

Committee for Sydney – Response to supplementary questions

1. What changes to the NSW Affordable Housing Ministerial Guidelines would you recommend to improve essential workers' access to housing? (Transcript, p 54)

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 are multiple improvements to the guidelines that can be made, including:

1. Clarify terminology – pick essential or key worker housing – and move forward with one of the terms. They effectively mean the same thing but 'key worker housing' is currently referred to in the guidelines.
 2. 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.
 3. Make the rates that affordable housing can be charged at consistent – The guidelines currently allow providers to choose between a 20% market rent discount, or charging 30% of tenant income, leading to inconsistencies. In high-cost areas like the Northern Beaches or Inner Sydney, a 20% discount remains unaffordable for essential workers and low- to moderate-income families. We recommend reviewing rents that can be charged to ensure genuine affordability – this may mean removing the reference to 20% discount, or making it a higher discount to market rent, especially in expensive markets like Sydney. Any changes should be developed in consultation with the community housing sector and private industry to ensure feasibility and alignment with broader housing goals.
- ### **2. At the hearing, you noted that councils are not currently permitted to implement city-wide, broad-based, inclusionary zoning. (Transcript, p 54).**

a. How would a broad-based charge help increase the supply of essential worker housing?

As stated in our submission, the need for affordable housing in Sydney is so great, while the supply of affordable housing is so small.

Instead of further segmenting the limited amount of affordable housing available between essential workers and other groups who have high needs for affordable housing, the focus needs to be on expanding the total amount of affordable housing being delivered.

Broad-based inclusionary zoning not only increases the amount of affordable housing available, but with scale, can also reduce pressure on the private rental market – resulting in increased affordability in the private housing market also. The private sector delivers the vast majority of housing in Australia (over 90%) so it makes sense to use an established sector to deliver this essential infrastructure at scale.



As stated in our submission, cities with larger shares of social and affordable housing tend to have broader eligibility criteria and also cater for essential workers, it is a product that is not only for those in extreme need as is the case in NSW. To widen income eligibility for affordable housing over time, we must also significantly expand the availability of social and affordable housing.

b. What policy or planning barriers currently prevent councils from implementing this policy?

There is no legislative barrier that legally prevents councils from implementing this policy, but the 2019 [*Guideline for Developing an Affordable Housing Contribution Scheme*](#), implicitly rules out broad LGA-wide schemes:

Affordable housing contribution schemes apply to developments that are facilitated by upzoning. For the purpose of this guideline, an upzoning is a change of zone to enable residential development or a change of planning controls (such as floor space ratio) which enables greater residential density in site (p. 17)

As the guidelines tie affordable housing contributions to developments or precincts that are facilitated by upzoning, DPHI has advised councils that city-wide schemes that include areas that are not being upzoned, are not permitted.

There have been two exceptions – the first is the City of Sydney, which were able to introduce a city-wide scheme because:

- a) They had submitted the planning proposal to do so before the introduction of the guidelines
- b) It was an extension of inclusionary zoning schemes that covered most of the LGA anyway – like the Green Square and Ultimo-Pyrmont schemes.

Waverley has also introduced a broad-based scheme in 2023, that includes a 1% rate across the LGA. This was because they were able to effectively argue over multiple years various reasons why the guidelines shouldn't apply to them. They were able to demonstrate how they were an exception to the rule, which took valuable time and energy other less-resourced councils may not have.

The Department has historically delayed decisions, with some proposals taking several years to be finalised—when they could be resolved within six months. This lack of urgency has stifled progress and highlights the need for greater political will to streamline the process.

To address these issues, a more consistent and transparent approach is needed. The Guidelines should either explicitly allow councils to introduce broad-based inclusionary zoning across their entire LGA or be revised to provide a clear, streamlined pathway for councils to implement these policies efficiently.

Additionally, it is important to acknowledge that the current development climate poses further challenges. We are in a feasibility crisis, and any new inclusionary zoning contributions must be carefully designed to avoid exacerbating viability concerns.



If contributions are introduced, they should be clearly signalled in advance and phased in and scaled up over time to provide certainty to the market and allow developers to adjust accordingly and price in known delivery requirements into future business cases and land acquisitions.

Recommendations:

- Reform the guidelines to allow councils to opt for LGA-wide broad-based charges across their LGA.
 - Ensure the guidelines are easy for Councils to follow and that DPHI is resourced to process subsequent LEP amendments proactively and efficiently.
- 3. Do you anticipate that the transport-oriented development (TOD) program will significantly increase the supply of affordable and essential worker housing in NSW?**

In the short-term, the TOD program is unlikely to have a significant impact in increasing the supply of affordable and essential worker housing, however it is an important start in increasing the capacity for more, well-located homes, with a portion of affordable housing – and rates of up to 15% in some of the Accelerated TOD precincts.

While the 2% TOD SEPP changes are a modest start, the policy position has sent a signal that this government seeks to capture some of the value it has created via upzoning, in the form of a social benefit. The Government has also gone bold in the accelerated TOD precincts where it stacks up which is very positive for housing capacity in these areas, over time. If Sydney and NSW is to fall into line with other global cities, it is also appropriate for affordable housing rates to increase over time.

4. Your submission advises against creating a new category of "essential worker housing". (Submission, p 2).

- a. What approach would you recommend to ensure that NSW's essential workers have access to and are eligible for affordable housing?**

We recommend that there is a much stronger focus from Government to directly increase the supply of housing for essential workers where they are producing demand for essential workers.

This can be achieved by:

- 1. Ensuring that Government land is utilised to help deliver this gap in the market.**
 - The Government is already showing leadership in this space in the Camperdown dive site – initially slated for private sale, they've demonstrated innovation in providing a subsidised built-to-rent product for essential workers.
 - We suggest this is rolled out across other precincts like Frenchs Forest, where there is a government-owned-site (Frenchs Forest High, due to be vacated mid-2025) adjacent to the Northern Beaches hospital,
- 2. Future major health and education facilities developed by the government should be required to incorporate essential worker housing either on-site or within close proximity as part of the overall development.**



- This can be formalised through the planning system by amending State Significant Infrastructure requirements, or it can be introduced into the Infrastructure NSW project assurance and gateway review process in the development of business cases.

3. Amend the NSW Affordable Housing Ministerial Guidelines

- As stated in response to question 1, the NSW Affordable Housing Ministerial guidelines can be updated to include a provision where the Minister can 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. This provision should also enable the Minister to adjust income eligibility thresholds in these cases, ensuring that essential workers can access housing in areas where they are most needed.
- It may also be necessary to model the impact of smoothing out income eligibility assessment for essential workers to prevent certain periods of overtime to push them over the income eligibility level and bar them from accessing affordable housing.

4. Develop design guidelines for essential worker housing

- The Committee for Sydney strongly supports the Apartment Design Guide as a critical tool that ensures high-quality apartment developments across the city. While this guide sets a strong benchmark, it has been designed primarily for the build-to-sell private market and may not fully accommodate the unique needs of essential worker housing.
- To maximise the number of rooms or beds available, some flexibility in design standards may be necessary. At the same time, it is crucial to maintain high levels of amenity, functionality, and liveability. Purpose-built design guidelines can help strike this balance, ensuring essential worker housing remains well-designed, comfortable, and relaxing while allowing for more adaptable and efficient delivery.
- Precedents of typology specific design guidance includes the '[Good design for social housing](#)' guide and the '[Seniors housing design guide](#)'.

Other approaches to ensure essential workers are eligible and have access to affordable housing

We recommend maintaining income-based allocation for social and affordable housing and advise against creating a separate sub-category for essential worker housing.

However, if the Committee does recommend a new essential worker category, it should be guided by a key principle: essential worker housing must be directly tied to a source of essential work. When demand for essential workers is created, housing should be provided in part to support them. For example, an aged care facility developer could be required to include housing for its essential workforce.

While it's unlikely that all workers could be accommodated in this way, it offers greater choice, alleviates housing and employment pressures, and strengthens workforce stability in critical sectors. There are also business benefits, ensuring key services remain staffed.

Planning incentives could encourage private sector providers, such as aged care or health services, to integrate essential worker housing into their projects. For instance, allowing additional beds in return for

worker housing, similar to the 30% GFA bonus available to developers under the Housing SEPP for projects that deliver 15% affordable housing.

Recommendation:

- Maintain income-based housing allocation, but if an essential worker category is introduced, it should be place-specific and tied to essential work uses (e.g. aged care development, hospital, school etc.)