

**Submission  
No 52**

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

**Organisation:** SGCH

**Date Received:** 13 September 2024



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## SGCH submission – Legislative Assembly Select Committee on Essential Worker Housing

### About SGCH

Founded in 1985, SGCH provides a place to call home for 11,500 people in 7,000 properties across the Sydney metropolitan region. We are recognised as a Tier 1 provider under the National Regulatory System for Community Housing. We bring capability and capital to work in partnership with governments, developers and builders, financiers and investors, community groups and people to shape great places for everyone.

### Introduction

SGCH welcomes the opportunity to provide a submission to the Legislative Assembly Select Committee on Essential Worker Housing.

SGCH is encouraged that the Committee has been established to inquire into housing options for essential workers who are vital to the functioning of our cities. It is encouraging that the NSW Government are considering this group in their plans to increase housing supply.

Providing high-quality and affordable homes to essential workers (considered interchangeable with 'key workers') who are struggling to find housing they can afford in Sydney is a priority for SGCH, and we have previously leveraged our access to unique and efficient financing from Lighthouse Infrastructure to deliver our Key Worker Housing (KWH) program. Our current KWH portfolio consists of 85 units in Highline, Westmead and 76 units in The Lennox, Paramatta, with a high proportion of allocations made to key workers on low to moderate incomes, particularly those in the local health sector. All units are managed under the program as a subset of affordable housing.

Collaborative approaches like the partnership between SGCH and Lighthouse Infrastructure on the Highline and The Lennox developments are important to address affordability issues for key workers, however government investment and dedicated guidelines on prioritising housing for essential workers is also needed.

Our submission to the Committee responds to term 1(a) – *Establishing an appropriate definition for essential worker housing for the NSW Government to adopt including criteria for prioritising worker cohorts and geographical areas*. Our response is based on our expertise and experience in managing our KWH program integrated in the delivery of 7,000 social and affordable homes across metropolitan Sydney.

### SGCH Response & Recommendations

#### Appropriate definition for essential worker housing

SGCH strongly believes that investment in increasing the supply of social and affordable housing for households on very low to moderate incomes should remain the NSW Government's priority. One mechanism to ensure that essential workers are housed within the existing housing typology is clearly defining 'essential worker' so housing for this group can exist as a sub-set of affordable housing in circumstances where priority allocations to key workers is appropriate and beneficial. This is the approach SGCH has taken in their KWH Program.

SGCH adopts the 'key worker' terminology which is already used in affordable housing discourse, including in the NSW Affordable Housing Ministerial Guidelines. To this end, we recommend the adoption of this terminology instead of 'essential worker' for clarity and to avoid further confusion and interchangeable use of the terms.



SGCH define a key worker as: *an employee in services that are considered essential to a city's functioning but who earn very low to moderate incomes. This includes, but is not limited to, those who work in health, education, community or emergency services.*

We acknowledge that determining an exhaustive list of sectors/industries that can be considered as 'essential to a city's functioning' is challenging and believe that flexibility and discretion should be built into the definition for providers to adopt as targeted essential sectors/industries will vary by locality and relevant local housing needs.

**Recommendation 1:** The NSW Government adopt the 'key worker' terminology and take leadership on establishing an appropriate definition that can be adopted across sectors to ensure consistent housing outcomes for this cohort.

### Criteria for prioritising worker cohorts and geographic areas

As above, SGCH do not necessarily advocate for the creation of 'essential/key worker housing' as a new category of subsidised rental housing at this time, however providers should be able to deliver housing for this group as a sub-set of affordable housing (whether explicitly referring to it as 'key worker housing' or not) where priority allocations to key workers is appropriate and beneficial. Therefore, allocations for this housing are prioritised to those who:

- meet the set definition of an essential worker
- meet income eligibility criteria by relevant household size as defined in the NSW Affordable Housing Ministerial Guidelines
- meet other general eligibility criteria for affordable housing as outlined in the NSW Affordable Housing Ministerial Guidelines.

We consider priority allocations to key workers as most impactful where:

- There is an existing or anticipated worker shortage for essential industries in the area
- The development is close to essential industry clusters where market rental alternatives in that area make those employed in that industry on very low to moderate incomes and unable to fund a modest standard of living within the region

It should also be noted that SGCH believes it would be beneficial if there were greater rigour and specificity on rent setting approaches and income eligibility in future iterations of the NSW Affordable Housing Ministerial Guidelines. Currently, the Guidelines specify that affordable housing in NSW is to be delivered to a range of income groups including very low, low and moderate income households. In general, very low and low income households should not pay more than 25-30% of gross income in rent, with greater flexibility applied to moderate income households.<sup>1</sup>

However the guidelines refer to a 74.9% discount to market rent which would be still be considered unaffordable, particularly to those on very low and low incomes. Increased rigour and specificity in relation to rent setting approaches would ensure that affordable housing, including housing for key workers, is able to deliver an affordable housing outcome to as broad a range of households as possible. However, we do not believe that the income eligibility limits should be increased to allow for housing key workers on higher incomes to ensure that affordable housing is continued to be delivered to those in most need.

<sup>1</sup> NSW Affordable Housing Ministerial Guidelines 2023/24 pg. 9 section 9 – Setting Rent





**Recommendation 2:** Review the NSW Affordable Housing Ministerial Guidelines 2023-24 to include a definition of ‘key worker’ and address income eligibility and rent setting.

We believe it is important not to disadvantage other groups in housing need. In our approach to allocations, and for our KWH Housing Program, key workers are one group that are prioritised and allocations are made on a case-by-case basis according to a particular Allocation Criteria.

Allocations to properties in the SGCH KWH program are prioritised in the following order:

- a) An applicant who meets the Table 1 - Allocation Criteria 1-3 below.
- b) An applicant who meets the Table 1 - Allocation Criteria in 1 and 2 below.
- c) An applicant who meets the Table 1 - Allocation Criteria in 1 and 3 below.
- d) An applicant who meets the Table 1 - Allocation Criteria in 1 below.
- e) An applicant who meets the Table 1 -Allocation Criteria in 4 below.

1	Market rental alternatives in that location make that person unable to fund a modest standard of living within the region and the household income range is within the very low- or low-income range for Greater Sydney
2	Meets any of the following criteria: Is a Key Worker Identifies as Aboriginal or Torres Strait Islander Is more than 55 years of age Is at risk of domestic or family violence Is at risk of homelessness.
3	Market rent for the property would be more than 30% of the household income.
4	Market rental alternatives in that location make that person unable to fund a modest standard of living within the region and the household income is within the moderate-income range for Greater Sydney

**Recommendation 3:** Affordable housing provisions under the NSW Affordable Housing Ministerial Guidelines are expanded to include guidance on definitions and prioritisation criteria for key workers that do not disadvantage other priority groups.

### Potential future housing models for key workers

Research<sup>2</sup> shows that home ownership is a strong aspiration among many key workers as they progress in their career, however analysis of purchase affordability based on indicative essential worker salaries shows that there are little to no Local Government Areas (LGAs)

<sup>2</sup> Gilbert, C., Nasreen, Z. and Gurran, N. (2021) Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities, AHURI Final Report No. 355, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/355>



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across Sydney with a median house price that is affordable to an early career essential worker to purchase<sup>3</sup>.

Therefore, the NSW Government should consider funding programs for key workers to assist them to enter home ownership such as shared equity schemes, which are particularly important for longer-term retention of key workers in our cities.

**Recommendation 4:** Whilst we believe that increasing social and affordable rental housing supply for households on very low to moderate incomes should remain the priority, the government should consider supplementing this with the provision of assisted home ownership programs to support key workers along the housing continuum as they progress in their career and earn beyond a moderate income.

## Conclusion

Clear and thoughtfully designed guidelines will ensure affordable housing outcomes to key workers and ensure that they are considered in the Government's plans to increase housing supply.

Should you wish to discuss our submission further, please contact Robin Fletcher, Executive Director, Customers – Services, at [REDACTED] or Alice Taylor, Service Outcomes Manager at [REDACTED]. We thank you for your consideration.

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<sup>3</sup> Gilbert, C., Nasreen, Z. and Gurran, N. (2021) Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities, AHURI Final Report No. 355, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/355>