



13 September 2024

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To whom it may concern,

Re: North Sydney Council Submission to the Inquiry on Essential Worker Housing

Introduction

North Sydney Council (Council) welcomes the opportunity to provide commentary to the Legislative Assembly Select Committee Inquiry on Essential Worker Housing and supports the focus on essential worker housing in NSW.

Following a period of significant housing market change, research shows that there are now no Local Government Areas (LGAs) in Sydney with a median house price that an early career essential worker could afford to purchase (*Gilbert, Nasreen, Gurran, 2023*).

While the core of cities contain the greatest opportunity for productivity, this is juxtaposed against Sydney providing poor accessibility to affordable housing. The estimated economic and productivity loss arising from Sydney's unaffordability of appropriate housing in relative proximity to workplaces equates to approximately \$10b/year, with younger working age people increasingly seeking opportunities elsewhere (*Chronically Unaffordable Housing, 2023*).

It is acknowledged that to maintain a liveable, well-functioning and prosperous city, access to affordable housing supply is essential. The growing mismatch between where essential workers live and work needs to be addressed, from both an economic and a social equity perspective. This submission raises several matters for consideration and, for clarity, uses key worker housing and affordable housing interchangeably.

North Sydney context and policy position

For more than 40 years, Council has proactively advocated for and provided, diverse and affordable housing in the LGA, as well as utilised assets and resources for affordable housing delivery (Stubbs, 2019).

North Sydney Council was a pioneer in affordable housing contributions and provision in NSW. Since 1984, when the first scheme began, the affordable housing stock has significantly reduced notwithstanding the excellent work of this council over nearly 40 years to contribute to diverse and affordable housing for our community.

In 2019, Council commissioned Judith Stubbs & Associates to prepare the “North Sydney Council Affordable Housing Study: Background Report” which found that:

“North Sydney Council has a long-standing commitment to affordable housing in its Local Government Area. This has included research and advocacy, partnerships with local social housing providers, and redeployment of its own resources for affordable housing for 35 years. ...Since the affordable housing program began in 1984, at least 2,400 affordable bed spaces have been lost in the LGA. Over the years, through contribution of land, partnerships with State Government authorities and funds levied, Council has been able to mitigate this loss through its partial or full ownership of 25 properties comprised of multi-unit dwellings and houses, and boarding houses used for affordable housing. These properties include partial ownership of a nursing home and two services offering emergency accommodation to youth. Council has been unable to meet its stated goal of 5% of replacement of affordable housing stock lost due to the high cost of replacement. Despite some excellent initiatives...only a small number of bed spaces and/or dwellings have been created.”

The ongoing commitment to affordable housing is reflected in North Sydney’s Local Strategic Planning Statement and Local Housing Strategy. Council also continues its dedication to affordable housing delivery in partnership with community housing providers, including most recently for a 12 unit boarding house in Cammeray, which commenced construction in July 2024, providing a welcome addition to Council’s existing affordable housing portfolio of 131 units.

Further, and acknowledging the significant emphasis on affordability and its various widespread economic and social impacts, Council’s work programme includes developing an affordable housing policy and affordable housing scheme. However, it needs to be acknowledged that unfortunately, Council plays a relatively small role in addressing the housing affordability issue with far fewer levers and levels of control compared to those available to both the State and Federal Governments.

Terms of Reference - matters for consideration

For readability, the terms of reference are provided below, then addressed thereafter.

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

(1)(b) Identify options to increase housing supply for essential worker, 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.

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

In establishing an appropriate definition for essential worker housing, the Inquiry ought to consider the following:

- The intent of key worker housing in relation to a range of needs
 - Is it solely to ensure that early career (<5 years) emergency key workers can reside within relative proximity of their workplace?
 - Or is the key worker Inquiry also interested in ensuring that key workers in general (not limited to emergency workers), regardless of career stage, are able to work and reside in a community? In addition, that employers can retain experienced staff?
- Consideration of home ownership for key workers, as well as access to rental accommodation
- International approaches to the issue of housing essential workers and appropriately defining them
 - For example, the London Plan and Housing Policy Practice Note provide a core list of key worker occupations, to articulate eligibility and prioritisation. Some of the parameters include occupations that are considered essential to the functioning of London in normal times, with employees anchored at their workplace to carry out their role (ie in person attendance required) and income remaining below nominated income caps. The occupation list is extensive, capturing education, childcare, food and necessary goods, health and social care, key public services, national and local government, public safety and national security, transport and utilities.

The Inquiry may find that different areas require differing approaches. For example, an LGA with a medical precinct may need to be given the agency, and supporting regulatory framework, to prioritise key workers related to that industry proportionally in the allocation of affordable housing within that precinct.

(1)(b) Identify options to increase housing supply for essential worker, including but not limited to:
(1)(b)(i) Planning tools and reforms

The State Government has progressed or is currently progressing numerous reforms to increase housing supply, including:

- affordable housing height and floor space ratio bonus provisions under *State Environmental Planning Policy (Housing) 2021* (Housing SEPP)
- the Transport Oriented Development program (TOD) (housing density supply around transport hubs)
- the Low and Mid-rise housing reforms (housing density supply in proximity of rail-based stations and town centres).

Any policy response in relation to essential worker housing needs to be cognisant of the ways in which existing/proposed housing policy intersects, as well as the cumulative impacts arising from the combined built form bonuses, and the consequential amenity impacts.

North Sydney Council, one of the densest LGAs in Australia, understands that housing supply often requires an increase in density. While Council is supportive of the intent to improve the supply of housing for essential workers, this position is subject to the undertaking of proper holistic place-based strategic planning, such that any additional housing meets a more comprehensive set of social, environmental and economic measures that fulfill liveability requirements for new and existing residents of growth precincts.

Redevelopment of infill areas requires a sophisticated approach in order to achieve “*density done well*”, particularly in relation to quality-built form design, long term economic functions, environmental performance, supporting infrastructure, health and wellbeing of the community and active transport measures. It is imperative that decisions made now regarding housing supply do not create a future problem to solve environmentally or unacceptable compromised quality of living.

Recommendation:

With a presumed view to expedite approvals for essential workers/affordable housing, any policy approach needs to also fully consider the need to create sustainable and well-connected communities to ensure that growth is well designed and supported from a physical and social infrastructure perspective and that it respects or enhances its place based characteristics.

(1)(b)(ii) incentives for developments on privately owned land

Caution is raised regarding an over reliance on the private market to deliver affordable housing using incentives. As mentioned above, there is currently a swathe of State planning policy that relies heavily on private market delivery of housing, including affordable housing. Increasingly, some cohorts in the private development sector are voicing opposition to the provision of affordable housing above 3% and emphatically do not support affordable housing in-perpetuity, citing feasibility constraints, even when sites are benefiting from upzoning, uplift and other increments under the same planning policy.

Note also that the role that planning policy plays in housing is not end to end, in that an approval to build does not necessarily equate to a product being delivered. Further, the development sector trades on the release of dwellings at the price able to be obtained in the local market. In high cost areas, the entry rate will be greater for a purchaser or renter. These industry responses fall outside of the influence of the NSW planning system.

Recommendation:

That the expectation of the provision of affordable housing is built into all new residential developments, and further, if incentives are provided, that they are time limited to minimise land banking.

(1)(b)(iii) opportunities within developments on government owned land

A joint media release from the Premier, Minister for Housing and the Minister for Planning and Public Spaces, dated 15 June 2023, references a pre-election commitment “to ensure that developments on surplus public land includes a minimum of 30% affordable, social and universal housing”.

There is an excellent opportunity for the State Government to utilise government owned land for the provision of key worker housing, at scale. Not only would this show leadership at the government level, it would also ensure affordable housing comes online swiftly.

As highlighted in a Mayoral Minute at the 24 June 2024 Council Meeting, North Sydney Council is taking every opportunity to identify and advocate for new affordable housing on State Government owned land and, where possible, delivering upgraded and new affordable housing on Council owned sites. There is currently an opportunity to achieve this scale at a Sydney Metro site at 52 McLaren Street, North Sydney, for which Council encourages the amendment of the Voluntary Planning Agreement offer on this site to provide affordable housing at a minimum of 30% but ideally 100% and the provision of appropriate community spaces in perpetuity as part of any Gateway Determination,

Recommendation:

That Government owned land provide key worker housing at scale, at a minimum of 30% of a residential development.

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

Whenever possible, Council has advocated for all affordable housing to be provided in-perpetuity. This is reflected in Council Meeting minutes and resolutions, when providing comment on affordable housing in State Significant Development Applications, within our recent submission to the proposed Crows Nest Transport Oriented Development, as well as when negotiating Voluntary Planning Agreements with developers, with a desire to ensure that housing is secure and accessible.

Wherever there is need for essential workers, there is a parallel demand for affordable housing. In the North Sydney context, an example of this is the health and education innovation cluster, contained within the Crows Nest TOD Precinct, which encompasses three LGAs (Lane Cove, Willoughby and North Sydney).

As stated in Council's submission on the Crows Nest TOD, it is broadly recognised that there is an increased disparity of housing tenure for younger essential workers under the age of 40 years old, who are more likely to be renting than older essential workers, and whose proportion of house purchase has been declining since 2011 (Gilbert et al, 2023).

Further, essential workers increasingly face dislocation from where they can afford to live compared to where medical precincts are located which misaligns with shiftwork and public transport links at irregular hours. Therefore, these essential workers are increasingly making choices to relocate or work outside of their key expertise, thereby consequently losing that key skill. The mandatory provision of affordable housing in State policy is long overdue and will positively contribute to affordable housing choice for lower-moderate income households, including early career essential workers.

Conversely, the cost of inaction regarding affordable housing is too great, especially where the divide between wages and housing costs is ever increasing. Innovative reform could look like requiring all new residential developments to contain a minimum percentage of affordable housing under current planning controls (without the 'bonus' approach currently being undertaken), such that it normalises affordable housing provision and builds social equity into the housing system in the context of a "level playing field" for the development sector.

Recommendation:

That the provision of affordable housing in-perpetuity becomes mandatory in all new residential developments, normalising social equity in the housing system.

(1)(b)(v) other related matters

- It may be necessary to re-consider the thresholds contained within the existing NSW Affordable Housing Ministerial Guidelines for moderate income earners in relation to essential worker housing, as a household containing two early career emergency workers may actually exceed the current threshold.
- Requiring the physical provision of affordable housing as part of the redevelopment of a site is the preferred solution, as opposed to a monetary contribution. This ensures that affordable housing is delivered immediately within the locality close to mass public transportation, an important criteria for essential workers.
- One gap in this space is the assurance of a unit or dwelling approved for affordable housing being actively used for that intention for the duration specified in a consent. The Inquiry ought to consider ways in which affordable housing stock can be registered and monitored (in the same way that short term rental accommodation is).
- It is important to not conflate new housing supply with affordability. A genuine discussion must include examination of all factors that contribute to unaffordability, such as property as an asset class and the related tax settings, rather than planning policy in isolation.

In conclusion, Council appreciates the opportunity to make this submission to the Inquiry into Essential Worker Housing and welcome any opportunity for further participation to the Inquiry.

Should you wish to discuss to the contents of this submission, please contact Mr Neal McCarry, Service Unit Manager Strategic Planning on 02 9936 8325 or neal.mccarry@northsydney.nsw.gov.au.

Yours sincerely,



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