

**Submission  
No 69**

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

**Organisation:** The Committee for Sydney

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September 2024

Dear Members of the Legislative Assembly Select Committee on Essential Worker Housing,

**Re: Essential worker housing in Sydney and NSW**

The Committee for Sydney welcomes the opportunity to provide input to the Legislative Assembly Select Committee on Essential Worker Housing to share our views on options for essential worker housing in New South Wales.

**Who we are**

The Committee for Sydney is an urban policy think tank. We are advocates for the whole of Sydney, focused on developing solutions to the most important problems we face. We are proud to have over 160 members that represent key business, academic and civic organisations across Sydney.

We advocate for policy and investment outcomes that shape the future of Greater Sydney. We work across six distinct but connected program areas which include resilience, planning, mobility, economy, culture and equity and fairness.

Below are our responses to the inquiry's terms of reference.

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

**Avoid creating a new category of 'essential worker housing', instead, focus on increasing affordable housing stock in Sydney.**

The Committee strongly advises against creating a new category for essential worker housing when affordable housing as a model already exists.

Subsidised housing should always be allocated according to income need, not solely by someone's occupation. This is because subsidies should target those most in need, with income being a key measure. There are instances where essential workers on low or moderate incomes are eligible for affordable housing already, and there may be cases where these workers should be prioritised for subsidised housing due to the need for them to live close to work – such as nurses near to hospitals .

While a new 'essential worker housing' product with expanded income levels would be more feasible and more attractive for developers to provide, it would erode the supply of 'less-attractive', traditional affordable housing. This will shrink the overall pool of subsidised housing available for people on very low, low, and moderate incomes when Sydney already has extremely low levels of affordable housing compared with many other global cities.

Do we want to live in a society where older women at risk of homelessness or single mums caring for children are pitted against essential workers for affordable housing? This is what could occur if planning incentives and bonuses attached to a new category of 'essential worker housing', aren't carefully considered.



The need for affordable housing is so great, while the supply of affordable housing is so small. Instead of further segmenting the limited amount of housing available, we should focus on expanding the amount of affordable housing being delivered. It is worth noting that cities with larger shares of social and affordable housing tend to have broader eligibility criteria, not just for those in extreme need. To widen income eligibility for affordable housing, we must significantly expand its availability.

### **Clarify the confusion between essential worker vs key worker housing.**

While we strongly advise against 'essential worker housing' becoming a new category of subsidised or affordable housing, if it is adopted, we suggest it should be as a sub-category.

We also advise that the term 'essential worker housing' replaces, or is replaced by 'key worker housing', and one of the two terms are used, and formally defined moving forward.

The term 'key worker housing' is already frequently used in affordable housing discourse, not only in Ministerial media releases, but also formal policy documents - for example, the NSW Affordable Housing Ministerial Guidelines 2023/24.

The Affordable Housing Ministerial Guidelines set out the legislative and policy framework for delivering affordable housing owned or managed by registered community housing providers. The guidelines, while vague and confusing at times, do reference that affordable housing allocations can be targeted to specific population groups like key workers:

*"From time to time, allocations may be targeted to a specific population group such as key workers or for older households in a housing development. Where possible, providers should still try to achieve a mix of income bands when allocating within a cohort population".<sup>1</sup>*

The concept of key workers exists, but it is not defined and an almost purposefully vague concept. We suggest picking key worker or essential worker as a term to use moving forward, and define it.

### **Defining essential or key worker housing**

It's difficult to define essential worker housing without reference to who would be eligible for the housing, and therefore define which workers are classified as essential workers.

The Essential Services Act 1988 (NSW) defines 'essential services' in the context of 'disruption in the provision of essential services', and captures a lot of essential services. We suggest combining the Act's definition of essential services with the categorisation in the 'Permissions and Restrictions for Essential Workers – Interim Guidance', produced by the Federal Government during Covid (see figure 1 below), particularly the Priority 1 row.

Critically, the guidance doesn't only think of essential workers as state government or key infrastructure providers, but also as food and beverage providers, education and care givers. One category that should be added however, are hospitality workers, who are also critical in keeping a city running, fun and attractive.

Therefore essential worker housing should apply to the following, in combination with those below the income limits defined by the Ministerial Affordable Housing Guidelines, and the housing SEPP:

- Health, welfare, care and support workers

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<sup>1</sup> NSW Affordable Housing Ministerial Guidelines, p. 10, available here: [https://www.facs.nsw.gov.au/\\_data/assets/pdf\\_file/0011/843446/NSW-Affordable-Housing-Ministerial-Guidelines-2023-24.pdf](https://www.facs.nsw.gov.au/_data/assets/pdf_file/0011/843446/NSW-Affordable-Housing-Ministerial-Guidelines-2023-24.pdf)



- Cleaners (note, cleaners were absent from the Covid direction and essential services Act)
- Emergency services, safety, law enforcement, justice and correctional services
- Energy, resources and water, and waste management
- Occupations relating to the provision of food, beverage and hospitality
- Education and childcare,
- Any other service declared to be an essential service via a Ministerial direction; and
- a service comprising the supply of goods or services necessary for providing any service referred to above.

Figure 1: Australian Government’s COVID definitions of essential workers

Priority	Sector
Immediate attention	<ul style="list-style-type: none"> <li>• Transport, freight, logistics and service stations.</li> </ul>
Priority 1	<ul style="list-style-type: none"> <li>• Health, welfare, care and support (including production and provision of medical, pharmaceutical and health supplies and pharmacy workers),</li> <li>• Emergency services, safety, law enforcement, justice and correctional services,</li> <li>• Energy, resources and water, and waste management,</li> <li>• Food, beverage, and other critical goods (including farming, production, and provision of, but excluding hospitality),</li> <li>• Education and Childcare, and</li> <li>• Telecommunications, data, broadcasting and media.</li> </ul>
Priority 2	<ul style="list-style-type: none"> <li>• Financial and insurance services,</li> <li>• Critical government functions, federal, state or local government and public works,</li> <li>• Essential research,</li> <li>• Building and construction,</li> <li>• Accommodation and real estate, and</li> <li>• Functions that support the above.</li> </ul>

Table representing key categories of essential workers. Source: *Permissions and restrictions for essential workers - Interim Guidance*, available [here](#).

**Criteria for prioritising worker cohorts and geographical areas**

In addition to the above, there may be circumstances where it makes sense for particular occupations in particular locations to be prioritised, in response to existing or predicted worker shortages.

This is why it makes sense for there to be the ability for the Minister to have a power to issue directions for certain workers to be prioritised in certain locations.

For example, aged care hospitals in the northern beaches have closed because of an inability to attract staff due to high property and rental costs. To resolve this, we need to increase the supply of affordable housing in the area, and ensure key aged care workers whose income is eligible for affordable housing be prioritised in that LGA.

**Recommendations:**

- Do not create a new category of ‘essential worker housing’ as this could erode the supply of affordable housing. Consider instead creating a sub-category that is still linked to income.
- Clarify terminology – pick essential or key worker housing – and define it.



- Allow the Minister to issue a direction for particular workers to be prioritised in particular areas based off a clear justification – i.e. a critical shortage of workers in a particular area and sector.

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

**(i) planning tools and reforms**

There are already planning tools available that seek to increase the provision of affordable housing in NSW including:

- State Significant Infrastructure (SSI) provisions allow for the delivery of housing as an ancillary use to key critical infrastructure projects like hospitals.
- Bonuses for Affordable Housing under the Housing SEPP
- A mechanism for Councils to introduce Affordable Contributions under the Housing SEPP (although this should be streamlined as unpacked further below).
- Councils or the Planning Minister can include the provision of key worker housing as a condition of consent when assessing Development Applications.

Recent reforms like the 'in-fill affordable housing' bonus, under the Housing SEPP, appear to be helping, with significant take-up so far. However, there are tweaks that can be made to clarify definitions and streamline processes to unlock more affordable housing, that will benefit low-income essential workers across Sydney.

**Recommendations:**

**1. Review the NSW Affordable Housing Ministerial Guidelines 2023-24.**

The Affordable Housing Ministerial Guidelines have become a key document for delivering affordable housing due to the lack of clearer directives from the State Government or Housing SEPP. Although this wasn't the guidelines' intended role, their effectiveness is undermined by vague terms like "from time to time" and "as a rule of thumb" in guiding allocation and delivery.

There is a need to review the guidelines to tighten and clarify key points – especially the rate that rents should be charged. The guidelines say both 20% discount to market rent, or 30% of income, allowing providers to pick and choose. A review would also enable the definition of key worker or essential worker housing to be inserted. Any changes should be undertaken in consultation with the community housing sector, and private development industry.

**2. Review whether gross income or standard salary should be measured in affordable housing income eligibility calculations.**

Where essential workers often get bumped out of eligibility for affordable housing is when overtime or loading is included in their gross annual income. For example, the average nurse salary is around \$80k a year, but overtime working night or weekend shifts may mean that their income is pushed above the moderate-income bracket. However, there is a question of whether this is fair as shifts may be inconsistent or out of their control over a certain period of time.

We recommend reviewing the impact of either excluding some loading and overtime from Affordable Housing income eligibility or basing income eligibility on a smoothed average of their income over a longer period. There is a need to understand the pros and cons of this policy option, as it could result in people being allocated affordable housing, who aren't in need of it. Some of our community housing provider members have also noted that tracking income eligibility causes them and tenants the most



pain – tenants are supposed to notify when their income increases by 10%, and on the provider side, they need to assess/review at a point in time. As essential workers can have fluctuating incomes this can be complex. There is opportunity to simplify the income eligibility requirements for both tenants and CHP providers.

### **3. Support councils to adopt affordable housing contributions schemes more easily to boost the overall supply of affordable housing**

Affordable housing contribution schemes are council-led policies which set out how, where and at what rate development contributions can be collected by councils from market rate developments to be put towards delivering affordable housing.

The enabling provisions to develop an affordable housing contribution scheme are contained in [Part 7, Division 7.2 of the Environmental Planning and Assessment Act 1979](#) and [Chapter 2, Part 1 of the Housing SEPP](#).

The department's [Guideline for Developing an Affordable Housing Contribution Scheme](#) sets out the process and considerations councils must take into consideration when developing an affordable housing contribution scheme.

However, under the guidelines councils are not allowed to introduce low, broad-based affordable housing schemes, despite being the most efficient way to collect contributions

A review of the relevant section of the EP&A Act, as well as the Housing SEPP and guidelines are needed to make inclusionary zoning, or affordable housing contributions as simple as possible. This should be done in conjunction with other tools listed below that also aim to increase the provision of affordable housing.

Principles around how to make IZ work at scale, efficiently and feasibly – include:

- A low broad-based rate – i.e. 1% in western Sydney, 3% in Sydney's east and north where it is more feasible,
- Introduce following a grandfather period (i.e. in 3 or 4 years-time) so that it can be factored into land value.

### **4. Enable councils to allow affordable housing in certain locations where housing is currently not permitted**

Allowing affordable housing as a permitted use in areas that it is not permitted, can be a smart way to give not-for-profit CHPs access to less expensive development sites.

This should only occur in a very considered way, such as:

- on a site-by-site basis
- led by local councils who understand their local place contexts best and who have a clear evidence base for what the community needs
- only when there is demonstrable evidence that the current land use is surplus to future requirements or can be appropriately integrated into a new development
- where the introduction of residential will not create land use conflicts with existing and surrounding uses
- only in locations that are well-located



Examples could include underutilised carparks, church grounds or left-over land that is zoned as SP2 Infrastructure (for example adjacent a train line).

This has already been trialled by the City of Sydney who achieved this via the definition of 'permitted uses' applicable to specific lots of their E3 Productivity Support zone. This zone only permits business and industrial uses to ensure there is well located land available for facilities and services, light industries, warehouses, offices and the like. The land value is stabilised because market residential is not permitted.

This provides CHPs with access to development sites without having to compete with market residential developers. A recent example of the success of this approach is the purchase of a site by City West Housing in the City's southern enterprise area to the west of the Green Square Town Centre. The site is expected to deliver over 100 affordable homes in perpetuity.

#### **5. Allow the use of planning incentives to encourage the provision of affordable housing**

It should be commonplace to allow for higher FSR/heights in LEPs if affordable housing is provided. These sorts of incentives are already in operation by the City of Sydney (see the relevant section of their LEP [here](#)), and should be commonplace across Sydney.

#### **6. Emergency-style measures to increase the supply of affordable housing:**

Given the depth of the current housing crisis with a trifecta of high interest rates, labour and material costs, there are temporary measures that could be taken to overcome feasibility challenges including:

- a. Developments over \$10 million in the City of Sydney must include public art. This requirement should be temporarily removed for affordable and social housing projects given current feasibility challenges.
- b. Move infrastructure development contributions from the Construction Certificate to Occupation Certificate stage to minimise finance and holding costs – or remove the need for CHPs to pay development contributions at all.

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

There is no magic pudding when it comes to providing affordable housing. Social and affordable housing will always require a form of subsidy, as the private market will not, and cannot provide affordable housing without it.

#### **1. Partner with the private sector to build more Build-to-rent (BTR) products across Sydney**

One option to deliver affordable tenure blind housing at scale is to explore is using a sub-category of essential worker housing to get BTR projects off the ground. For example, by guaranteeing the lease of 25% of a project for essential workers below a certain income threshold, with government subsidising the gap between market rent and rent charged. This would have the dual impact of releasing more BTR products on to the market, while also housing essential workers below a certain income threshold.

As part of the Queensland BTR Pilot Project, Mirvac's LIV Anura project will deliver 396 high quality rental apartments including approximately 99 Affordable Housing units.

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

There is a huge opportunity to increase the stock of affordable housing using government land. There are multiple ways to achieve this:



## **1. Innovation is needed in the business case process to fully capture the value of providing affordable and key worker housing on site.**

While there is some rhetoric that providing essential and affordable housing limits governments returns, and those returns that could be spent on providing more affordable and essential worker housing 'somewhere else', 'somewhere else' is another magic pudding. 'Somewhere else' is not going to be as well-located as government sites like Bays West, Blackwattle Bay or Frenches Forest (which is right next to a major hospital). That is, if the affordable housing 'somewhere else' ever eventuates.

If the Government is committed to increasing the stock of social and affordable housing, the most efficient, socially-just and practical outcome is to provide a substantial proportion of affordable housing (which can also house essential workers who need it), on well-located parcels of government land.

The challenge is that it is difficult to get business cases to stack, so this is where innovation is needed in valuing the benefits of providing affordable housing in well-located areas.

We need to be able to easily quantify the value of an ambulance officer being able to live within 10 minutes of a hospital, or the value of cleaners living within a reasonable distance from their workplaces. This comes in the form of opportunity or productivity costs, as well as wider societal costs. If essential services aren't functioning, our city grinds to a halt.

Some business cases aren't well acquainted to account or second and third order impacts and benefits, but in this case, value must be attributed to them. This reflects a broader challenge within arms of government charged with managing land ownership in ensuring that the value of this land is not just thought of in terms of its 'financial' value, but also its wider 'economic' and 'social' value.

Providing this information and revised methodology publicly, will also enable councils to use similar methodologies. Assisting councils to make the most of their own land, for the purpose of affordable housing delivery.

**Recommendation:** review treasury business case guidelines so that the value of affordable housing fully reflects its social and economic benefits, rather than being limited to per square metre market prices based on highest and best use and development capacity.

## **2. Clarity is needed over what is expected of Government sites.**

The Government has stepped back from its initial commitment of 30% affordable housing on government-owned sites. This is a poor outcome both for essential workers in Sydney and the ability of Sydney's economy to function effectively.

The proposed sale of Camperdown dive site is a clear example of this. Affordable land suitable for affordable and essential worker housing is so scarce so close to the Sydney CBD, as well as major hospitals and universities.

Moving forward, we recommend that there is more consistency around the expected proportion of affordable housing on government land. We advise picking a target – like 30% on all sites – and sticking to it, especially in high-value areas like the inner city where they are potentially last available pieces of land where it could ever be viable for significant inroads into affordable housing stock levels.

Advice from some of our developer members is that while there are challenges in making 30% stack in conditions where materials and labour is tough, Sydney has never benefited from a clear target on government land that's actually been adhered to. The lack of consistent, and simple, benchmarks,





mean we failing to deliver, and will continue to fail to increase the stock of affordable housing over time. Having a target that is clearly signalled to the market means that future land acquisitions will be made with the reduced revenues factored into offers made for sites and therefore not affect feasibility.

**Recommendation:** Set a long-term goal – i.e. 50% affordable housing on government land (like London), start lower and progress it over time, with clear timelines for the market (noting that the UK also has more subsidises available for affordable housing that make it more feasible for CHPs to develop and operate).

### **3. Continue with existing programs and expand to areas that are increasingly unaffordable.**

The government has already announced a \$450 million investment to build new BTR apartments for essential workers including nurses, paramedics, teachers, allied health care workers, police officers and fire fighters to rent at a subsidised rate in areas closer to the city, their jobs and services.

Landcom has been charged with acquiring up to four sites to build more than 400 new BTR dwellings in the next three years. The homes will be offered to essential workers at a discount to market rent, through a separate subsidy program. There is potential to further expand this program in the next budget, with a particular focus on high need areas – i.e. Sydney's east and north.

### **4. Retain government land in long-term government ownership.**

There is significant strategic merit in maintaining government-owned land in long-term public ownership. This can be facilitated by leasing land (i.e. 99 year leases) for redevelopment and gathering an annual ground lease, rather than selling sites freehold to private developers.

Not only does this model ensure future land value uplifts are retained by the government, it also has the advantage of ensuring that the government retains the future option value of the land so it can be used most strategically in the future. This model is being used successfully by [Homes Victoria](#), as well as for commercial development in Pyrmont, Barangaroo and Sydney Olympic Park.

## **Conclusion**

While we advise steering clear of creating a new category of essential worker housing, there are variety of planning reforms and innovations across the private and public sector that can occur to increase the supply of affordable housing.

We look forward to continue working with the Legislative Assembly Select Committee on the key issue of essential worker and affordable housing.

If you have any questions do not hesitate to contact Estelle Grech, Planning and Housing lead at the committee for Sydney via [REDACTED].

Kind regards,



Eamon Waterford  
CEO  
The Committee for Sydney