

**Submission  
No 68**

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

**Organisation:** City of Newcastle

**Date Received:** 13 September 2024

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Mr Alex Greenwich, MP  
Chair, Legislative Assembly Select Committee on Essential Worker Housing  
Ground Floor  
21 Oxford Street  
**DARLINGHURST NSW 2010**

Dear Mr Alex Greenwich

**SUBMISSION TO LEGISLATIVE ASSEMBLY SELECT COMMITTEE ON ESSENTIAL WORKER HOUSING**

City of Newcastle (CN) supports the inquiry and report on options for essential worker housing in New South Wales. We appreciate the opportunity to comment on the terms of reference and recognise the shortage of affordable housing for very low, low and moderate income households. We see value in defining and exploring options that prioritise more affordable housing close to jobs.

CN is experiencing a housing affordability crisis. We acknowledge a need for more than 10,000 social and affordable dwellings in Newcastle by 2041, and that the delivery of this housing will not occur through the private market without intervention. We provide the following points under the terms of reference points in bold.

**(1) That the committee inquire into and report on options for essential worker housing in New South Wales, specifically:**

**(a) Establishing an appropriate definition for essential worker housing for the NSW Government to adopt including criteria for prioritising worker cohorts and geographical areas.**

CN supports more affordable housing close to jobs, with a focus on a household's income rather than occupation. In regional areas, the local economy is also an important factor. Recent research of this in Sydney and Melbourne found key workers are more heavily concentrated in outer suburbs than the labour force generally, and are underrepresented in inner, higher-value areas. It found key worker status alone is not necessarily indicative of a need for assistance. The challenges key workers face accessing affordable housing relate to age, income level, employment security and household composition. Younger workers who are not in the housing market, key workers on single incomes (including older key workers in the private rental sector) and family households needing larger homes were some of the groups in particular need. These demographic characteristics are important for considering housing tenures for key worker housing need.<sup>1</sup>

1. 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>

City of Newcastle's Housing Policy 2022 defines a key worker as "Someone on a very low to moderate income who provides a vital service to the economic and social development of CN, including school teachers, midwives, nursing professionals, hospitality and retail workers, personal carers, aides and assistants, child carers, fire fighters, police, bus and rail drivers, cleaners and laundry workers."

We recognise affordable housing for key workers as housing that households on very low to moderate incomes can afford, as defined in the State Environmental Planning Policy (SEPP) (Housing) 2021:

- very low – 50% of median income
- low – 50 – 80% of median income
- moderate – 80-120% median income.

An appropriate NSW definition for key worker housing should carefully consider the differences in housing markets across regional areas and as compared to Sydney's market. It should only be considered together with the policy it is to be applied to. In this sense it is unclear whether homes for essential workers as a narrower definition of affordable housing will assist or unnecessarily complicate the planning framework.

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

**(i) planning tools and reforms**

The current planning framework for affordable housing would benefit from more straight forward mechanisms to collect affordable housing contributions. They are complex to progress and lack certainty for developers and councils.

Affordable housing contributions scheme (scheme)

The *Environmental Planning and Assessment Act 1979* allows a condition for affordable housing with an adopted scheme. CN aim to exhibit a draft scheme in 2024. The process has been complex and resource intensive with no guarantee of Department of Planning, Housing and Infrastructure support. Councils should be provided further support and a simpler (yet robust) approach to ensure more affordable homes are delivered.

NSW Transport Oriented Development Program (TOD Program)

Councils are required to implement national and state planning reform. Some important reform has not been executed well such as the TOD Program, and Chapter 5 of the SEPP (Housing) 2021. While CN supports more homes close to public transport, there were missed opportunities to refine planning controls with local context. We request involvement to share local knowledge for optimum outcomes.

CN supports a mandatory affordable housing contribution for all new development. New provisions should mandate affordable housing in perpetuity and managed by a registered community housing provider. We welcome release of the feasibility analysis to support the 2% contribution as this will assist with other projects. Planning reform requires greater transparency and local context.

**(ii) incentives for developments on privately owned land**

Incentivising development can be problematic. Providing uplift bonuses for development can lead to land banking, speculation and development flipping (getting a development application approved and selling the land). This can lead to hyperinflation in the property market and ultimately stifle development potential due to reduced development feasibility.

Changes to SEPP (Housing) 2021 allows additional floor space ratio and height for development providing affordable housing (minimum of 10%). This mechanism does not

recognise the economically optimal density. Increasing building heights may not be economically feasible due to the increase in construction cost once a development reaches a certain size. For example, while the average cost to build a 5-storey block might be \$3,500 per sqm, the cost of an extra storey is more than the average cost of the first five storeys due to the additional building services and requirements under the Design and Building Practitioners Act 2020. Incentives for development on privately owned land must consider development feasibility to ensure its viability and other potential impacts such as mine subsidence, heritage, flooding, visual and privacy need to be considered.

Further investigation into current market conditions is required. Incentives that create certainty and reduce costs during the construction stage should be explored.

### **(iii) opportunities within developments on government owned land**

CN advocates for a 25% affordable housing mandate on government owned land (CN Advocacy State Election 2023). The NSW Government reflected this with the Premier, Minister for Housing's announcement that a "commitment to ensure that developments on surplus public land includes a minimum of 30% affordable, social and universal housing" (New planning rules mean more affordable housing, NSW Government, 2023).

Opportunities in CN currently exist, including the following sites:

- Fort Wallace (commonwealth land)
- Stockton Centre (state land)
- Multiple parcels within the [Broadmeadow Place Strategy](#) precinct (state land).

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

#### Subsidised rental housing

CN advocates for more measures to prevent housing stress. This includes a rental investment incentive scheme in perpetuity, partially to replace the National Rental Affordability Scheme. This would reduce the concessional tax treatment of 'negatively geared' property investments and provide a two-tier investment incentive for construction of new rental housing for people with very low to moderate incomes (CN Advocacy State Election 2023).

### **(v) other related matters**

#### Market Conditions

Efforts to secure key worker housing close to jobs are likely to be thwarted without parallel efforts to calm the housing market. The cumulative gap between approvals and completions in NSW has been around 100,000 dwellings since 2016. This demonstrates that housing completions are not hindered by slow approvals or a lack of residential land.

CN notes there is no guarantee homes will be built once approved. Market conditions are not solved through planning processes. Current market conditions including increased construction costs, labour shortages, interest rates, and the availability of finance affect housing supply and landowners'/developers' appetite to invest, and these issues are not solved through zoning or planning reform.

## CONCLUSION

CN recognises these terms of reference are about essential worker housing distinct from affordable housing. However, having recognised a housing crisis our elected Council continues to advocate to the NSW and Federal Government to provide additional funding to address the affordable housing crisis across Newcastle. The Lord Mayoral Minute (LMM) of 27 April 2021 expressed ongoing concern for reduced housing support such as the Federal Government's decision to phase out funding for the National Rental Affordability Scheme, without new funding to ensure ongoing provision of leases for affordable housing units, or to retain existing stock beyond the 10-year obligation.

Over the last five years, our elected Council have consistently advocated for assistance to address the current housing crisis. They committed (LMM 27/04/2021) to continuing to do all that we can from local government to address housing affordability across Newcastle, noting that the supply of new social and affordable housing stock is the responsibility of the State Government, with Federal Government support.

A Notice of Motion of 13 December 2022 noted the success of a funding agreement CN has established with NSW Land and Housing Corporation, which unlocked \$12 million towards social housing delivery across the LGA. Noting social and affordable housing is a key priority of the Newcastle 2040 Community Strategic Plan and local housing strategy.

More recently in June 2023 Council resolved to:

- Welcome the Albanese Commonwealth Government's \$2 Billion Social Housing Accelerator payment to State Governments.
- Offer the City's support as a partner with the State and Commonwealth Governments to deliver on a \$2 Billion commitment and support additional social and affordable housing in the City.
- Welcome the Minns NSW Labor Government steps to increase affordable housing in major projects and improve planning pathways for social and affordable housing.
- Reiterate CN's interest in partnering with the State and Commonwealth Governments to accelerate the delivery of additional social and affordable housing in the City in response to the housing crisis.
- Reiterates the elected Council's action on affordable housing to date to fast track more affordable housing in the city via collaborative partnerships with community and government, with projects already completed in Wickham and Waratah West, and under construction in Wallsend, and notes the elected Council's previous resolutions and work to ensure social and affordable housing is accessible and equitable.

This year council continues to support a planning proposal to implement our draft Affordable Housing Contribution Scheme.

CN commends the NSW Government commitment to explore options to increase essential worker housing supply. We note all levels of government have different roles in the provision of housing. While CN can facilitate and advocate for opportunities for the provision of housing to meet the needs of the whole community, the supply of new social and affordable housing, is primarily the responsibility of the NSW Government, with the support of the Federal Government.

This submission suggests ways to improve the limited planning mechanisms as we have to deliver more affordable housing close to jobs and services. Options that reduce rent and costs during construction could supplement an improved process for an affordable housing contribution scheme. We also stress that all housing markets are not the same and consideration should be given to the impacts on local and regional economies when writing policy for essential worker housing.

Should you have further questions about this submission, please contact Shane Cahill,  
Strategic Planning Section Manager on [REDACTED]

Yours faithfully



Michelle Bisson

**EXECUTIVE DIRECTOR PLANNING AND ENVIRONMENT**