

**Submission
No 50**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Sydney YIMBY

Date Received: 13 September 2024



Submission to the Select Committee on Essential Worker Housing

Sydney YIMBY greatly appreciates the opportunity to make a submission to the committee.

Sydney YIMBY is a grassroots, membership-based nonprofit organisation that advocates for abundant housing in Sydney. We are a mix of planners, economists and ordinary Sydneysiders who are committed to a more affordable, sustainable and liveable city through urban consolidation. We have hundreds of paid members and thousands of supporters from across Sydney, representing a diverse range of views, and do not accept memberships, donations or support of any kind from developers.

This inquiry could not come at a more vital time for Sydney. The housing crisis is impacting almost every renter and worker in the city. Without essential workers, Sydney cannot function and we believe that addressing the housing crisis is a moral imperative that requires bold, ambitious action.

In our view, the most effective lever available to the government to improve housing outcomes for essential workers is to relax planning controls to allow for the construction of dense, high-quality housing within walking distance of hospitals, shopping centres and other employment hubs.

Almost all of the land near RPA hospital is locked in amber by heritage conservation areas of dubious merit. Almost all of the land near the Northern Beaches Hospital is reserved for multi-million dollar mansions. While nurses and cleaners are unable to afford even a small unit near work, this status quo cannot be justified.

We would be happy to provide further information or give evidence to the committee.

Kind regards,

Emily Lockwood
Sydney YIMBY

sydney@yimby.au

Recommendations

- 1) **Recommendation 1:** DPHI should immediately review planning controls for all areas within 1.5km of hospitals, universities, shopping centres and other employment hubs. This should aim to substantially increase allowable heights and densities, roll back heritage conservation areas and prioritise locations that can support financially feasible development in the East and North.
- 2) **Recommendation 2:** New construction or upgrades of hospitals, infrastructure or other significant employment hubs should automatically trigger a DPHI-led review of the relevant LEP. These review should aim to substantially increase allowable heights and densities to ensure that workers are accommodated in new construction rather than crowding out existing residents.
- 3) **Recommendation 3:** Any definition of 'essential workers' should be data-driven and include retail, hospitality and service workers that have among the worst housing outcomes in Sydney.
- 4) **Recommendation 4:** Inclusionary zoning requirements should not be adopted generally. If such requirements are adopted, they should only be used where there has been a significant increase in allowable density, so as to avoid impacting development feasibility.
- 5) **Recommendation 5:** Where planning controls are relaxed, the government should directly tax a proportion of the land value uplift and use the funds to purchase or build social or affordable housing.

The planning system is the key driver of high housing costs for essential workers

Sydney is in a housing crisis. In the last three years, asking rents have increased by more than 50% from levels that were already too high¹. Homeownership is increasingly out of reach for those without inherited wealth- with a mortgage on the median house in Sydney requiring an income earned by fewer than 20% of households². Most tragically, increasing numbers of vulnerable Sydneysiders are facing homelessness.³

Sydney's housing costs are simply far too high, and have been for a long time. The recent cycle of rent increases has heaped even more pain on a city that was already among the least affordable in the world.

While the housing crisis' impacts are felt across Sydney, it is felt most harshly by low- and moderate-income essential workers. Unlike office-based workers, many essential workers are not able to work from home, and are forced to make a sharper tradeoff between affordability and the length of the daily commute. While an office worker can lessen the burden of rent hikes by accepting a longer commute that they make less frequently, essential workers must either simply bear higher housing costs, or accept the loss of time and expense of a longer commute every single day.

“It is not safe for essential shift workers like nurses to drive 90 min to and after a night shift just to get to housing they can afford.”

- Colette, Nurse and Sydney YIMBY Supporter

That the workers that keep Sydney running and look after Sydneysiders at their most vulnerable are forced into such choices is a disgrace, and demands action.

The primary reason for Sydney's crippling housing costs is simple- we haven't built enough homes. There is no solution to the housing crisis without a significant expansion in home construction- especially near employment, transport and amenities.

Housing construction in Sydney peaked in 1970, before the introduction of the modern planning system, and has never recovered (figure 1). Even recent peaks in 2018-2019 were still nearly 25% lower than were achieved for nearly 20 years in the 60s and 70s. The key driver of this structural underprovision of housing is NSW's sclerotic, opaque and unfit-for-purpose planning system.

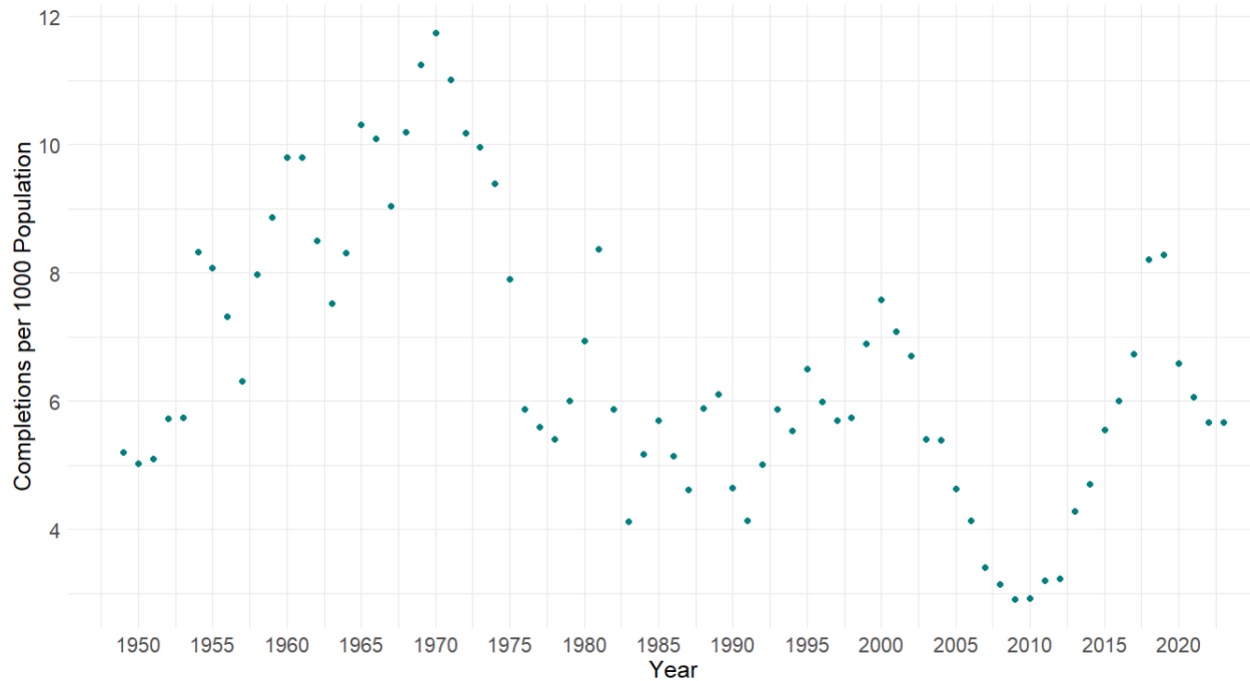
¹ SQM Research (2024)

² Canstar (2023)

<<https://www.smh.com.au/property/news/defies-logic-how-much-income-buyers-need-to-purchase-a-typical-house-20230602-p5ddex.html>>

³ ABS Census (2021)

Figure 1: Dwelling completions per capita, Greater Sydney



Source: NSW DPPI, ABS. Note: Annual Greater Sydney-specific data not available post- 2019, NSW-wide figures shown.

Despite by far the highest prices in the country, Sydney has consistently underbuilt other capital cities. An overwhelming body of rigorous academic evidence points to the importance of planning systems in slowing construction and driving up costs. For an excellent review of this and the Sydney-specific evidence, refer to the three-part NSW Productivity Commission series of reports from 2023 and 2024.

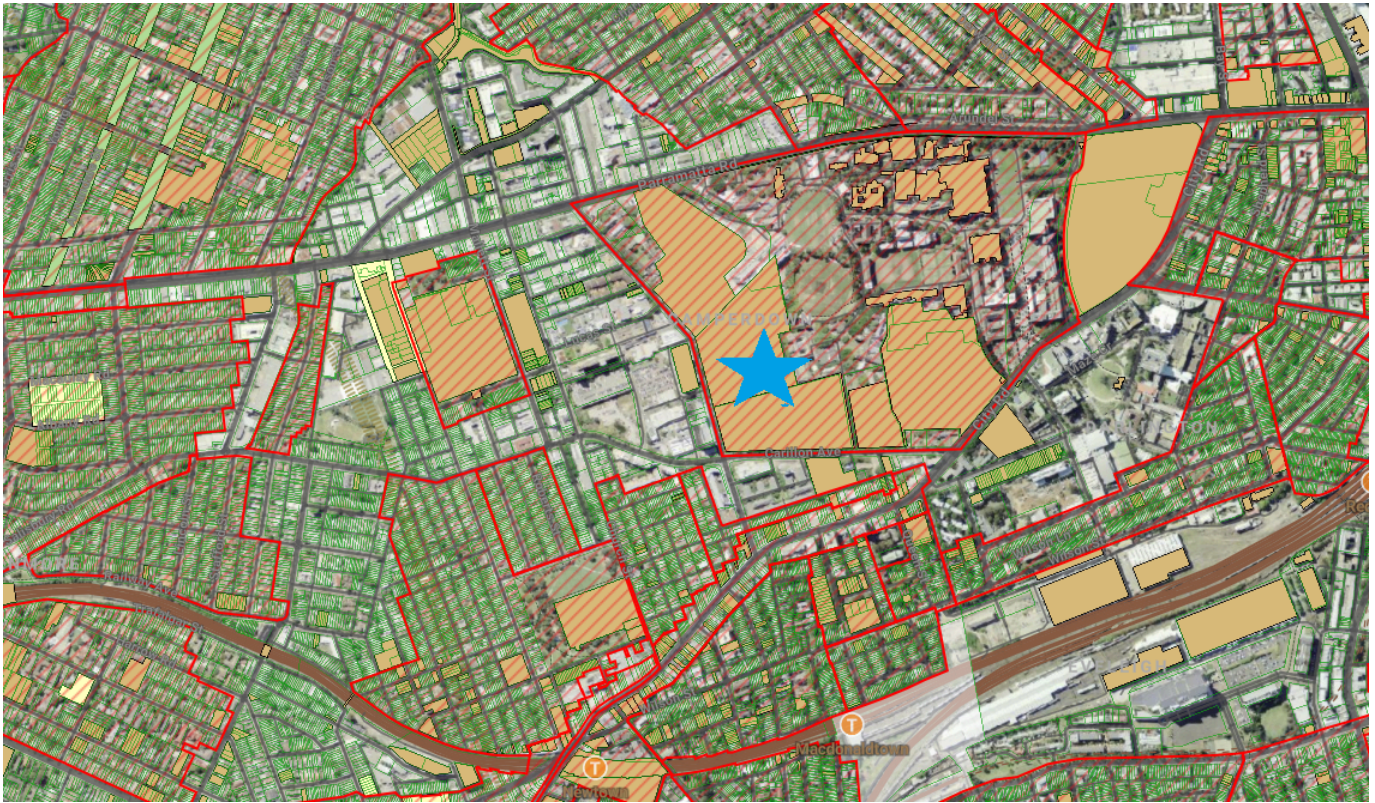
To give a simple example of how the planning system restricts housing where essential workers need it most, figure 2 shows the planning controls around Royal Prince Alfred Hospital (RPA) in the Inner West. The areas in red are covered by Heritage Conservation Areas (HCAs), preventing any major changes to the character or built form of these areas- effectively banning new housing construction. Almost the entirety of the suburbs of Newtown, Forest Lodge, Glebe, Annandale and Stanmore are covered by HCAs.

While strict planning locks the built form of the inner city, it locks out the workers that are needed to keep it working.

With even modest, ageing 2-bedroom apartments in Glebe and Camperdown costing well over \$1 million to buy or almost \$1,000 a week to rent, essential workers at RPA without generational wealth are simply not able to afford to live within walking distance of work.

In our view, addressing the shortage of homes near employment hubs is a moral imperative, and a far higher priority than preserving expensive, low quality and inaccessible buildings.

Figure 2: Heritage Conservation Areas near RPA Hospital.



Source: Mecone Mosaic

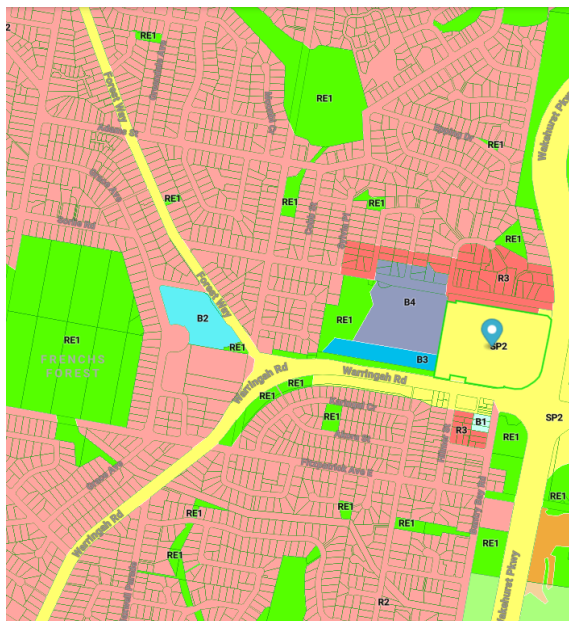
“I am a registered nurse and I am not able to afford housing near my place of work. I have to look far out in Spring Farm where there is somewhat more affordable housing. I honestly don't know how my future children will be able to buy any type of property in the future the way it is.”

- Bronte, Nurse and Sydney YIMBY Supporter

Further, when employment hubs are expanded or new ones are added, nearby planning controls do not change- forcing new workers to commute in from a distance. The Northern Beaches Hospital upgrade, a \$600 million expansion that added almost 500 beds to the hospital and required the recruitment of a large number of new healthcare workers⁴, did not result in a review of local planning controls. As a result, it is surrounded by low-density zoned land (shown in light red in figure 3) that can only ever be used for mansions for millionaires.

A nurse at the Northern Beaches Hospital will never be able to afford a \$3 million house in Frenchs Forest. Such absurdly high prices reflect the fact that many more people want to move here- including many essential workers who would love to walk to work. We should let them, and ignore the councils and planners that have convinced us that we can't.

Figure 3: Zoning surrounding Northern Beaches Hospital



Source: Mecone Mosaic

Recommendation 1: DPHI should immediately review planning controls for all areas within 1.5km of hospitals, universities, shopping centres and other employment hubs. This should aim to substantially increase allowable heights and densities, roll back heritage conservation areas and prioritise locations that can support financially feasible development in the East and North.

Recommendation 2: New construction or upgrades of hospitals, infrastructure or other significant employment hubs should automatically trigger a DPHI-led review of the relevant LEP. These review should aim to substantially increase allowable heights and densities to ensure that workers are accommodated in new construction rather than crowding out existing residents.

⁴ Health Infrastructure NSW (2019)
<https://www.hinfra.health.nsw.gov.au/projects/project-search/northern-beaches-hospital>

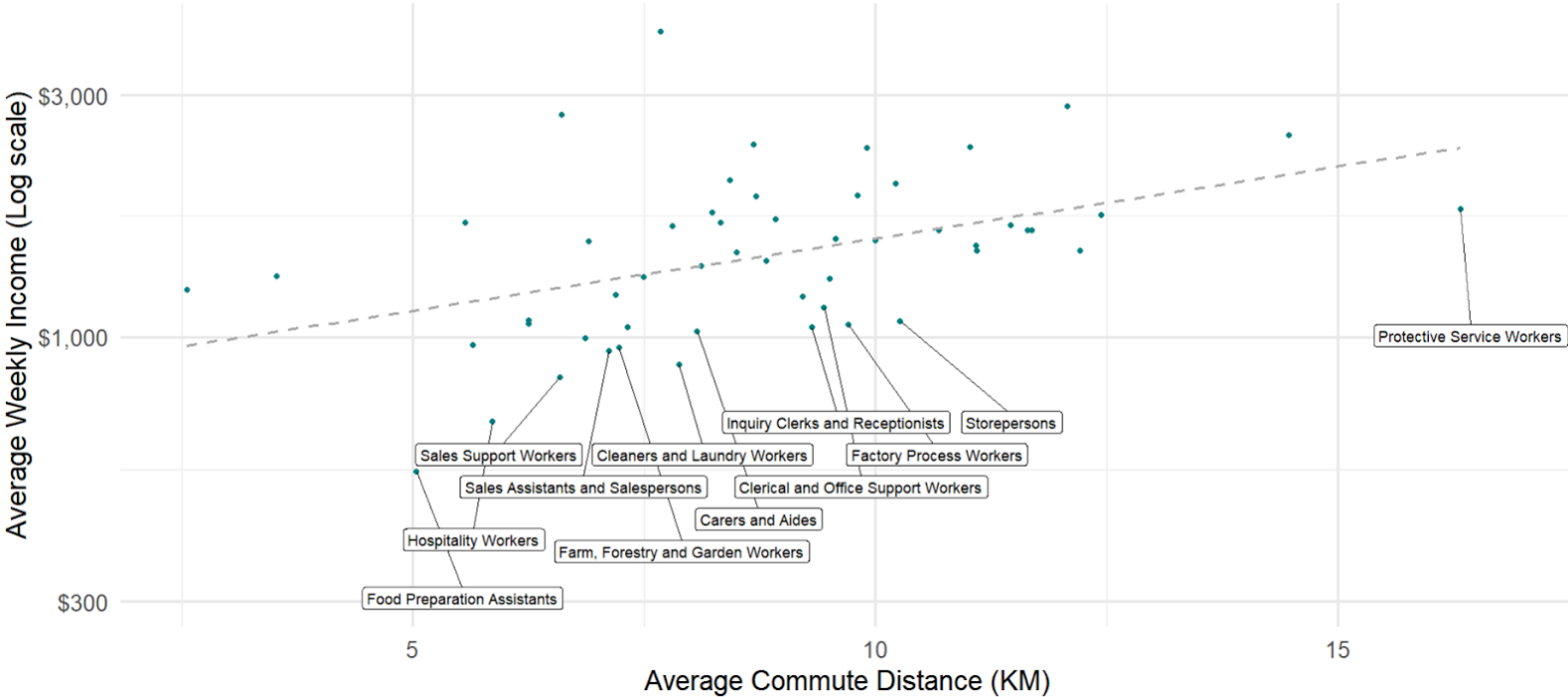
Defining “essential workers”

A definition of essential worker should be broad and driven by data and evidence. In particular, while much media discussion of essential workers relates to low- and moderate-income public sector workers such as nurses, teachers and police, it is in fact cleaning, retail and hospitality workers that face the biggest challenges with housing in Sydney.

Figure 4 shows the average commuting distance and incomes by occupation, for Greater Sydney. Occupations towards the bottom and right of the chart have lower incomes and lengthy commutes. For example, ‘Protective Service Workers’, including police and firefighters, on average travel the furthest to work of any occupation in Sydney, with an average commute of more than 16km, yet earn close to the city-wide average.

By this metric, low incomes relative to commute distances, the most stressed occupations are ‘food preparation assistants’ (cooks and chefs), ‘hospitality workers’, ‘cleaners and laundry workers’ and ‘storepeople’. These workers are no less essential than nurses and teachers—without clean buildings and stocked shelves, Sydney simply would not function. Any reasonable definition of ‘essential workers’ must include these groups.

Figure 4: Average Commute Distances and Incomes, Greater Sydney, by Occupation



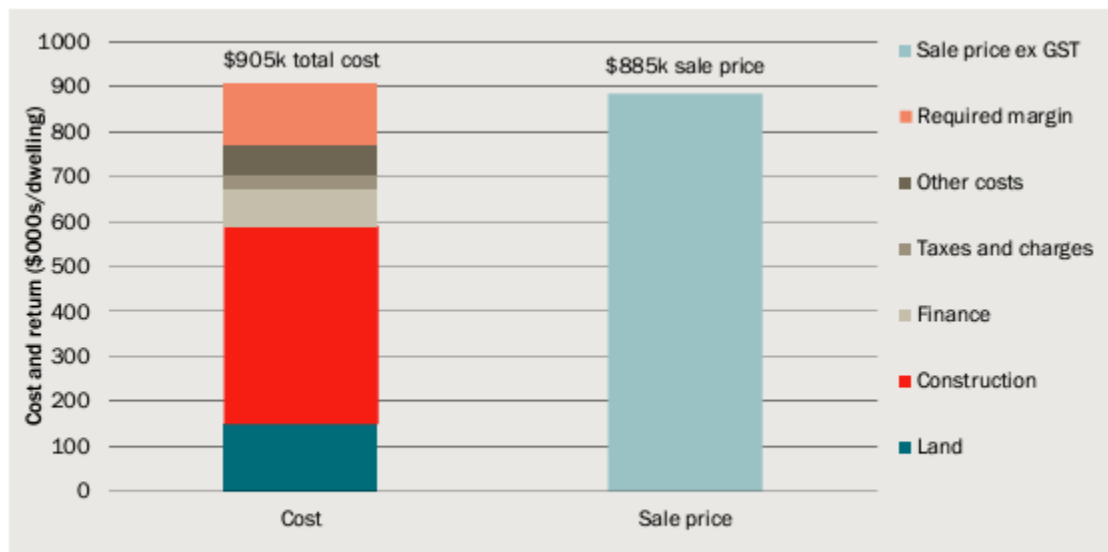
Source: ABS Census (2021). Note: Average incomes calculated assuming incomes at the midpoint of each income band. Commute distance calculated as the straight-line distance from the SA2 of usual residence to the SA2 of work. Only includes workers who both live and work in Greater Sydney.

Recommendation 3: Any definition of ‘essential workers’ should be data-driven and include retail, hospitality and service workers that have among the worst housing outcomes in Sydney.

In our view, the housing challenges of essential workers are driven by high rents in the general housing market, and the most effective lever we can pull to reduce housing costs for these essential workers is expanded housing supply in the general market. However, there is significant interest in policies to support the provision of dedicated affordable housing for essential workers. Typically, these take the forms of ‘inclusionary zoning’ requirements for provision of a share of units in new developments as affordable housing.

While we are not opposed in principle to such requirements, it is vitally important to ensure that they do not impact the financial feasibility or speed of development. With substantial increases in construction costs in recent years and elevated interest rates, many development projects are being delayed or cancelled. Recent estimates have found that the typical mid-rise apartment in Sydney does not currently sell for enough to justify its construction (figure 5).

Figure 5: Cost and feasibility of mid-rise infill apartment



Note: Construction includes parking, site preparation and demolition costs, taxes and charges includes local and state infrastructure contributions plus land tax and stamp duty, and other costs includes professional fees and sales and marketing.

Source: Centre for International Economics

Adding additional costs to such projects in the form of affordable housing provisions could be counterproductive and result in reduced supply and higher costs in the broader market- hurting those the policy is intended to help.

However, when tied with the substantial relaxation of planning controls, affordable housing requirements are less likely to impact feasibility- with such requirements effectively serving as an indirect form of ‘windfall gains’ tax. We believe that if inclusionary zoning requirements are to be applied, they must only be used where substantial increases in allowed heights and densities have been granted.

In our view, a better policy option is for the government to directly tax a portion of the land value uplift associated with rezoning, and use the funds to build or directly purchase apartments for use as social or affordable housing. The costs of such a policy are transparent, and would lower risk for the construction sector, encouraging supply, rather than adding barriers and slowing the pace of development. The Australian Capital Territory levies a Lease Variation Charge, or betterment tax, of 75 per cent of the uplift in land value arising from rezoning. Victoria has recently introduced a Windfall Gains Tax at marginal rates of 50 per cent and 62.5 per cent on the uplift in land value arising from rezoning.

Recommendation 4: Inclusionary zoning requirements should not be adopted generally. If such requirements are adopted, they should only be used where there has been a significant increase in allowable density, so as to avoid impacting development feasibility.

Recommendation 5: Where planning controls are relaxed, the government should directly tax a proportion of the land value uplift and use the funds to purchase or build social or affordable housing.