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13 September 2024

Mr Alex Greenwich MP
Chair
Select Committee on Essential Worker Housing
NSW Legislative Assembly
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Greenwich,

The Property Council of Australia welcomes the opportunity to provide a submission to the Legislative Assembly Select Committee Inquiry on Essential Worker Housing.

Our members are the nation's major investors, owners, managers and developers of properties of all asset classes. As one of the principal advocates for creating a strong and stable pipeline of new housing supply, the Property Council is passionate about ensuring that we are creating more well-located homes close to transport, jobs and services.

We recognise the important role essential workers play in our communities, and ensuring they have access to affordable and suitable housing is vital for the wellbeing of our state. For many essential workers, the dream of owning a home – or in some cases even renting – is not just beyond reach, but beyond hope.

Recent research yet to be released from the Property Council shows the housing affordability and supply crisis is accelerating. Across 12 locations surveyed across Greater Sydney, Newcastle and Wollongong, for essential workers:

- buying an established home is beyond hope for a single income household, and beyond reach for a dual income household, and
- renting is also unaffordable for a single income household.

The attachment investigates the specific affordability challenges faced by sample essential worker households. These households represent a broad range of essential workers whose wages have failed to keep pace with the soaring cost of home ownership and rental affordability. Even if mortgage rates fell and wages increased – of which neither are likely to happen in the near term – most locations identified are unaffordable for essential workers.

Defining 'essential worker housing'

A clear and practical definition of 'essential worker housing' must be established to avoid confusion and inconsistency of terms within the land use planning framework and other policy contexts. In the absence of a consistent definition and terminology, there is also a risk that state

and federal government funding could miss the opportunity to maximise community benefit by allocating appropriate housing to essential workers on very low to moderate incomes.

The definition should consider:

- Worker categories: Essential workers should include those in roles critical to community services that require a physical presence to perform their work, such as aged care and health care professionals, emergency responders, law enforcement, educators, and social service workers (e.g., childcare workers). Regard should be given to developing a definition that is flexible enough to accommodate new occupations that may emerge and support the creation of priority occupation lists.
- Geographical areas: Priority locations for essential worker housing should be identified based on high concentrations of essential services and areas that may be facing recruitment and retention challenges.
- Income and affordability: Income bands based on industry award rates should be incorporated into criteria to ensure that housing remains accessible to target groups.

Any definition considered needs to be flexible enough to offer a diversity of housing choice that meets the needs of essential workers.

Options to increase housing supply for essential workers

Planning tools and reforms

Where appropriate, the delivery of essential worker housing should be facilitated in the same way as affordable housing. When considering opportunities to remove barriers, consideration needs to be given to ensure that assessment pathways are durable, responsive and proportional to the development type rather than introducing piecemeal and temporary approaches to accelerate development in the short term.

Concurrence and referrals

Our members commonly identify delays to the consideration of referrals for developments across all asset classes, including residential development. Research from the Property Council's Residential Development Council in 2017 highlights that there is considerable scope for reform across all jurisdictions, not just NSW, to improve agency approval processes and improve our capacity to boost housing supply pipelines. The Property Council has long advocated for improvements to concurrence and referrals, including our recent submission to the NSW Government's Tier 1 Transport Oriented Development Program.

Recommendations:

- Where referrals and concurrences are deemed necessary, the period for comment should be limited to 90 days.
- Referral agencies should develop plans and policies to enable the swift assessment of applications in areas identified for essential worker housing.
- The NSW Government should give further consideration to how to best manage the burden of concurrences and referrals on the delivery of new housing supply across NSW more broadly.

Incentives for developments on privately owned land

Height and floor space bonuses

Voluntary inclusionary zoning incentives, such as the height and floor space bonuses introduced in *State Environmental Planning Policy (Housing) 2021* (Housing SEPP) in December 2023, promote in-fill development and encourage private developers to deliver more affordable housing and market housing. Incentives like this are typically a more effective mechanism for delivering affordable housing than requiring in-perpetuity contributions.

Recommendations:

- Expand the height and floor space bonuses for affordable housing under the Housing SEPP to capture essential worker housing.

Temporary suspensions of key taxes and charges

Government taxes and charges make a significant proportion of development costs. In June 2024, the Property Council launched a research report, *Release the Pressure*, which shows they are having a major impact on feasibility, along with sluggish approval timeframes.

Government can't control all costs impacting home building, but this is one lever government can pull right now to make a real impact and get more homes moving faster. The economic modelling in *Release the Pressure* suggests up to an additional 100,000 new homes could be made feasible if taxes and charges are temporarily suspended during the Housing Accord period.

A temporary suspension doesn't mean the necessary infrastructure to support housing would not be delivered – it would require government to cover the costs upfront, costs which would be recouped through future taxes and developer contributions once homes are built, so we can deliver more housing without delay.

Recommendations:

- Temporarily suspend key taxes and charges for the Housing Accord period.

Opportunities within developments on government owned land

Public-private partnerships

Public-private partnerships (PPPs) present a valuable opportunity to develop more housing for essential workers by combining the unique strengths of both sectors. This collaborative approach allows for more flexible and innovative financing solutions, which can reduce costs and expedite project timelines. PPPs can help deliver high-quality, affordable housing that meets the specific needs of essential workers, ensuring both rapid deployment and sustainable long-term solutions.

Recommendations:

- The NSW Government should collaborate with industry and community housing providers to develop government-owned land, integrating essential worker housing with other community facilities.

Reforms that promote fiscal sustainability, innovation and essential worker housing in-perpetuity

Essential worker housing contributions

In present market conditions, introducing essential worker housing contributions would not be economically feasible and will severely limit the delivery of this much-needed form of housing. The

Release the Pressure report series identifies that infill development in parts of Sydney is no longer economically feasible. This is because the development margin between the costs and anticipated sale prices creates an unacceptable risk for lenders. Mandating essential worker housing contributions will create another cost barrier to the delivery of housing.

Recommendations:

- If the NSW Government seeks to promote in-perpetuity essential worker housing in priority locations, there should be an option for developers to make provision for cash contributions where the dedication of stock is impractical.

Build-to-rent

There is an opportunity to encourage more build-to-rent (BTR) developments to create housing stock to meet the unique needs of essential workers. BTR is purpose-built and often comes with long-term management and maintenance plans, ensuring that properties are maintained as longer-term rental stock. Typical affordable housing discounts or subsidies usually aren't adequate to make these units affordable to very low to moderate income earners.

Recommendations:

- Discounted rents in BTR developments should be linked to essential worker incomes outlined in industry awards.

Modular and prefabricated construction techniques

There is an opportunity to encourage the use of modular or prefabricated construction techniques to reduce costs and speed up development. This could expand on the NSW Government's \$45.3 million investment aimed at providing modular-constructed accommodation for healthcare workers in regional areas. These facilities were designed to support healthcare workers in establishing themselves in new communities, and the planning and design process involved extensive consultation with workers to ensure the accommodation met their specific needs.

Recommendations:

- The NSW Government, in partnership with industry, should investigate opportunities to develop consistent designs for modular essential worker housing units, with a focus on suitability, safety, comfort and sustainability.

Conclusion

The Property Council thank the Select Committee for the opportunity to provide a submission in response to this inquiry. If you have any questions about this submission, please contact NSW Policy Manager, Emma Thompson at ethompson@propertycouncil.com.au or by phone on 0458 294 817.

Yours sincerely,



Katie Stevenson
NSW Executive Director
Property Council of Australia

Attachment – Essential Worker Housing Affordability Analysis

Household 1: Primary school teacher and administrative assistant

Buying



No median priced house is affordable for a couple on \$163,616 combined per annum. The situation is significantly worse than in 2007. Only two-unit locations – Penrith and Liverpool – are affordable.

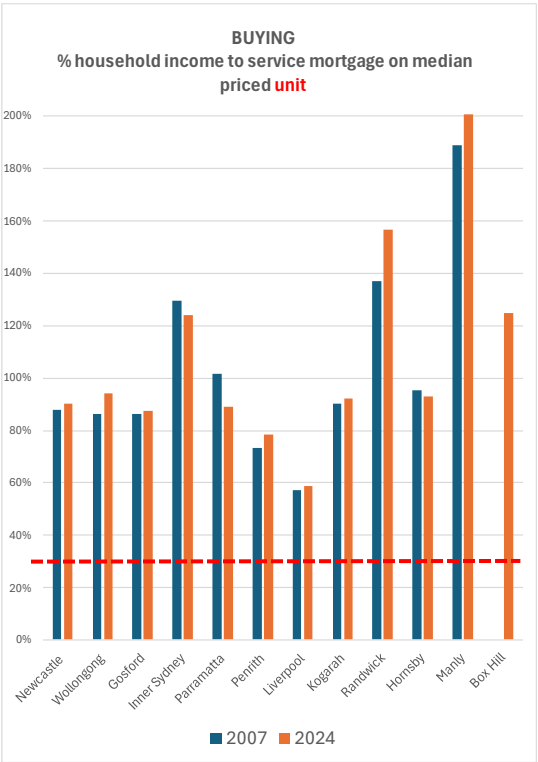
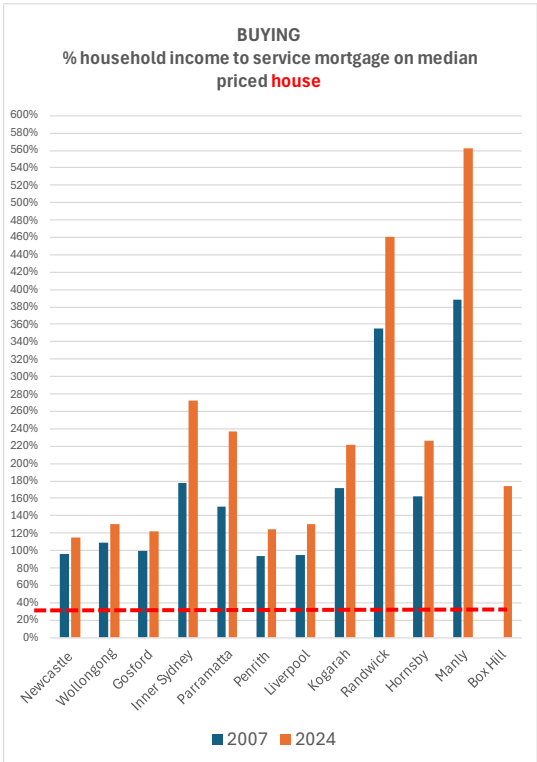
Renting



Most locations are affordable to rent a house except for Randwick and Manly. Unit rentals should be affordable on this income level in all surveyed areas.

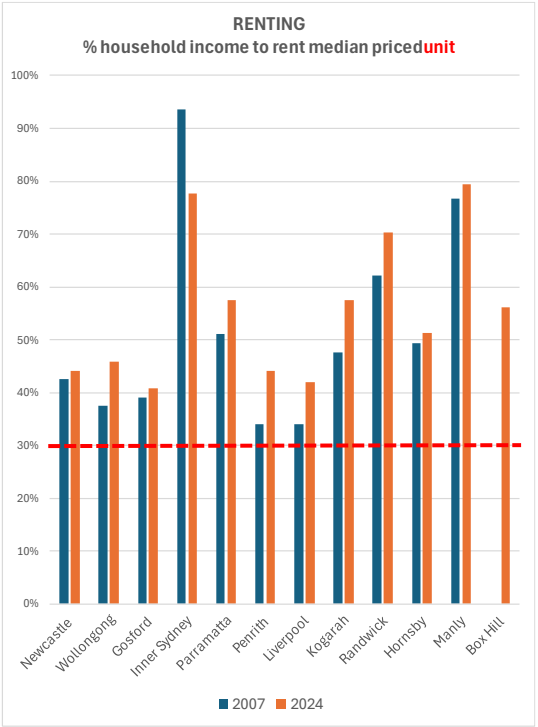
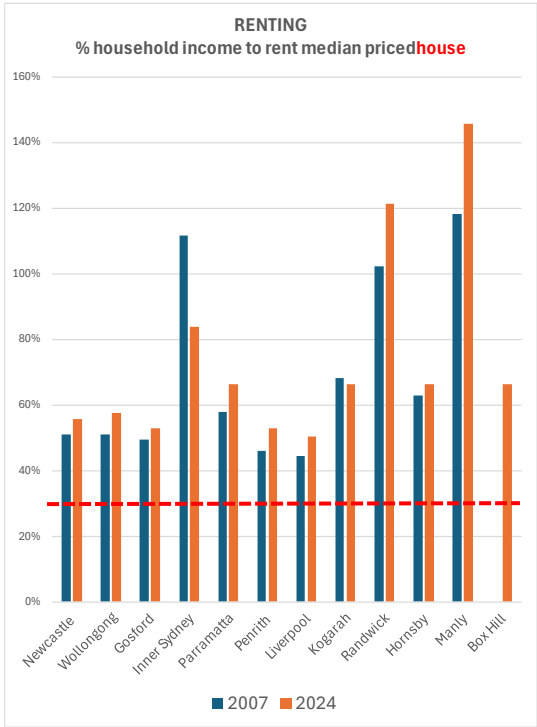
Household 2: Childcare worker

Buying



No median priced house or home unit is remotely affordable for a childcare worker on a single income of \$58,869.

Renting



Renting a house or unit is likewise unaffordable for a childcare worker in all locations studied.