

Western
Sydney
Leadership
Dialogue

Options for Essential Worker Housing in NSW

PARLIAMENTARY SUBMISSION

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Submission on Options for Essential Worker Housing in New South Wales

SEPTEMBER 13 2024

EXECUTIVE SUMMARY

Essential worker housing not only plays a vital role for the individuals and families who live in it, but it also delivers for the economy by supporting those workers that we rely on to keep our communities functioning.

Pressures on essential workers securing housing are usually most evident in the centre of capital cities, seen as urban gentrification inflates real estate values over time. These pressures are now affecting Greater Western Sydney (GWS), especially the Parramatta/Westmead area, and its proximate suburbs, as the city has rapidly emerged as a hub for high value professional jobs and tertiary education over the last decade.

This issue and related impacts are expected to increase as GWS becomes increasingly globally connected and as its commercial and health/education precincts continue to grow. It is also relevant to Western Sydney communities given the large percentage of the workforce engaged in key health and care activities.

The situation has been exacerbated by a sustained period of growth in property value, well above previous long term trend growth, over the last 20 years. While we're seeing this also play out at a national level, the negative impact of this upward trend has been particularly acute in Greater Sydney.

We need to support efforts to identify and quarantine affordable housing that preferences essential workers and delivers a bigger productivity boost. As part of this, agility in responding to locations and industries of need will also be required, as the needs of the community and economy evolve. s.

KEY RECOMMENDATIONS AND CONSIDERATIONS

- The housing stress pressures evident in other areas of Sydney have evolved in the Parramatta/Westmead precinct and have the potential to emerge in other key Western Sydney centres.
- Community Housing Providers (CHPs) are effectively managing essential worker housing developments and tenancies and should be supported by the NSW Government to continue to manage and grow further capacity through measures such as:
 - Affirming the existing Community Housing Concierge pilot in relation to new developments.
 - Annual indexation of Community Housing Leasing Program funding.
 - Funding mechanisms to support energy efficiency upgrades to existing CHP stock.
- We need to ensure that limitations to the development of Essential Worker Housing (EWH), such as the impact on Councils of non-rateable properties, is addressed without impacting on the sustainability of CHPs or the pipeline of much-needed submarket typologies and tenure types.
- A combination of occupation, sector of employment, income and work patterns should be considered in relation to eligibility for EWH.

ABOUT THE DIALOGUE

The Western Sydney Leadership Dialogue is a regional advocate and think tank dedicated to advancing the interests of Greater Western Sydney. It facilitates collaboration between government, business, and community leaders to address the region's challenges and opportunities.

The Dialogue promotes sustainable development, infrastructure investment, and policy innovation to enhance the quality of life for GWS's residents. Through research, events, and strategic partnerships, it aims to shape a prosperous future for the region.

The Dialogue's partners include a number of Councils (Local Governments), Community Housing Providers, Residential Property Developers, Employers of essential workers and others involved in the planning and delivery of housing. The Dialogue regularly consults with its partners in the development of policy positions. Housing supply, affordability and liveability, and regional economic prosperity are issues regularly raised by partners.

THE GREATER WESTERN SYDNEY CONTEXT

Essential Worker Housing (EWH) is not just a challenge in the centre of Sydney or in regional and remote communities. Lack of available housing for essential workers in Greater Western Sydney (GWS) is becoming an issue of growing concern. This is expected to worsen as the region becomes increasingly global.

The Parramatta-Westmead area and its proximate suburbs are already starting to exhibit the same EWH pressures that are typically seen in major city centres. This has been spurred by the development of a very strong commercial and health/education centre in the area. These pressures are only expected to increase in the future as the rise of Parramatta continues.

A recent report for instance, noted that Parramatta subregion saw the second largest net loss of essential workers (ahead of the inner west), and that Parramatta registered a 12% decline in the percentage of essential workers being able to purchase a home¹.

While housing prices may not be as high across Western Sydney as in other parts of the city, that same report observed that across the whole of Western Sydney there are no Local Government Areas (LGAs) with a median price point deemed affordable for an early career registered nurse. Additionally, there are only two LGAs with a median price (apartment/strata title only) deemed affordable to an early Career Police Constable.

The types of existing housing stock currently available in GWS was noted as an issue in that report (undertaken by researchers at The University of Sydney – a Dialogue partner). While smaller strata properties are more affordable there is limited availability in many LGAs. The Dialogue recognises that the Transport Oriented Strategy (TOD), which it strongly supports, will (slightly) increase the proportion of that stock.

In some other global cities, like London and Toronto, some essential workers are being paid specific allowances to assist them to live in proximity to their workplaces. While this strategy assists individual workers and employers, it is not an effective strategy for the community in addressing housing cost and supply.

¹ [Tracking the housing situation, commuting patterns, and affordability challenges of essential workers](#) (accessed 10 September 2024)

RESPONSE TO THE 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.

Recommendations/key considerations

- The appropriate definition for essential worker housing would ideally be consistent state-wide.
- The NSW Government should consider a model like that used by the Greater London Authority to:
 - articulate a baseline list of essential workers based on both occupation and sector of work,
 - be regularly updated based on workforce priorities, and
 - have regional needs able to be prioritised.
- There should be prioritisation for workers that have long shifts and unpredictable patterns of work (i.e. including on call).
- Low-income workers in cultural and creative industries are critical to the vibrancy of cities, in particular the visitor and nighttime economies, and should be factored into considerations around a key worker definition.
- Considerations should be made about how to support “key workers in training” such as apprentices.

Why is a definition important?

It is vital that a consistent, appropriate definition of essential worker housing is established. The current lack of a definition has resulted in fragmented service provision with limited ability to engage in coordinated strategic planning. We can see this through the wide range of current schemes and programs which utilise different definitions to fulfil different purposes and remits, examples detailed below.

We must ensure that essential workers are appropriately supported, especially within the context of an extremely expensive private housing market and a cost-of-living crisis. An important and distinctive feature of essential workers is that they are required to undertake their work in person, may also need to be on-call and able to respond and access their workplaces at short notice, undertake shift work or have early start and/or late finish times. This is made extremely challenging when these workers cannot access housing locally to their place of work.

Designated rental properties are an avenue to providing increased security of tenure. Provision of such recognises that there is a personal, economic and community benefit in return for facilitating that choice for those eligible to access essential worker housing.

International example: London

In London, it is estimated that there are over 1 million key workers constituting almost 30% of all London residents in work. These key workers predominately belong to three occupational groups:

1. Health and Social Care
2. Education and Childcare
3. Utilities and Communication

The Greater London Authority's Key Worker Housing eligibility definition includes reference to the worker's:

- Occupation
- Sector of employment
- Income

The Authority's criteria include all those defined key workers within a sector, including those whose incomes are in excess of the affordable housing definitions².

This multi-tiered eligibility criteria works to more specifically target worker groups, especially in sectors that include key and non-key occupations. For example, not all retail workers would be considered a key worker, however those engaged in food distribution and/or preparation would be.

In the Australian context, Health and Social Care, Education and Childcare and Emergency Services have been dominant in definitions. As per above, London's list also incorporates less traditional fields including utilities and communication and transport. The importance for the effective operation of the economy during the pandemic also clarified the need for utilities, core IT infrastructure and transport/supply chain to also be included.

The Australian and New Zealand Standard Classification of Occupations (ANZSCO, 2022) at the Unit Group descriptors would provide a good starting point to be mapped against sectors as per the structure of the London list.

² ['GLA Housing Policy Practice Note - Allocating Intermediate Homes to London's Key Workers'](#) (accessed 10 September 2024).

Creative and Cultural industries

Just as we learned to fully appreciate the “key worker” status of care economy workers during the 2020-21 pandemic, in post-pandemic times with the resurgence of tourism and investment in our cultural institutions and exports the role of workers in our creative and cultural industries as well as our hospitality sector has appropriately come into focus.

Based on an analysis of data from the 2021 Census, the ‘creative economy’ provided employment to 714,632 Australians, representing 5.9% of the total workforce nationally. In June 2022, hospitality workers average income was \$71,000 and for arts/recreation workers, their average income was \$93,000³.

A largely casualised, seasonal or grant-based workforce, these workers are typically at the lower end of the income scale, and within major cities, like other low-income key workers have largely been priced out of living proximate to their places of work. The importance of these workers to the vibrancy and dynamism of our cities must also be factored into considerations of any key worker definition.

Considerations for apprentices & trainees

Stakeholders mentioned the need to consider offerings that also support apprentices, particularly those engaged in critical industries as identified by governments.

Housing apprentices through key worker definitions is likely to be difficult due to their ‘intraining’ or ‘future key worker’ status, and unknown factors relating to long-term locations of work. Additionally, given the nature of apprenticeship salaries it is unlikely that affordable housing (at 25% less than market rate) would be achievable.

Stakeholders have noted that these challenges could be addressed through subsidising student focused housing, rather than designated key worker residences. Some nonuniversity affiliated student housing providers (e.g. Scape and Iglu) already advertise their proximity to Ultimo TAFE, in addition to university campuses.

This may be a better model for apprentices, with them potentially transitioning into inclusion in the essential worker designation after they complete their training (pending occupation, sector and income parameters). Additionally, this transition will occur at a juncture where they are clearer about their locations of work, i.e. predominately a singular location, regular multi-site or job based.

³ UTS Institute of Public Policy & Governance: Key Worker Housing – Definitions and Current Context, September 2023

Schemes and programs: Examples of the variety of current offerings

There are a wide range of current schemes and programs which utilise different definitions to fulfil different purposes and remits. Some examples include:

- Essential worker housing generally utilises affordable housing income criteria set by the NSW Government, the NSW Affordable Housing Ministerial Guidelines articulating where income thresholds are set (of low and moderate incomes) and consider household size.
- Traditionally, these have been staff from recognised professional or occupational groups (like teaching, nursing and police officers). Increasingly it is being appreciated that there are other workers, often working alongside in those environments such as cleaners, ward assistant, and teachers' aides. Additionally, workers in other sectors including utilities and IT also need be incorporated. Many of those in both the traditional and non-traditional fields meet the low-moderate income requirements.
- Eligibility can also be about the specific property and its backstory (in terms of funding of development). For instance, some schemes operate on rental of 75% of market rent cost and others 80%.
- Some programs and schemes are limited to particular professions and occupations focused on education (teaching, child care), care (health care, aged care, community services) and emergency services.
- Others (including those supported by Councils who have a geographic mandate) may include other lower paid workers that are in non-traditional occupations but key to community needs including retail and hospitality⁴.

⁴ e.g. [Affordable housing | Willoughby City Council](#) (nsw.gov.au) - accessed 10 September 2024

Additional considerations highlighted by stakeholders

Stakeholders mentioned a need to consider offerings that also support apprentices, particularly those engaged in critical industries as identified by governments, including trades involved in construction and the energy economy, social care, nursing and commercial cooking.

Given the nature of apprenticeship salaries it is unlikely that affordable housing (at 25% less than market rate) would necessarily be achievable. It is noted that some of the nonuniversity student housing providers (e.g. Scape and Iglu) while focusing on university students, also identify proximity of Ultimo TAFE for example in addition to university campuses.

This may be a better model for apprentices, with grounds for their inclusion in the essential worker designation after they complete their training (pending occupation, sector and income parameters) and which is at a juncture at which they are clearer about their locations of work, i.e. predominately a singular location, regular multi-site or job based.

Additionally, stakeholders highlighted that the NSW Government could also consider other means of providing support to Essential Workers, including provisioning of free utilisation of public transport.

(b) Identify options to increase housing supply for essential workers:

Australia has relatively low proportion of affordable housing supply, of which essential worker housing is a sub-set. At present, the overall supply of housing stock is also low which is having a detrimental impact across the nation.

The Dialogue acknowledges that both the Commonwealth and NSW Governments have committed to significant investment in affordable and essential worker housing, through development and acquisition funding streams.

(i) planning tools and reforms

While recognising that affordable and essential worker housing has a community benefit, there are also costs that are borne by communities due to not-for-profit organisations primarily owning these assets.

Community Housing Providers generally operate as not-for-profit, charitable organisations and this status assists the sustainability of their operational model. The challenge comes through CHP's charitable status exempting them from the payment of Council levies, under the provisions of the Local Government Act 1993.

Consequently, Local Governments are put into the perverse situation of championing the needs of local residents and employers but knowing that affordable housing (including that for essential workers) operated by not-for-profits, will not garner them funds while (reasonably) requiring the same council services of rate paying properties. Alternate models of burden sharing between the NSW Government and Local Governments are evident in the approach adopted around pensioner concessions⁵.

With a need to deliver significantly more essential worker (and affordable) housing, this situation needs to be reviewed to ensure that it does not deliver an unintentional break on approvals or developments. Any suggestion of removing the exemption would also have a detrimental effect that would also reduce the sustainability of the model as it operates in NSW, so would not be supported.

(ii) incentives for developments on privately owned land

In the post-pandemic period, a number of researchers and commentators have pointed to the potential to apply adaptive re-use principles to now empty or underutilised commercial facilities especially within Central Business Districts⁶.

It is recognised that key institutions in the community (including faith organisations and universities) have land holdings that have the potential to be repurposed for future residential development. The Faith Housing Alliance for instance, has identified the need for amendments to planning zoning that could facilitate mixed use developments.

(iii) opportunities within developments on government owned land

Government lands in the past have been used for onsite accommodation in the past, with people likely to be most familiar with the models of nurses' homes on the sites of hospitals. In regional areas, the use of modular housing for permanent and visiting health staff has been recognised as valuable tool.

These opportunities continue to exist, but are more challenging as in metropolitan areas, where there are smaller footprints from which to work.

Critically in Western Sydney, the increasing scarcity of land highlights the importance of increased density with proximity to public transport being central to future developments.

The Dialogue continues to monitor the outcomes of the NSW Land Audit given that potential locations in Western Sydney may be identified. Whether developed by Landcom or sold to commercial developers, strong affordable housing and essential worker provisions will need to be incorporated in planning approvals.

There is also an opportunity to actively consider the integration of essential worker housing within major new NSW public infrastructure such as the new Rouse Hill Hospital and the future new Bankstown Hospital.

⁵ [Concessions now available to pensioners for council rates - Office of Local Government NSW](#) (accessed 10 September 2024).

⁶ [Adaptive reuse: should we convert empty offices to address housing shortages? \(unsw.edu.au\)](#) - accessed 10 Sept 2024

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

Diverse investment vehicles are emerging. These seek to combine long term reliable financial returns with a commitment to undertaking socially responsible investments.

Currently, there are emergent models that are relevant for both essential workers seeking properties to rent, as well as those seeking to purchase a property. Examples are detailed below.

Rental – Emergent models in Western Sydney

Community Housing Provider, St George Community Housing and Lighthouse Infrastructure collaborated to increase key worker housing in the region of Parramatta/Westmead, referred to earlier in this submission as an area under pressure.

Those employed in health, medical research, education and emergency services were targeted through an 85 apartments development within the Westmead Health Precinct targeting in November 2021⁷. Additional investment was made in Essential Worker Housing with 76 residential units developed in Parramatta in November 2022.

These residences were generally designated for low-to-moderate income bands, with key workers working in designated sectors being charged rents of 75%-80% of market rates.

First Home Owner Grants

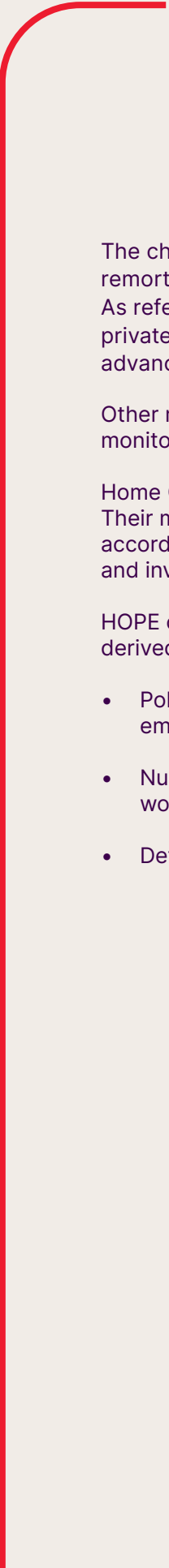
Essential Workers have access to the standard schemes from the NSW Government for first homeowners. Unlike the Shared Equity Home Buyer pilot below, it does not have ongoing employment or income requirements. This point-in-time support is recommended by stakeholders as a more efficient funding support mechanism.

Government could consider applying an additional amount to this mechanism for eligible essential workers seeking to purchase near their workplaces.

Shared Equity – Emergent models

It is acknowledged that the NSW Government ran the [Shared Equity Home Buyer pilot](#) which closed on 30 June 2024. Key workers had been eligible for this scheme, with government contributing up to 40% of the purchase price of a new home, or 30% of an existing home. It listed the following professions as 'key workers': early childhood educator, teacher, nurse, midwife, paramedic and police officer.

⁷ [SGCH and Lighthouse Infrastructure unveil innovative funding model for key worker housing - Lighthouse Infrastructure](#) (accessed 30 August 2024)



The challenge with this scheme is that it required participants to (if capable) seek to remortgage the equity contribution if they exceeded the original income threshold. As referenced above, stakeholders prefer a point-in-time support mechanisms or the private co-investment model outlined below as they do not discourage career/ salary advancement of residents.

Other models which do not have ongoing income thresholds (or employment criteria) to be monitored, are also emerging in the market.

Home Owners Partners Equity (HOPE), for example, are a NSW based property 'coinvestor'. Their model involves partnering in the purchase of existing properties by essential workers according to the occupational criteria below. This model does not involve income thresholds and involves

HOPE contributing a portion of the purchase price and receiving the percentage profit derived at time of sale. HOPE criteria includes:

- Police officers, ambulance officers, firefighters, paramedics, rescue workers or other emergency service workers who are first responders.
- Nurses, allied health workers (i.e aged care and childcare), school teachers, social workers and ministers of religion, transport workers and cleaners.
- Defence personnel, border force, prison guards.

Western Sydney Leadership Dialogue


The Dialogue is a not-for-profit, community initiative leading a national conversation about Greater Western Sydney.


The Dialogue facilitates interaction between key opinion leaders, across industry, government, academia and the community, to inform public policy debate and to advance a Western Sydney regional agenda through research, analysis, advocacy & events.

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