property development investment would be welcomed.

- **Tax benefits and discounts:** Additionally, incentives such as tax concessions or the removal of stamp duty for purchases should be considered. These incentives might apply where a minimum percentage of the housing will be allocated to essential workers for a minimum time period.

Other related matters

- **Review of household eligibility:** There is a need to review the income limits for essential worker households to access designated housing, so that eligibility thresholds are aligned with actual incomes. As incomes vary depending on sector and location, the income thresholds may also need to be variable.

Summary

This submission outlines the key issues impacting essential worker housing as: the increasing cost and risk of property development affecting supply; household eligibility; and the location of housing.

We offer several recommendations for consideration by the Committee. Firstly, the introduction of planning tools and reforms including floor space and height bonuses and the inclusion of essential worker housing in TOD zones. Secondly, we propose a raft of incentives for developments which include the provision of upfront capital grants, ongoing gap payment funding, subsidies, tax benefits and discounts. Finally, we recommend the income limits for essential worker households are reviewed to ensure workers can access designated housing.

Introduction of the above recommendations would encourage the community housing sector to build essential worker housing. We hope this Inquiry will prompt further discussions, accelerating and leading to increased investment to address the demand for essential worker housing.