

**Submission
No 47**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: HOPE Housing Fund Management

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Committee Manager
Legislative Assembly Select Committee on Essential Worker Housing
NSW Parliament House
6 Macquarie St
Parliament House
Sydney NSW 2000

Email: EssentialWorkerHousing@parliament.nsw.gov.au

Dear Committee Manager,

LEGISLATIVE ASSEMBLY SELECT COMMITTEE ON ESSENTIAL WORKER HOUSING

Thank you for the opportunity to provide feedback to the Legislative Assembly Select Committee on Essential Worker Housing. In this submission, we address the following items in the Terms of Reference:

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

HOPE is available to present to the Committee to respond to any questions as required.

Background

About HOPE Housing

HOPE Housing enables essential workers and their families to purchase a home in the community they serve by bringing together the homeowner's deposit, bank funding, and a shared equity co-investment in the property chosen by the essential worker.

In this way we break the cycle of hours of unhealthy travel time for essential workers who are currently priced out of home ownership in the community where their Police / Fire / Ambulance Station, Hospital, School and so on are located. At the same time, we can help deliver stability of tenure and lower worker turnover to those crucial public and essential services by making available more seasoned workers who can afford to live in and are truly integrated into the community they serve.

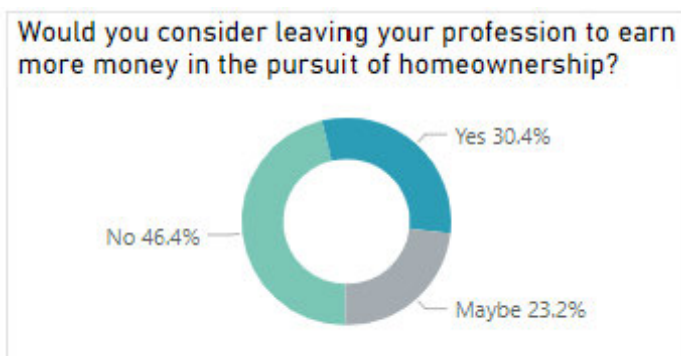
Achievements

Over the past 24 months, with the support of Police Bank, HOPE has supported 28 essential workers in Sydney into home ownership through shared equity arrangements. As a result:

- 100% of essential worker owners say they have “peace of mind” regarding finances.
- 86% of essential worker owners report feeling mentally healthier after achieving home ownership.
- 77% report they are now delivering a higher level of service in their profession
- 69% say they are now more likely to stay in their chosen profession.

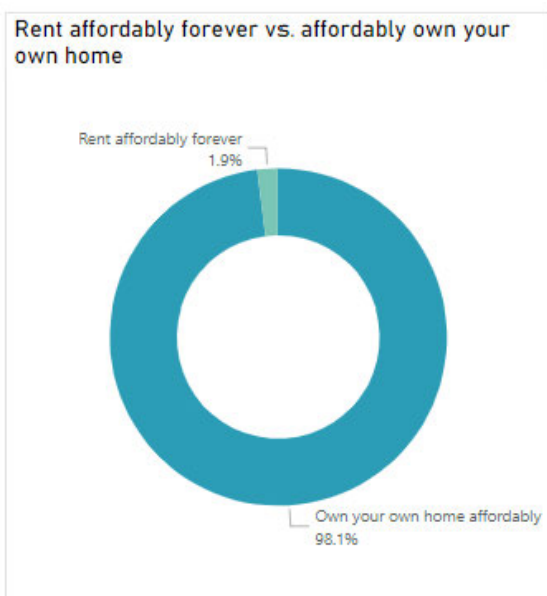
Creates Social and Economic Stability

Shared equity offers a path to homeownership for key workers, fostering long-term social and economic stability. Unlike rental solutions, shared equity allows key workers to build equity over time, creating financial security and intergenerational wealth. Owning a home also provides stability in housing costs, shielding workers from rising rents and housing insecurity. This stability supports workforce retention in essential sectors, particularly in high-demand areas where rental prices may be prohibitive. Over 50% of essential workers surveyed by HOPE indicated they would or might consider leaving the profession to earn more money, in the pursuit of homeownership.



Responding to Key Worker Preferences

Many key workers aspire to own their homes rather than remain long-term renters. Surveys and studies have shown that homeownership is a strong preference among essential workers, offering them a sense of permanence and community involvement. 98.1% of essential workers surveyed by HOPE indicated a strong preference for owning over renting affordably long term.



Shared equity models provide an affordable entry point to homeownership, helping key workers achieve this goal, which rental solutions alone cannot fulfill. This ensures that housing models are aligned with the aspirations of workers who are crucial to sustaining local economies and services.

Differences Between the HOPE Shared Equity Model and the Federal Help to Buy Program

The HOPE shared equity model was established prior to the NSW and Federal Government's shared equity programs. The Federal Government Help to Buy Program, has not yet been implemented and the NSW Shared Equity Home Buyer Helper pilot has been closed.

Due to several limitations in both government schemes, it is unlikely to address the housing needs of as many key workers as required, leaving a gap in homeownership support for this important segment of the workforce. This highlights the need for not-for-profit, private market shared equity providers like HOPE Housing, who have a specific focus on essential workers and have designed their programs with these homeowners in mind.

Key differences between the Government schemes and HOPE Housing are outlined in Appendix 1.

Shortcomings of the government schemes

We foresee that the following features have or will severely limit take-up of the government schemes by essential workers:

- **Location restrictions:** Many essential workers have struggled to purchase a home near their place of employment, especially in inner Sydney, as the NSW scheme's asset cap was set below the median Sydney property price.¹ The federal scheme settings are not dissimilar and are therefore likely to result in the same outcome.
- **Income exclusions:** A significant portion of essential worker households were ineligible for the NSW scheme as they exceeded the gross household income cap. Given the federal Help to Buy Program uses similar settings, essential workers will continue to face the same challenges.
- **Ongoing eligibility requirements:** Under the federal Help to Buy Program, essential workers who no longer meet the household income thresholds at 5-yearly reviews may have the arrangement terminated, creating instability of tenure and heightening the likelihood of relocation and change of job.

Advantages of the HOPE Shared Equity Model and role of Governments

In contrast, the HOPE shared equity model avoids these pitfalls, offering a more flexible and accessible pathway to home ownership. Under its agreement with homeowners, it provides a pathway to full homeownership through an annual progressive equity buy out process. Additionally, the HOPE model boasts exceptional customer feedback, with a Net Promoter Score (NPS) of 91 and a Customer Satisfaction Score of 100%.

Instead of delivering and operating shared equity programs we view the role for state governments to facilitate a thriving private shared equity provider market, through the inclusion of shared equity as a recognised form of affordable housing. This would allow shared equity providers and developers to meet affordable housing targets through a more diverse set of solutions.

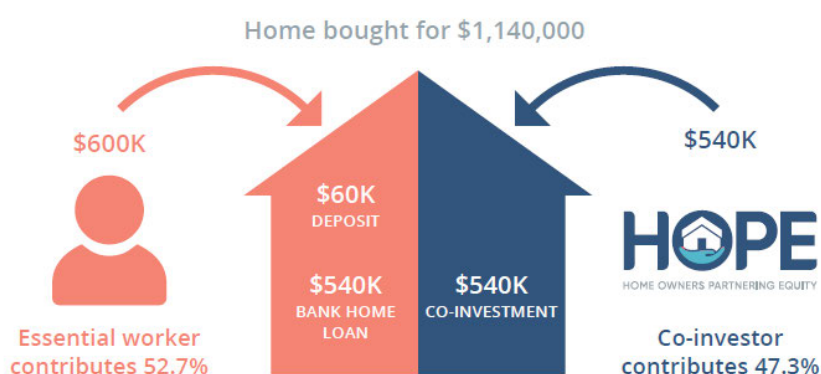
¹ Sydney median property value is \$1,180,463. CoreLogic HVI 2nd of September

Innovation in essential worker housing

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

HOPE’s innovative model allows property investors and homeowners to benefit from the wealth creation that comes with home ownership. Through our fund, property investors gain access to a lower-cost, higher-return exposure to the residential housing market, while essential worker homeowners enjoy the benefits of home ownership sooner, with a smaller mortgage and deposit.

Additionally, HOPE’s shared equity model allows homeowners to progressively increase their equity ownership through annual buyout events, creating a pathway to full ownership.



The HOPE model can be used to finance homes in the secondary market, or as a financing tool for new supply, helping essential workers access affordable home ownership in new developments.

By addressing obstacles in the State Environmental Planning Policy (Housing) 2021, developers can more readily incorporate shared equity arrangements for newly delivered stock.

Planning tools and reforms

Terms of reference (i) planning tools and reforms

The State Environmental Planning Policy (Housing) 2021 – also known as the Housing SEPP – facilitates development of affordable and diverse housing in the right places and for every stage of life. The Housing SEPP includes the planning provisions for social and affordable housing, which can be targeted at key workers who meet the eligibility criteria for affordability housing. These eligibility criteria are detailed in the NSW Affordable Housing Ministerial Guidelines 2023/24 and utilise household income thresholds to define eligibility for affordable housing stock.

Both the Housing SEPP and Ministerial Guidelines focus heavily on the provision of affordable rental stock and are silent on the delivery of affordable home ownership. We believe there is an opportunity to modify the Ministerial Guidelines and Housing SEPP to better cater for affordable home ownership, specifically for target groups like key workers, to encourage developers to build housing stock that can be used for this express purpose.

We believe shared equity should play a role to achieving targets that unlock planning incentives such as extra height or Floor Space Ratio (FSR). Shared equity serves the same purpose as traditional affordable housing by providing housing options for people who are otherwise locked out of the market. By allowing it to count toward these targets, the government can incentivise developers to include a wider range of affordable ownership housing options in their projects, thus addressing gaps that affordable rental housing alone cannot fill.

Recommendations

1. Update Ministerial Guidelines to include 'Shared Equity Eligible' as a Key Term

We recommend that the Ministerial Guidelines defining Affordable Housing be reviewed with the view to include the term '**Shared Equity Eligible**'. This term should apply to households that meet the following criteria:

- Contain at least one key worker; and
- Have been assessed by a Shared Equity Provider as eligible for home ownership under a shared equity program.

These households should be exempt from the standard low to moderate income definitions. A Shared Equity Provider and its banking partners would be required to ensure that mortgage servicing is no more than 30% of gross household income at the inception of the arrangement.

Changing the definition to include shared equity overcomes two key barriers: 1) it allows more middle-income earners, like essential workers, to access home ownership, a gap that affordable rental housing doesn't address; and 2) it enables developers to offer a product enabling homeownership with equivalent obligations to delivering affordable rental units.

Including Shared Equity in the Affordable Housing definition will not create a trade-off for low-income workers. Instead, it broadens options for developers and the community by filling a gap that affordable rentals, limited by income and asset caps, cannot address. A development that includes affordable rental low income, shared equity ownership for low to medium, and standard ownership for medium to high incomes will foster greater worker diversity in new developments and communities.

Benefits of our recommendation

This change would provide significant advantages for the development and delivery of affordable housing:

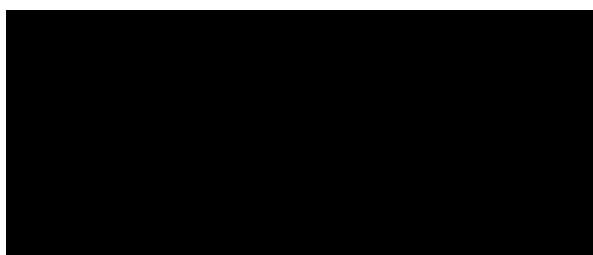
- **Facilitating Homeownership for Key Workers:** Developers would be able to create new in-fill affordable housing specifically aimed at key workers who are seeking homeownership, rather than limiting options to affordable rental housing.
- **Addressing Eligibility Gaps:** Many key worker households do not qualify for affordable rental housing. In fact, an analysis of HOPE Housing's current homeowner base shows that only 3% would have been eligible under the current Ministerial Guidelines for affordable rental housing. This highlights the need for tailored homeownership solutions for this essential group.
- **Long Term Affordable Housing:** Currently a Community Housing Provider need only make housing stock in a new development affordable for a 15-year period. Affordable home ownership achieved under a shared equity arrangement ensures essential workers have lifetime access to affordable home ownership.

The national importance of scaling shared equity

HOPE believes that the traditional home financing model (deposit + mortgage) has reached the end of its effectiveness in supporting home ownership for many middle-income earners in our essential workforce. To address this, we must evolve the financing model to incorporate shared equity, ensuring that both existing and new housing supply can be more readily accessed for ownership. Without this evolution, declining home ownership rates will continue, leading to increased retirement poverty among middle-income workers who have been forced into long-term rental arrangements.

If you would like to discuss the contents of this submission or the focus areas of the inquiry in more detail, please contact Tim Buskens, CEO of HOPE Housing.

Yours faithfully



Tim Buskens

CEO, HOPE Housing

APPENDIX 1

Feature	NSW and Federal Government Shared Equity Programs	HOPE Housing Shared Equity Scheme
Asset		
Asset cap	\$950,000 Sydney and regional centres \$750,000 other regional areas	None
Asset due diligence	None	All properties must be approved for purchase by HOPE's Investment Committee
Asset purchase cap	None	Properties must be purchased for pre-approved price (based on valuation)
Household		
Gross Income cap	\$90,000 singles \$120,000 couples	None
Homeowner deposit minimum (of total purchase price)	2%	2.5%
Product		
Shared equity contribution – new home	40%	Up to 50%
Shared Equity contribution – existing dwelling	30%	Up to 50%
Security	2 nd mortgage	Registered charge. HOPE Housing equity ranks equal with first mortgage
Availability		
Scheme status	Not Open	Open
Demand	Unknown	>3,500 essential workers on waitlist