

**Submission
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OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

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Overview

I welcome the opportunity to respond to the Parliament of New South Wales (NSW) Legislative Select Committee Inquiry on essential worker housing. I am the Professor of Planning at Western Sydney University, the Co-Director of the Urban Transformations Research Centre - the university's largest Strategic Research Initiative - and a Senior Visiting Fellow at the University of Cambridge, where I was employed before joining Western Sydney University in 2019. As a recognised expert on the UK's essential (key) worker housing policy, I have translated rigorous, evidence-based research into practical solutions, advising the UK Government and local planning authorities on securing essential worker housing through the planning system. I have also fostered extensive international collaborations to ensure policy solutions are tailored to specific contexts. In 2019, I was honoured by the UK Royal Town Planning Institute for my leadership and contributions to the profession. My submission addresses the Committee's Terms of Reference, exploring options for essential worker housing in New South Wales.

(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 workers** are those working in the public sector in areas such as health, education, and community safety where there are serious recruitment and retention problems. They are a subset of low-to middle-income households who can specifically be targeted for housing assistance.
- **Essential worker housing** can be either owner-occupied or rental. Intermediate rented housing is often targeted in programs due to its flexibility and the ease of enforcing conditions to maintain long-term affordability. However, owner-occupied housing tends to be more popular with households, as it offers the prospect of home ownership and long-term stability.
- **Intermediate (discounted) rented housing** is defined as housing with rents that are higher than social rents but below market rates, aimed at specified eligible essential worker households whose needs are unmet by the market. It is crucial that these rents are secured in perpetuity to provide a lasting benefit to future targeted essential workers.

Joint household earnings are capped to ensure eligibility. This housing model offers an affordable solution for essential workers early in their careers, particularly when their job tenure is uncertain. For instance, major teaching hospitals often train staff who may later move on to permanent positions elsewhere. By encouraging these mobile workers to remain in their posts for a longer period, intermediate renting can positively impact staff turnover and stability.

Such housing can be developed by community housing providers (CHPs) or private investors through build-to-rent schemes. CHPs may focus on essential worker housing, as these workers can often contribute to their housing costs. However, this should not come at the expense of affordable housing for priority need households, posing a complex challenge. CHPs aim to create long-term affordable housing solutions, while private investors may include these developments as part of a broader strategy. In build-to-rent schemes, properties are built specifically for rental, with a proportion offered at intermediate rents. In these cases, the investor would need to subsidise the lower rent, meaning it may not directly benefit their returns. Moreover, rental properties mainly address short-term needs and fall short of tackling the broader challenge of supporting essential workers' long-term aspirations and access to homeownership.

- **Open Market Shared Equity Loan** (such as Open Market HomeBuy in the UK) allows applicants to purchase a property in the open market with a traditional mortgage, supplemented by an interest-free equity loan from the government, typically covering 25% of the home's value. The loan is repaid when the property is sold, with its value rising or falling with the home's value. Joint household earnings are capped to ensure eligibility. This scheme proved popular among essential workers in the UK due to the flexibility of choosing property type and location, but it has been criticised for increasing demand without addressing housing supply issues. In high-cost areas like NSW, price increases could outpace the government subsidy, making it difficult for essential workers to afford homes.
- **Shared equity schemes** (such as the New HomeBuy in the UK) are a home ownership model where buyers purchase a portion of the property, typically between 25% and 75%, while the remaining share is owned by a housing provider, government, or private investor. This model reduces upfront costs for buyers, who only need a mortgage for their share, making home ownership more affordable. Buyers pay rent on the unpurchased share and can "staircase" to full ownership over time, eventually owning the property outright. In rural UK areas, for example, the equity purchase was capped at 80% to ensure homes remained available for locals, with the housing provider retaining 20% ownership. Although in the UK, New HomeBuy provides an option for first-time buyers and essential workers, it has been less popular compared to Open Market HomeBuy, particularly because the combined cost of mortgage, rent, and service charges can be comparable to full mortgage payments and offers fewer choices in housing options.

Criteria for prioritising worker cohort

The NSW Government should proceed carefully when creating a framework to identify essential worker employees in need of housing assistance, as it risks fostering divisiveness and unequal treatment of workers and citizens based on perceived value. Many commentators, including myself, have highlighted the controversy surrounding essential worker eligibility, particularly in defining the group and determining salary cut-offs—an issue faced globally

when evaluating who is critical for the competitiveness and sustainability of communities. To ensure fairness, joint household earnings should also be capped to maintain eligibility criteria.

The criteria for housing assistance must not be too narrowly defined and should encompass a broad range of public sector workers across health, education, and policing—not just frontline staff, but also support roles. In my research on the health sector in Cambridge, UK, I recommended a broader definition than the current government standard, which focuses on nurses and clinical staff. Our survey revealed that medical secretaries, receptionists, porters, and junior technical staff also faced severe difficulties affording housing in high-cost areas. Student nurse graduates and overseas recruits, who form a large part of the workforce, are often excluded from housing assistance, a policy the UK government acknowledges has negatively impacted morale.

Criteria for prioritising geographical areas

The difficulties lower-paid public sector employees face in accessing affordable housing are invariably linked to high-cost locations, particularly in NSW's fastest-growing areas where high demand exceeds housing supply. Evidence-backed research can demonstrate the negative impacts on local economies, including reduced competitiveness for employers, recruitment challenges, and retention issues. Furthermore, essential workers being unable to live near the communities they serve has led to long commutes, further affecting efficiency. In contrast, less expensive and low-growth areas are less of a priority, as essential workers are more likely to afford homeownership there. This distinction highlights the need for targeted policy interventions to maintain the economic competitiveness of NSW's strongest growth areas, where the essential worker housing issue is more pronounced. It is harder to justify such interventions in areas where the problem is less evident.

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

(i) planning tools and reforms

On the supply side, regulatory approaches, often planning-based, are the primary means of delivering affordable housing. In the UK, developers are legally required to either build or fund affordable housing as a condition for receiving planning permission, under Section 106 Agreements, a legally binding agreement established by the Town and Country Planning Act 1990. Recognising the growing affordability challenges for essential workers, UK Planning Policy Guidance (PPG) 3: Housing (2000) introduced key workers into the planning system, directing local authorities to consider the housing needs of various groups, including key workers. Authorities can set specific targets for intermediate housing in new developments, with key worker housing positioned near suitable employment.

In NSW, while local councils have voluntarily introduced planning agreements (VPAs) to secure affordable housing, implementation has often been challenging. If essential worker housing is to be included in VPAs, councils would need to expand their definition of affordable housing in planning documents and conduct local housing needs studies to provide evidence of demand for essential worker housing.

The NSW Planning reforms are a positive step, making affordable housing contributions mandatory in selected Transit Oriented Development (TOD) precincts. This aligns strategically with precinct Master Planning, with eight accelerator TOD precincts committed to providing 15% of homes as affordable housing in perpetuity. A new SEPP for an additional 31 TOD precincts mandates a minimum 2% affordable housing contribution for new developments. Including a proportion of essential worker housing within these affordable housing requirements makes sense, as TOD areas are high-demand locations, well-connected to

transport, employment, recreation, and services. This supports the NSW government's goal of creating vibrant, inclusive communities through housing diversity, benefiting essential workers and their families, and strengthening community resilience.

However, I argue that the NSW Planning reforms do not go far enough and represent a missed opportunity. These comparatively low affordable housing percentages are insufficient to address the significant housing needs of low- to moderate-income households, such as essential workers, who are critical to local economies and communities but cannot afford market-rate housing. The bar is set too low, and with the exact proportion of affordable housing subject to feasibility testing, developers have ample opportunity to challenge and dilute these policies.

There are two major issues with planning policies, such as VPAs and mandatory affordable housing requirements at TODs, regarding the provision of essential worker housing. First, key worker housing should be an additional requirement for developers rather than a replacement for traditional affordable housing. Second, the demand for newly built key worker housing remains uncertain and should be assessed through evidence-based research.

(ii) incentives for developments on privately owned land

Another NSW planning reform underway is the introduction of a new SEPP focused on 'low to mid-rise housing,' where rezoning for higher density will be permitted in exchange for affordable housing contributions. Developers can receive a 20-30% height bonus if they allocate 10-15% of the gross floor area to affordable housing. This provides an incentive for the private sector to engage in affordable housing development. Greater Sydney, with the lowest population density among major international cities, offers scope for increased density.

While a portion of this affordable housing could be designated for essential workers, the primary issue lies in the policy's failure to secure affordability in perpetuity. After 15 years, properties can revert to open market value, which undermines long-term affordability. This is a significant concern and warrants urgent reconsideration.

Furthermore, relying on incentives tied to developments on privately owned land often results in ad hoc housing delivery that is less strategic than the more coordinated approach of NSW Planning reforms around Transit-Oriented Developments (TODs). Finally, as infill growth increases, there is a pressing need to expedite infrastructure development in these areas. Without adequate infrastructure, existing services and communities will face additional strain. To ensure density is managed effectively, councils must be supported with funding and resources to plan and deliver infrastructure, avoiding long-term negative impacts. However, essential worker housing should not replace traditional affordable housing in negotiations with the development industry. While it may be acceptable to existing communities, the goal is to create balanced, mixed-tenure communities that include a full diversity of housing, particularly for those in priority need.

(iii) opportunities within developments on government owned land

The NSW Government made a pre-election commitment to ensure that developments on surplus public land include a minimum of 30% social, affordable, and universal housing. As part of this commitment, potential sites are undergoing a due diligence process through a state-wide land audit, offering the opportunity to unlock underutilised land and streamline the ability of government agencies to deliver housing.

Assuming sites are identified and brought forward for redevelopment, this creates an opportunity for a portion of the affordable housing to be earmarked specifically for essential workers. I recommend that government-owned land be subsidised and made available to state agencies, such as Landcom, Aboriginal Housing, and the Land and Housing Corporation, at

below-market value to ensure successful delivery. Additional funding will be necessary to support infrastructure, especially as many of these developments will involve complex brownfield sites with unforeseen costs.

Joint ventures on surplus government-owned land, like hospital or educational sites, offer a strategic way to deliver essential worker housing near key public sector employers. Locating housing close to workplaces, such as hospitals or educational institutions, would allow essential staff to travel using sustainable modes like walking or cycling, while also catering to those working irregular or shift hours. International examples show that innovative strategic partnerships - such as Limited Liability Companies and shared equity models - can facilitate these developments, with long-term government subsidies being a key factor in their success.

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

Fiscal sustainability should focus on ensuring that essential worker housing initiatives do not place undue long-term strain on public finances. The shared equity scheme is a strong example, aiming to reduce entry costs for essential workers without overburdening government budgets. I can expand on how this model has been effective internationally.

Innovation should include exploring new models for financing, design, and construction, particularly through prefabricated or modular housing. My colleagues at the Urban Transformations Research Centre (UTRC) are experts in prefabricated/modular housing and are willing to expand on these innovative solutions.

Furthermore, my colleagues and I can also elaborate on how innovative partnership arrangements, such as joint ventures, can work to support the development of essential worker housing while maintaining fiscal sustainability.

(v) other related matters.

The provision of essential worker housing must be carefully tailored to meet the needs of workers. New builds often consist of high-density, smaller units, but many new recruits will want the option to move into larger accommodation in the future without needing to relocate. The aim of essential worker housing is not only to attract but also to retain workers in their roles. Recruitment and retention in the public sector are complex policy areas, and it is difficult to isolate housing costs as the sole issue. A tight labour market, capped salary scales, low public sector wages, and rising living costs all contribute to the problem. In-depth research, informed by international lessons, is essential to support any policy intervention proposed by NSW Government.


While housing for those in priority need should remain a priority for government subsidies, it is valid that a portion of new housing is affordable for essential workers. Without this, essential workers may be forced into lower-quality, high-cost housing, shared accommodation, or long commutes from more affordable areas. Over time, these conditions contribute to unsustainable patterns of job-housing imbalances and urban sprawl, as seen in Greater Sydney and other major cities in NSW. Addressing these issues through targeted housing solutions can help create more sustainable communities and reduce strain on infrastructure and services.

Many thanks for providing this opportunity to share this overview of my perspective and insights. My colleagues and I at UTRC look forward to offering further advice and research as required.

Kind regards



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