

**Submission
No 85**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Southern Sydney Regional Organisation of Councils

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Legislative Assembly Select Committee on Essential Worker Housing
Parliament of NSW

<https://www.parliament.nsw.gov.au/committees/inquiries/Pages/lodge-a-submission.aspx?pk=3051>

Dear Select Committee members

SSROC Submission: Select Committee on Essential Worker Housing

1 Introduction

The Southern Sydney Regional Organisation of Councils (SSROC) appreciates the opportunity to make a submission to the NSW Legislative Assembly Select Committee's (Committee) inquiry on essential worker housing in New South Wales (Inquiry). SSROC thanks the Chair for a short extension to make this submission.

SSROC is an association of twelve local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of about 1.8 million, one third of the population of Sydney, including Australia's most densely populated suburbs. SSROC seeks to advocate for the needs of our member councils and bring a regional perspective to the issues raised.

2 Our understanding

The Select Committee Terms of Reference

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.
- (b) Identify options to increase housing supply for essential workers, including but not limited to:
 - (i) planning tools and reforms
 - (ii) incentives for developments on privately owned land
 - (iii) opportunities within developments on government owned land
 - (iv) investigate reforms that promote fiscal sustainability, innovation and essential worker housing in-perpetuity
 - (v) other related matters.

3 The current and growing need for essential workers

Essential or key workers are critical to efficient and effective local economies. They ensure the continuous operation of vital services such as healthcare and food supply, transportation and public safety. They also support the wider economy by keeping key industries running and play a central role in managing public health and safety.

Essential workers are vital for delivering our aged, health and disability services and government workers providing key services such as police, teachers and fire and rescue staff, transport workers etc. for the general public. They underpin the productivity of our local, regional, state and national economies. However, demand for this workforce that provide critically human services in place has proved to be inelastic, despite automation, AI and robotic advances.

Essential workers are already proving to be a scarce resource.

Communities and economies benefit from essential workers being adequately and affordably housed close to the communities they serve. These benefits include:

- Supporting the availability and continuity of important community services;
- Ensuring workers are available to respond quickly to emergencies or spikes in service demand; and
- Reducing worker stress and fatigue, improving retention and quality of service provision.

Many essential workers are also in low- and moderate-income households. Their difficulties accessing housing that is both affordable on their incomes and within reasonable commuting times to workplaces has been recognised as a major reason for shortages of essential workers.

The essential workforce is part of the new frontline for efforts to maintain, improve and drive productivity. A widespread collapse in the essential workforce will damage economies, service delivery and businesses and economic decline and therefore reflect on all governments' election prospects as a consequence.

Competition for both the trained and the potential essential workforce is now worldwide and heating up, as populations age at the same time intensifying demand and reducing the potential workforce pool. This is a long-term trend with competition by Australia, and between states and territories, cities and districts. It gets expressed through its favourable visa requirements, the salaries on offer, access to training and education opportunities offered to improve incomes as well as opportunities for the essential workers to secure well located housing that is affordable nearby to work or within reasonable travel times.

Housing affordability challenges have been observed in many of the most livable cities.

Our cities and districts have somewhere around 15% of the total workforce as essential workers¹. The scale of the issue is significant. Governments and businesses need to employ a suite of strategies that help to attract new workers and retain existing ones. Retaining existing ones includes minimising the displacement of their essential workers to protect and maintain a pipeline of essential workers.

Routinely Australian state governments are in wage-packaging auctions to attract workers to hard to fill public sector job vacancies and offer incentives to retain their older workers. However, housing costs are increasingly dominant in influencing and limiting the locational decision-making and the distribution of essential workers.

Once the majority of essential workers could afford to purchase a home. Others could rent privately without living in permanent rental stress. Over time social housing has tightened its eligibility criteria to lower income households dependent on statutory incomes.

¹ In the low to moderate income range of 21 occupations described in AHURI research.

Essential worker housing has become a watershed for Sydney, one of the most unaffordable cities in the world.

“Something needs to happen when you live in the second most expensive city in the world and young people are up and leaving in record numbers” Premier Minns said. More and more essential workers are finding it not feasible to meet their housing needs in the NSW market housing especially Sydney. Ironically, the problem is predicted to become more acute, with efforts to accelerate the supply of housing under the Housing Accord.

“The biggest rezoning shake-up in Australian history aimed at increasing density, especially around transport hubs to created capacity.”² New market supply will be largely unaffordable to households on below median incomes. This transformation will be preceded by the loss of hundreds of thousands homes as many older dwellings are demolished largely in the well-located transport hubs of our NSW cities. Low access to affordable housing is a global problem.

However, international benchmarking suggests that Sydney has a chronic level of unaffordability; where housing costs are “persistently high and curtails the living and working choices for a significant portion of a city’s current and prospective residents.” For Sydney, these effects add up to a situation where productivity and growth are held back, equality becomes threatened, and the city is less competitive in the international context.³

The Inquiry is timely. Fundamentally SSROC believes the issue of essential worker housing requires much more dialogue and policy development in the NSW and Australian context. Although the private market fluctuates and sets the price for the vast bulk of housing, there is a strong need for housing assistance for lower income households, including essential workers, who are priced out and search for accommodation in more remote and less connected locations. Consequently, SSROC welcomes this inquiry as a catalyst for further housing and policy reforms.

The continuing deterioration in the level of affordability of housing over most parts of the greater Sydney region has been significant. Home ownership and private rental is now out of reach in the greater Sydney area for many moderate-income households and for many low-income households.

The roles of essential workers require them to be physically present at a place of work rather than being able to work from home. The implications of this are significant for affected households and for the broader community. They include:

- lengthy commute times for lower income households;
- difficulties recruiting staff for certain roles; loss of economic productivity decrease in social, cultural and economic diversity;
- negative impacts on the social and cultural life.

4 Essential worker housing in the housing continuum

Diagram 1 Essential Worker Housing in the the Housing Continuum⁴



² Sydney Morning Herald Editorial, Saturday 14 September 2024

³ <https://sydney.org.au/wp-content/uploads/2023/09/Committee-for-Sydney-Chronically-Unaffordable-Housing-September-2023.pdf>

⁴ Source of adapted graphic: National Housing and Homelessness Plan Discussion Paper, 2023

The housing system is often explained as a continuum or spectrum, as illustrated in the diagram above. There is a need for an essential worker housing framework that works across the housing continuum. Housing system responses are usually targeted to specific needs groups or income cohorts with varying levels of subsidy in parts of the housing continuum. Understanding where essential workers fit is important for crafting effective policy responses.

A variety of local housing solutions is required to successfully house essential workers in different places and housing markets given the interaction between household income, housing market affordability stresses, diverse local market and non-market housing product offerings (homes and apartments to rent or purchase) being supplied and these workers' access and eligibility to receive housing subsidies and assistance.

SSROC considers that the first priority for the NSW Government is to agree a robust and comprehensive evidence-based framework that provides shared knowledge across central and line government agencies, local councils and other stakeholders to better understand the housing needs of essential workers and the most effective housing responses to those needs to bridge affordability gaps.

An effective balance of market and non-market housing solutions that arises from this matrix is best achieved locally. No one response fits all of the needs, circumstances and contexts.

These factors include:

- Essential worker household incomes
- Housing markets and housing products
- Housing subsidies, and
- Rental regulations.

4.1 Household Incomes

Essential workers include people who are employed in essential sectors such as public and private health, police, public and non-government education, emergency and public transport services.

Households with that include essential workers can have very different financial means especially those with dual incomes.

The incomes of essential workers typically fall within the low to moderate income range and are therefore vulnerable to Sydney's high housing costs. They include low-paid private and not-for-profit sector workers in the tourism and hospitality industries such as wait staff, cleaners, shop assistants, nannies, age and disability carers and cooks. They also include some council workers. Many low paid workers have part-time and casual employment.

Life course and career trajectories are also an important consideration, especially for some young growing families where household incomes may reduce from two to one. Many young adults begin their vocational studies and careers living in their parents' home at a substantially reduced cost. On the other hand, essential workers in senior positions may earn incomes well above the median income level.

Table 1 showing rental costs in Greater Sydney and the rest of NSW as a percentage of income for selected occupations illustrates some of this complexity⁵.

Occupation	Base income	Single (1 bedroom dwelling)			Dual income couple (2 bedroom)		
		Eligible for AH	Median rent as % income	25% discount to median rent as % income	Eligible for AH	Median rent as % income	25% discount to median rent as % income
Greater Sydney							
Minimum wage worker	\$45,906	YES	71%	54%	YES	39%	30%
Nursing assistant (Min)	\$50,164	YES	65%	49%	YES	36%	27%
Student nurse (Min)	\$50,164	YES	65%	49%	YES	36%	27%
Nursing assistant (Max)	\$55,037	YES	60%	45%	YES	33%	25%
Student nurse (Max)	\$55,037	YES	60%	45%	YES	33%	25%
Residential care nurse (Min)	\$61,563	YES	53%	40%	No	29%	
Residential care nurse (Max)	\$67,007	YES	49%	37%	No	27%	
Registered Nurse (Min)	\$69,810	YES	47%	35%	No	26%	
Midwife (Min)	\$69,810	YES	47%	35%	No	26%	
Police constable (Min)	\$80,733	No	41%	30%	No	22%	
School teacher (Min)	\$85,000	No	39%	29%	No	21%	
Police constable (Max)	\$91,394	No	36%	27%	No	20%	
Registered Nurse (Max)	\$98,015	No	33%	25%	No	18%	
Midwife (Max)	\$98,015	No	33%	25%	No	18%	
School teacher (Max)	\$122,100	No	27%		No	15%	
Nurse Educator (Min)	\$125,429	No	26%		No	14%	
Nurse Educator (Max)	\$137,639	No	24%		No	13%	

4.2 Housing Markets and Housing Products

Local housing markets in our cities vary significantly across our cities. Sydney is no exception. Land cost, site configurations and site scarcity are major contributing factors. High costs housing areas both to purchase and to rent make it difficult and increasing exceptional for many different occupations of essential workers to live nearby to their work.

As access to home ownership recedes for households on below median incomes in Sydney, a greater variety of non-market housing options will need to be provided at scale to retain many essential worker occupations. Shared ownership and community land trusts have a proven track record in this space in the US and UK.

The range of market products and non-market and market housing products that will be affordable to different occupations of essential workers and their households will largely reflect underlying market economic conditions, including prevailing interest rates and finance costs, migration levels, construction worker shortages and building material supply chain constraints.

4.3 Housing Subsidies

While market housing will continue to dominate both existing and new housing supply, the continued investment of Government subsidies directed to housing outcomes will also play

⁵ Table 1 developed by CHIA NSW

a part in improving and retaining essential workers' access to housing located near their jobs.

Given the variability in essential worker housing needs, a range of funding, policy and supply measures will be required that link to non-market housing products for essential workers.

While some essential workers will benefit from access to affordable rental housing, others may not require such deep, enduring subsidies. Other forms of subsidised housing like shared equity home purchase or recruitment and relocation incentives may be required.

4.4 Rental reform

Housing security in private rental accommodation, in a tight rental market can be a factor in essential workers choosing to remain in a community close to their work or move away. The NSW Premier, Chris Minns particularly noted that “Young people feel they are getting pushed out of the city they grew up in and the opportunities for them to have a roof over their head is next to non-existent”.⁶

Sydney is losing about 7,000 people a year between 30 and 40 to the regions or interstate. Between 2016 and 2021 Sydney lost twice as many people in that age bracket as it gained (35,000 came to Sydney, but 70,000 left)⁷.

The Minns Government has committed to the reform of no ground evictions laws. Under the rental reforms, landlords will need a reason to end a tenancy for both periodic and fixed term leases, such as where the renter is at fault for damage to the property for non-payment of rent or if the property is being offered for sale or the owner moves into the home.

5 Defining essential workers

Before endeavouring to find a definition of essential worker housing, it is important to define essential workers.

Essential workers and the vital role they play exists separately to their diverse housing needs which vary with the interplay of housing market options available to them in a particular place-based context.

A statewide definition of essential workers should first define the occupational sub-groups of essential workers are to be counted and to form this aggregated essential worker group. This should enable both the identification of the occupational sub-groups and their diverse their housing circumstances by location.

The value of a shared broad definition is that it will allow state government agencies, local councils, businesses services and communities who depend on these workers to accurately count these groups and monitor trends, their spatial distribution and shortages along with their respective housing circumstances. This data will also give developers, investors, employers and key government funders the necessary data and the flexibility match cohorts to local contexts, and to plan to respond to changes in economic circumstances and wages over time. This information will help to identify who needs assistance, and where the market is significantly under providing effective affordable housing options.

From an appreciation of how the housing continuum serves essential workers, data on essential workers, together with their income profiles, will enable housing plans, funding and subsidy programs and government priorities to be formulated and agreed to respond to local and regional unmet housing needs, housing stressors to address negative trends and growing problems.

⁶ Sydney Morning Herald article, 12 August 2024, *No option but to act on rent reform, says Premier*

⁷ Ibid

Currently there is no common definition of essential workers. In the absence of an agreed definition, Councils have developed their own essential or key worker definitions. Sectors such as health and other public services are commonly included, but definitions do vary according to local circumstances.

A shared definition will also enable the numbers of essential workers to be counted in the various forms of housing across the housing continuum by place: essential workers living in social housing; affordable housing; intermediate housing options; private rental and homeownership.

A shared definition will enable targets for essential service provision to be set for local, district, regional and statewide planning purposes, to help identify unmet housing needs and tailor housing programs and initiatives.

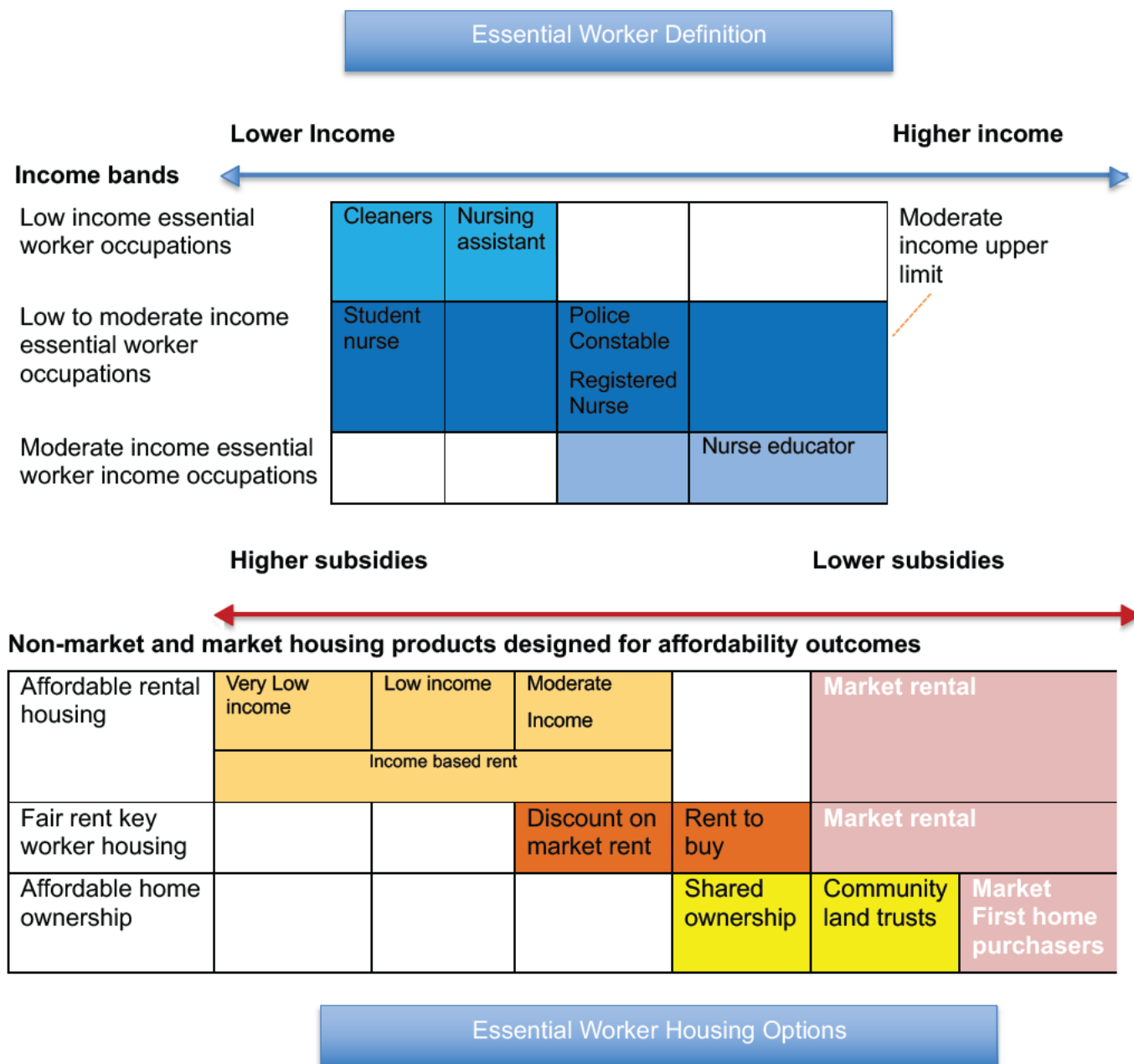
Councils' Local Housing Strategies could be the vehicle for transparently using the common definition of essential workers to consistently understand local housing needs of essential workers across the housing continuum. but determining targets to suit local housing markets, local industries and businesses essential workforce needs. This is illustrated in Diagram 1.

SSROC supports establishing an appropriate definition for essential workers. Any limits on essential worker incomes may need to be flexible and able to be tailored to the local context and respond dynamically to unaffordability to rent and buy in the private housing market.

5.1 The dynamic relationship between occupation, salary scale and housing markets

The framework below seeks to illustrate the dynamic relationship that exists between particular occupation cohorts of essential workers with regularly moving salary scales, their very diverse housing needs and aspirations for housing in different and changing local housing markets.

Diagram 2: A conceptual framework to distinguish between essential workers and their housing options



5.2 A definition for essential worker housing

SSROC notes that the Inquiry is seeking to establish “an appropriate definition for essential worker housing for the NSW Government to adopt including criteria for prioritising worker cohorts and geographical areas”.

It is important to identify and distinguish the purposes and uses of a definition of essential workers and essential worker housing.

There are three key inter-related but separate purposes and uses for an essential worker housing definition:

1. For good strategic and economic planning of housing need and demand by the Federal State, Local Governments, businesses and services and the housing industry.
 - Facilitating good long-term place-based planning and encouraging a mix of market and non-market responses geographically (requiring comprehensive, rigorous spatial data series)
2. For targeting and funding housing assistance measures and designing effective planning controls to increase the housing supply of affordable rental and affordable homeownership products.
 - Enabling government funded assistance to be matched to geographic and sectoral needs
 - Enabling employers and employee's superannuation funds to better target housing provision.
3. For informing access and defining household eligibility to scarce affordable rental housing resources by households that involves public housing assistance and incentives from the public purse.
 - Enabling scarce resources to be fairly allocated by affordable housing providers to end users. (requiring fairness, probity, flexibility to address household changing needs and partner needs).

It is useful to conceive of essential (or key) worker housing as a subset of the broader concept of affordable housing. This submission assumes that essential or key worker housing is any housing product developed for people in certain defined occupations.

Most essential or key workers are concentrated in the very low, low or moderate income bands with regulated wages. They are readily acknowledged as an important category serviced by affordable rental housing.

Most researchers and others agree, that a defining feature of essential workers is the highly valuable contribution their roles make to the functioning of a community and they include a raft of occupations that help our community and cities operate, spanning cleaners, child care workers, chefs, nurses, teachers, paramedics, carers and aides, police and others⁸.

In the recent State budget, the NSW Government has invested in housing for essential workers, referring to nurses, paramedics, teachers, allied health care workers, police officers and fire fighters⁹. Many experts include ICT Support and Telecommunications Technicians and trades, bus, coach, train and tram drivers, delivery drivers and social workers in such a cohort.

Some AHURI research suggests a list of 21 occupations for classification as essential workers¹⁰

- Teachers (all types from early childhood to secondary school and special education)
- Registered Nurses
- Midwives
- Social Workers
- ICT Support Professionals
- ICT Support and Telecommunications Technicians and Trades

⁸ <https://www.ahuri.edu.au/analysis/brief/key-workers-and-commuting-during-covid19#:~:text=Recent%20AHURI%20research%20defines%20key,able%20to%20work%20from%20home> and <https://participate.melbourne.vic.gov.au/defining-key-worker-housing>

⁹ <https://www.nsw.gov.au/media-releases/new-homes-closer-to-jobs-and-services-for-essential-workers-sydney>

¹⁰ <https://www.ahuri.edu.au/analysis/brief/key-workers-and-commuting-during-covid19#:~:text=Recent%20AHURI%20research%20defines%20key,able%20to%20work%20from%20home>

- Ambulance Officers and Paramedics
- Enrolled and Mothercraft Nurses
- Welfare Support Workers
- Child Carers
- Educational Aides
- Aged and Disability support workers
- Nursing Support and Personal Care Workers
- Fire and Emergency Service Workers
- Police
- Prison Officers
- Bus and Coach Drivers
- Train and Tram Drivers
- Delivery Drivers
- Commercial Cleaners
- Laundry Workers.

While SSROC recognises that many of essential workers are lower income earners, not all lower income earners are essential workers and the list of occupations included can vary. The availability of affordable housing not only ensures our essential workers can live and work in Sydney, but also ensures as a global city, we are attracting talent in our workforce, particularly in technology and innovation.

SSROC recommends income and not occupation is used to determine eligibility for affordable rental housing eligibility for affordable rental housing should be restricted to households on very low, low and moderate incomes to target scarce subsidies to those workers who need them most. Income and not occupation should be used to determine eligibility for affordable rental housing however it is recognized that priority could be given to defined essential workers within certain affordable housing projects or locations.

The UK housing experience of responding to essential worker housing needs has demonstrated that income eligibility criteria rather than targeting groups of workforce vocations was the most enduring flexible and effective model for determining eligibility for particular housing products.

An important outcome of the Inquiry would be for the NSW Government to set a minimum target for affordable housing in Greater Sydney and relevant regions as a percentage of private market housing knowing that a significant share of this housing will serve essential workers. Market housing targets have been widely adopted by Government for the private market sector – but not for affordable housing. The City of Sydney LGA target, as a percentage of private market housing is 7.5% affordable housing and 7.5% public housing, totalling 15%.

Recommendation 1:

That, should the Committee recommend a statewide definition of essential worker, this be developed in consultation with councils

The definition be sufficiently flexible for councils to identify those occupations and sectors relevant to their area and housing markets.

Councils should be able to decide the extent to which essential workers are prioritised for affordable rental housing they fund from planning system contributions.

6 Regional targets for essential worker housing

Internationally and locally affordable rental housing has proved to be a durable, versatile form of housing assistance that has filled a growing gap between social housing and market housing for rent and/or purchase.

Upper limits on eligibility to affordable rental housing are leaving some moderate income earners stranded. Other forms of non-market housing products for moderate income earners will now be

needed to complement it to help ensure there is a continuum of housing solutions that match households changing needs, address growing affordability problems for moderate income earners is effective in enabling essential workers to live securely nearby their jobs.

Regional mapping of the unaffordability problem for essential workers will be important for developing new housing products that work in those areas.

Southern Sydney councils, notably the City of Sydney, Waverley, Randwick and Canada Bay councils, have supported the supply of affordable and diverse housing in the Sydney by using planning levers, selling subsidised land to registered not-for-profit community housing providers, and providing grants to a range of providers of affordable and diverse housing. Many of our councils are committed to developing their own local affordable housing contribution schemes.

Recommendation 2:

That the Committee recommends the NSW Government set indicative metropolitan, regional and statewide targets for new housing supply for meeting the needs of essential workers across the housing continuum as a percentage of total private market and non-market housing.

7 Affordable Rental Housing

Currently affordable rental housing is the main housing product available to assist essential workers in NSW with housing affordability. Affordable rental housing created through the NSW planning system comes primarily from subsidies provided by developer contributions to affordable rental housing in one form or another. To access affordable rental housing households need to meet income and other eligibility criteria.

While essential workers are a core group of target households in affordable rental housing, there are also other cohorts: women and children who have escaped domestic violence in employment; people with a disability; and older persons; single parents; lower income earners; and part-time workers who are also carers and need the security of this form of assistance.

Government subsidies and support targeting essential workers should occur as part of broader investment in social and affordable housing to ensure that more households in need are assisted to access safe, secure and affordable housing. Affordable housing serves many roles. It provides an exit point and part of the housing continuum for some exiting tenants of social housing who would be unable to live affordably and securely in the private rental market even though they have joined the workforce.

As careers of households will change over time with other personal and economic factors, essential worker housing should not be defined too narrowly. Policies and programs targeting essential workers need to consider a range of housing and rent models, alongside consideration of non-supply options.

Avoiding a narrow focus on occupations in affordable rental housing will also assist with the efficient management and allocation of affordable housing, enabling lower income households whose employers and employment circumstances change to remain in secure accommodation.

To ensure equitable access to housing opportunities, SSROC recommends that existing definitions of affordable housing, and associated eligibility policies, continue to be based on income thresholds, rather than prioritising access to a particular set of occupations. This will ensure that homes delivered through the planning system, such as under the State Environmental Planning Policy (Housing) 2021, provide opportunities for a broad range of households in need. As noted, this includes people escaping family and domestic violence, young people, and low waged workers who do not meet a given definition of essential worker at a particular point in time.

Accordingly, intermediate housing products targeting essential workers, which do not conform to the NSW Affordable Housing Ministerial Guidelines, should be excluded from the definition of affordable rental housing under planning and housing policies and programs.

Recommendation 3:

That the Committee recommends the NSW Government use gross income to calculate rent. Registered providers must cap rents at 30 per cent of gross household income, not a percentage of market rent to ensure affordability outcomes. This will help to ensure an affordable housing outcome.

Recommendation 4:

That the Committee recommends the NSW Government use affordable rental housing to accommodate a spread of incomes. A cross section of households on very low, low and moderate incomes should be housed in affordable rental housing. Eligibility for affordable housing should be determined by income. However, priority could be given to essential workers in certain affordable rental housing projects in response to Local Housing Strategies (LHS) and targeted funding programs and council policies.

Recommendation 5:

That the Committee recommends the NSW Government determine that planning incentives requiring the dedication of affordable rental housing should be made in perpetuity. This would involve the review the in-fill provisions in the Housing SEPP and accompanying guidelines to facilitate the delivery of affordable housing ‘in perpetuity’, that can be owned and managed by a registered not-for-profit community housing provider.

Recommendation 6:

That the Committee recommends the NSW Government require property title covenants when affordable rental housing is transferred to registered CHPs. Affordable Housing is a valuable scarce resource that must be secured and protected. Although this may be not possible in all instances (such as voluntary AH offers), permanent housing avoids a time-limited rehousing challenge in years to come, when the need likely to be greater.

Recommendation 7:

That the Committee recommends the NSW Government develop a more comprehensive policy framework and strategy for the growth and governance of the affordable rental housing sector in recognition of the increasing and sizeable investment of funds and assets generated by government planning decisions and the significant role played by affordable rental housing. This should include consideration of the following:

- **Clear governance and accountability, beginning with the appointment of a single NSW Minister for growing and administering affordable rental housing across planning and housing programs.**
- **Localised decision-making for housing priorities in affordable housing projects and partnership arrangements between registered CHPs and local councils administering Affordable Housing Contribution Schemes, private developers and public funding bodies.**
- **Growing the registered not-for-profit CHP sector to increase the scale and scope of affordable rental housing delivery**
- **A system for clear, fair access for households seeking and applying for affordable rental housing and good practice guidance for local housing allocation arrangements.**
- **Providing public funding incentives to increase affordable housing supply and delivery. The NSW and Commonwealth Governments consider introducing a new program of direct funding to increase the percentage of ‘in perpetuity’ affordable housing beyond the requirements of any local contribution scheme.**
- **Ensuring accountability of time-limited affordable housing. This should include a review of the governance roles, responsibilities and transparent data reporting on the NSW**

8 Planning Options

8.1 Inclusionary zoning

One of the most significant opportunities to develop affordable housing at scale (for essential workers and others) is currently through inclusionary zoning. The framework for developing affordable housing contribution schemes, established by the state government, relies (primarily) on council-led affordable housing contribution schemes.

Currently, schemes must be developed according to the NSW Government's Guideline for Developing an Affordable Housing Contribution Scheme and approved by Department of Planning, Housing and Infrastructure. This process is complex and cumbersome. For councils that have managed to get schemes established under this framework it has generally taken an inordinate amount of time and resources. Resilient Sydney and SSROC have called for reform of the process for some years.

8.2 Reform of the planning framework for affordable housing

Accordingly, SSROC welcomes the Inquiry's focus on planning tools and reforms. Metropolitan wide action is critical. Councils have consistently raised concerns about shortcomings of the planning system in relation to affordable housing. Key issues are the complex and inefficient framework for developing affordable housing contribution schemes, limited or no provision for affordable housing associated with planning reforms which allow major development uplift.

8.3 Delivering long term and sustainable affordable housing through contribution schemes

Through the establishment of affordable housing contribution schemes, the planning system enables affordable housing to be provided when development uplift occurs. Under the current policy framework these are developed by councils and approved by the Department of Planning, Housing and Infrastructure.

Councils have found the requirements and process for developing schemes to be restrictive, overly *complex* and disproportionately lengthy. This has made it difficult for them to establish schemes. Work undertaken by the Resilient Sydney Affordable Housing Steering Committee¹¹ in consultation with metropolitan councils identified substantial barriers to establishing affordable housing contribution schemes under the current framework.

The Committee also called for further reform of the framework to allow for a low-rate, state-wide contribution requirement (up until recently not permitted under the Guideline) with an ability for councils to apply higher contribution rates on 'new' floorspace.

Under current guidelines, schemes are limited to sites or precincts where upzoning occurs and contribution rates must be 'viable' requiring extensive feasibility testing. Resilient Sydney, SSROC and LGNSW have called for the NSW Government to streamline the existing process set out in its *Guideline for Developing an Affordable Housing Contribution Scheme* and understands councils have sought approval to introduce low-level broadly-based rates.

Despite being inconsistent with the Guideline, in 2021 the City of Sydney was successful in introducing a low-level, broad-based contribution scheme to all approved development in the LGA. In August 2024, Waverley Council established a scheme which applies a 1% rate on all new residential flat buildings, independent living units, multi- dwelling housing and mixed-use developments.

It is critical that the NSW Government urgently review the current framework for the development of affordable housing contribution schemes. The approach must be streamlined to include a transparent and replicable cost-effective method for determining contribution rates. Councils

¹¹ [Increasing affordable housing delivered through contribution schemes Submission January 2023. Prepared by SSROC on behalf of the Resilient Sydney Affordable Housing Committee](#)

should also be permitted to establish broad-based minimum rates across LGAs in addition to higher rates where development uplift occurs.

SSROC has previously noted that the Department of Planning, Housing and Infrastructure does not track or monitor the performance of its housing SEPPs. In her response to resolutions from the LGNSW 2023 Conference¹², the Minister for Housing acknowledged that “data on the number of affordable dwellings is currently not collected consistently”. A revised policy framework must include a standardised, publicly accessible and centralised system to monitor affordable housing delivery across NSW.

8.4 Transport Oriented Development (TOD) Program

The approach to affordable housing in the TOD Program highlights the shortcomings in the affordable housing framework. While SSROC has supported the NSW Government for committing to a proportion of in-perpetuity affordable housing in the precincts, the Government has not yet delivered a clear or coherent approach.

The NSW Government has gone part of the way to set contribution rates in Tier 1 and Tier 2 TOD precincts. In many Tier 1 locations, these fall far short of the 15% committed to when the program was announced. The proposed contribution rate of 2% in Tier 2 precincts is too low in many areas.

The NSW Government has provided no evidence of how the rates have been derived. Conversely, when councils develop schemes the development of the contribution rate, which is based on detailed feasibility testing, is required to be submitted for approval and is publicly exhibited. Despite noting that the 2% rate is a starting point and will increase over time, no methodology or timeframe has been proposed to date.

A further limitation of the NSW Government’s approach is that until contribution schemes are put in place it is only possible to apply a levy for developments above 2,000m² and for affordable housing contributions to be in the form of in-kind contributions (dwellings). This will reduce the number of affordable housing dwellings delivered. The inability to levy monetary contributions results in isolated dwellings within developments which may not be cost effective to manage and limits opportunities to develop purpose built affordable housing.

Councils also have questions about other critical elements of schemes that are absent from the approach in the TOD precincts. SSROC has raised these with the Department of Planning, Housing and Infrastructure in joint advocacy with other organisations.

As a consequence, SSROC and Resilient Sydney have recently developed a model affordable housing contribution scheme for use by local councils to replace the TOD policy arrangements. Once the local good practice scheme has been adopted by a council and the Government, these constraints should be rectified.

SSROC understands that it is expected that the relevant councils will be responsible for developing schemes to implement these provisions. To address the urgent need for affordable housing by essential workers, the NSW Government needs complete schemes in Tier 1 TOD locations, which are led by the Department of Planning Housing and Infrastructure, in consultation with respective councils and provide funding to councils with Tier 2 TODs to help establish them.

8.5 Include affordable housing in low- and mid-rise housing reforms

The NSW Government’s low and mid-rise housing reforms involve rezoning land to permit higher-density development. Stage 1 reforms introduced in July 2024 and Stage 2 reforms (proposed to be introduced in late 2024) are expected to deliver 112,000 dwellings across NSW over the next 5

¹² [2023 Home - Past Conference Papers | LGNSW](#)

years.¹³The Government has described these reforms, together with the TOD Program, as the largest planning changes in a generation.¹⁴

Disappointingly, the reforms do not include requirements for any provision of affordable housing. Even where councils have schemes in place the schemes are limited to specific precincts where rezonings have occurred and would need to be amended to capture areas where the reforms will apply.

Without any provision for additional affordable housing this reform could become the most significant lost opportunity for affordable housing in decades. Amid a housing crisis of unprecedented scale, the NSW Government must urgently include provision for affordable housing before these reforms are introduced.

Resilient Sydney Affordable Housing Committee's submission for an increase of affordable rental housing funded through the wider application of contribution schemes.

Recommendation 8:

That the Committee recommends the NSW Government urgently prioritise reform of the policy framework for establishing affordable housing contribution schemes and that the framework provide for inclusionary zoning which would enable councils to apply a low-rate, broad-based contribution across all residential development.

Recommendation 9:

That the Committee recommends the NSW Government urgently complete the development of affordable housing contribution schemes (where they are not currently in place) in consultation with councils to ensure affordable housing outcomes are maximised in the TOD Program.

Recommendation 10:

That the Committee recommends the NSW Government set ambitious affordable housing targets for the use of public for residential development. It is proposed that the NSW Government adopt a policy that seeks to maximise affordable housing, including a minimum percentage target embedded in planning instruments when it rezones government land for residential use. For example, at the North Eveleigh (TAHE) and Blackwattle Bay (INSW) sites.

Recommendation 11:

That the Committee urgently recommends the NSW Government ensure that before introducing Stage 2 low and mid-rise housing reforms, or any additional reforms to increase development uplift, provisions include adequate requirements for affordable housing in perpetuity.

Recommendation 12:

That the Committee recommends the NSW Government urgently update the NSW Planning, Housing and Infrastructure Department's Guideline for Developing an Affordable Housing Contribution Scheme to encourage and support the implementation of local affordable housing contribution schemes.

Recommendation 13:

That the Committee recommends the NSW Government develop planning policy to mitigate against the net dwelling loss of existing low-cost rental apartments that provide accommodation for essential workers and other low-income households. This recommendation would aim to ensure the introduction of requirements for the retention or

¹³ <https://www.planning.nsw.gov.au/policy-and-legislation/housing/diverse-and-well-located-homes>

¹⁴ [Biggest planning reforms in a generation to deliver a pipeline of housing supply | NSW Government](#)

replacement of existing low-cost rental apartments in the Housing SEPP in appropriate locations.

Recommendation 14:

That the Committee recommends the NSW Government establish efficient measures to monitor and track the approval and delivery of affordable housing in NSW, for example to capture this data through the NSW Planning Portal.

9 Conclusion

SSROC welcomes this Inquiry as a catalyst for further housing and policy reforms for essential workers and essential worker housing.

SSROC member councils cover a large portion of Greater Sydney and have a direct interest in supporting and advocating for changes to improve and sustain place-making and deliver higher residential amenity.

In order to make this submission within the timeframe, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed. If you have any queries, please do not hesitate to contact me or [REDACTED] or by email at ssroc@ssroc.nsw.gov.au.

Thank you for the opportunity to participate in the Inquiry. SSROC looks forward to participating in further consultations.

Yours faithfully

[REDACTED]

Helen Sloan
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