

**Submission
No 44**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Blue Mountains City Council

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Office of the Chief Executive Officer

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Parliament of New South Wales
Legislative Assembly Select Committee on Essential Worker Housing

Email: EssentialWorkerHousing@parliament.nsw.gov.au

Dear Sir/Madam,

Submission to the Legislative Assembly Select Committee on Essential Worker Housing

Blue Mountains City Council (Council) welcomes the opportunity to make a submission for consideration in the Parliamentary inquiry into essential worker housing.

The Blue Mountains is a city located along a ridgeline within a World Heritage National Park. This unique setting limits the urban footprint, limiting opportunities for increased housing supply and impacting housing affordability.

Housing affordability within the Blue Mountains, like the rest of NSW, continues to deteriorate. The ongoing housing crisis has severely impacted the availability of affordable homes and is profoundly felt across the Blue Mountains community.

To address this issue, Council has been working to encourage and support the delivery of affordable housing. Council has recently exhibited a draft Affordable Housing Policy (the draft Policy) which identifies potential mechanisms available to Council to encourage housing while acknowledging that much of the onus of supporting such development is at a State and Federal level. In late 2023, Council also adopted the Katoomba Master Plan which identifies housing as a key priority in various locations and forms. Concepts from the draft Policy and the Katoomba Master Plan have been applied to this submission as recommendations and examples of the need for essential worker housing.

Below, each of the terms of reference are addressed, providing recommendations on the implementation of essential worker housing from a planning perspective informed by the Blue Mountains context.

Term of Reference (a) – definition for essential worker housing

Defining essential worker housing as a land use will allow consistent integration into existing planning instruments. Council's draft Affordable Housing Policy (the draft Policy) highlights 'key



workers' as a target group. Key workers are defined in the draft Policy under the following industries of occupation:

- Health care
- Emergency services
- Teaching
- Childcare
- Aged care
- Community service
- Retail and hospitality

The land use definition for essential worker housing should take on existing elements used for affordable housing. Affordable housing is defined in the *Environmental Planning and Assessment Act 1979* (the Act) as being housing for very low, low and moderate income households. This structure should be applied alongside industries of employment for essential workers.

It is noted in the term of reference that geographical areas are a potential criterion for defining essential worker housing. It is important that the inquiry recognise that while the concentration of large employers situated in metropolitan areas may be greater than outer fringe and regional areas, essential workers are located and required within all communities.

Outer fringe and regional areas are in high need of essential workers and the services they provide. For example, with regards to health, aged care and community service essential workers, outer fringe and regional populations often experience lower levels of access to these services and lower levels of health status, making essential worker housing a priority. The Blue Mountains has a deficit of aged care health services, and paediatric allied health services which is keenly felt by the community as 30% of the population is aged over 60. The Blue Mountains has a significantly lower proportion of people aged 20 - 39 years compared to Greater Sydney. This is the age group for many lower income (and entry level) essential worker roles, including in health, aged care and community services. Lack of affordable housing for essential workers skews and impacts the demographics of places like the Blue Mountains alongside impacting availability of services, a deficit that looks to increase as housing affordability in the Blue Mountains diminishes.

Essential industries on a smaller scale still contribute significantly to the liveability of an area. For example, the Blue Mountains District ANZAC Memorial Hospital located in Katoomba is relatively small in comparison to other hospitals in Sydney but plays a vital role in supporting a community spread across 100km.

If priority is given to the provision of essential worker housing in those locations with a greater concentration of large employers, smaller communities will be impacted by disincentivising workers to live and work in those communities, increasing inequality in health outcomes. It is therefore important that the needs of both metropolitan and regional areas are considered equitably.

Term of Reference (b)(i) - planning tools and reforms

One of the most relevant planning tools available for encouraging affordable and, by extension, essential worker housing is the State Environmental Planning Policy (Housing) 2021 (Housing SEPP). The Housing SEPP currently includes development incentives for proposals that

incorporate affordable housing into the development. Essential worker housing could be included in the types of affordable homes covered by the Housing SEPP. However, it is also considered that the Housing SEPP should be reformed to address the following elements:

- Require affordable and essential worker housing to be provided in perpetuity
- Increase minimum requirements to receive development bonus
- Identify target groups as tenants for housing
- Include provisions that encourage collaboration between developers and essential service providers, such as incentives for providing dedicated working housing as part of development.

Essential worker housing provisions should be included under the Housing SEPP, alongside broader reforms to strengthen requirements relating to affordable housing. By aligning these definitions local councils could implement essential worker housing through existing policies and legislation, improving efficiencies in the planning process and enabling all levels of government to better address the housing crisis

Term of Reference (b)(ii) - incentives for developments on privately owned land

As addressed above, the incentives in the Housing SEPP currently act as the driving mechanism to promote affordable housing within private developments. These incentives improve project feasibility by allowing greater density. This could be further bolstered through government backed financial assistance. Financial assistance models are available for registered Community Housing Providers (CHPs) developing affordable housing. If similar funding or grants are made available for essential worker housing delivered by various proponents, including CHPs, then feasibility is improved outside of built form incentives.

Better access to financial assistance will also improve development viability in areas less suited to increased density but still in need of housing. The Blue Mountains exemplify this due to the extent of environmentally constrained land. While modest density is achievable within Blue Mountains town centres, increased floor space ratios (FSRs) applied through the Housing SEPP could result in an unjustifiable environmental compromise. If better funding was available, essential worker housing could be developed widely by private and community-led organisations that respond to local contexts and do not result in uncharacteristic development outcomes.

Term of Reference (b)(iii) - opportunities within developments on government owned land

The recent NSW Government commitment to build more than 400 essential worker homes through Landcom demonstrates the potential to develop affordable homes on government-owned land. This commitment highlights a clear metropolitan priority to deliver these housing forms. It is imperative to expand the provision of essential worker housing outside of metropolitan Sydney and consider locations in smaller and regional communities.

State-led, employment-generating developments should occur alongside a local commitment to develop affordable essential worker housing. A collaborative approach to housing between the State, local government and private industry, associated with infrastructure upgrades would better utilise government-owned land.

Council's recently adopted Katoomba Master Plan highlights this potential by including the Blue Mountains District ANZAC Memorial Hospital as a key site for investigation, alongside surrounding areas identified as appropriate for housing. The Hospital is not large enough to meet the needs of the community, and Council continues to advocate for renewal of this site to meet

these needs. The Hospital acts as a major local employer and redevelopment would attract private practitioners, specialists, allied health care services and education providers benefiting from co-location.

The NSW government should use the redevelopment of the hospital site to demonstrate its commitment to the appropriate location of essential worker housing. This would help achieve the strategic intent of the Katoomba Master Plan to diversify the local economy, which has historically relied upon the volatile tourist economy to provide local jobs. A collaborative approach to building government-backed essential worker homes in areas such as the Blue Mountains would not only ensure appropriate housing but would have beneficial impacts on delicate economic structures often reliant on the stability provided by State-backed industries.

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

The above recommendations regarding the definition and proposed reforms to the Housing SEPP would promote sustainable, innovative and permanent essential worker housing. The housing should serve broad demographic and income points while engaging with the context of the existing community. Council's draft Affordable Housing Policy includes this as a leading principle, ensuring housing is fit for purpose while integrating into residential form and maintaining land use objectives. The Katoomba Master Plan also demonstrates this through encouraging the adaptive reuse of underutilised buildings.

An example from the Katoomba Master Plan is the restoration of a series of historic guesthouses in Katoomba's town centre that have fallen into disrepair. Due to their size and location, the properties would be ideal for redevelopment as diverse and affordable homes for essential workers located within Katoomba, the Blue Mountains Strategic Centre. Recently, two such guesthouses have been successfully converted into affordable rental housing, resulting in 40 permanent units across the two sites. This sustainable approach should be utilised by government and private sectors to make the most of existing infrastructure inherently connected to local communities.

Term of Reference (b)(iv) - other related matters

At the State and Federal levels, the focus has been on increasing housing supply to improve affordability. This approach has been historically ineffective and is likely to continue to be so in the future. The dedication of targeted essential worker and affordable housing should be prioritised by the government and supported in the private sector. The location of investment is also imperative to effectiveness, as the loss of housing affordability in traditionally affordable regions is more profoundly felt than in established affluent metro areas.

This has been the case in the Blue Mountains, with long-term residents finding it increasingly difficult to secure housing despite contributing to the community as essential workers. Most affected are renters, who are particularly vulnerable to housing unaffordability and instability. Areas such as the Blue Mountains also attract significant numbers of tourist focused short term rental accommodation, further placing pressure on the availability of long-term low rent housing. Lower income earners such as retail and hospitality workers and those on contracts are significantly less likely to be able to purchase a property and increasingly are struggling to secure rental properties.

Essential workers must be accommodated in regional areas to prevent significant gaps in services affecting the economy, quality of life and affordability. As one of the most bushfire prone areas of the country, not being able to house emergency service providers within the community can have serious ramifications. If essential worker housing is not prioritised in the area due to a perceived lack of employment opportunities, then the safety and wellbeing of the community could be at risk, and the overall liveability of the Blue Mountains greatly diminished.

Western Sydney Planning Partnership (WSPP) submission

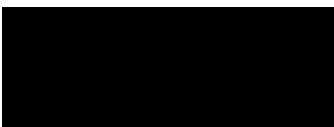
Blue Mountains City Council is a member of the WSPP, along with eight (8) other councils in Western Sydney, together with key state agencies. The Council has worked with the WSPP in preparing its submission which includes examples from the Blue Mountains. This submission complements the WSPP submission while aiming to avoid duplication. The directions of the WSPP submission are endorsed.

Closing remarks

Council thanks you for your time reviewing this submission and hopes that it provides insightful local context regarding the impacts of affordable essential worker housing.

As demonstrated above, Council has been working towards improved structures to support the provision of affordable and essential worker housing in our region. It is hoped that the work of this inquiry will result in clear, actionable planning approaches to be incorporated into existing planning systems that promote efficient delivery of housing across NSW.

Yours faithfully,



ROSEMARY DILLON
Chief Executive Officer