COMMUNITY HOUSING
Industry Association Victoria

Submission to the Legislative Council Environment and Planning Committee's Inquiry into Climate Resilience

About us

The Community Housing Industry Association Victoria (CHIA Vic) welcomes the opportunity to make a submission to the Inquiry into Climate Resilience. CHIA Vic is the peak body that represents not-for-profit community housing organisations (CHOs) in Victoria. We advocate for and support the community housing sector to grow and thrive as part of a housing system where all Victorians have the dignity of an appropriate, secure and affordable home. Our member organisations provide over 23,000 homes to Victorians poorly served by, or excluded from, the private rental and ownership market.

Our submission below focusses on the need to retrofit Victoria's existing residential stock, and in particular the challenges faced by CHOs to undertake this work on their properties.

Main risks facing Victorians

Homes are where we spend most our lives. As climate change increases it becomes ever more important that they are thermally comfortable and resilient to these changes. This will reduce harmful health impacts, and lower the energy costs needed to keep homes comfortable and safe.

Our members provide housing to some of Victoria's most vulnerable and lowest paid households. They see directly the negative impacts that a changing climate is having and will continue to have for these Victorians if their homes are not made climate resilient. Renters will be forced to pay steep energy bills as extreme weather becomes more common, or choose to not heat and cool their homes. Ultimately their health (including mental health) will suffer from this energy poverty, or from the flow-on effects of financial poverty.

CHOs predominately house people on statutory incomes, who pay no more than 30% of that income on rent. This rent covers the costs of tenancy management, standard maintenance and a reasonable upgrade cycle. As not-for-profit organisations, our members have limited funds to upgrade existing homes to meet changing building standards and climate resilience goals. They are also vulnerable to sudden increases of maintenance and repair costs – including insurance premiums – arising from extreme weather events. Without resourcing to address climate resilience at scale, CHOs will only be able to make gradual improvements to their portfolios when funding opportunities arise. In the meantime, many community housing renters will be living in homes that do

not perform well. As a result they will spend more on their power bills, face poorer health outcomes, and be more exposed to extreme weather events.

How the Government is preparing and mitigating for these risks

CHIA Vic commends the Victorian Government for its commitment to climate action, and steps taken to transition to a more climate resilient state. We have welcomed programs to date that have assisted the community housing sector in this transition.

However, these programs have not been designed in a way that enables the community housing sector to take them up at the scale needed. In programs such as Solar Homes, our members face the split-incentive problem: they fund the upgrades but all the cost savings flow to renters through reduced energy bills. As such there is no “payback period” on these investments. Even where rebates recover some of these costs, our members typically have had to provide the upfront funds.

For financially constrained CHOs, energy and thermal improvement decisions need to be weighed carefully against other asset management choices, such as kitchen and bathroom upgrades. Ultimately, these decisions also need to be weighed against building more homes for Victorians in need.

We explore this problem further in the following section on barriers to upgrading community housing.

Newly built community housing is done to a high standard of energy efficiency and climate resilience, meeting a minimum 7-star NatHERS rating. In some cases, meeting these requirements can incur significant costs, such as paying for formal certification and consultants. On smaller-scale projects these fees become a substantial part of overall costs, which can impact feasibility. And in other cases, standard requirements can be impractical in certain locations – such as requiring specific green materials in remote areas where they are not manufactured, and cannot be transported easily.

The community housing sector fully supports commitments to building more climate resilient homes for its renters. Having greater flexibility on the materials and methods used to reach overall climate resilience goals would allow more good quality homes to be built in more locations. Similarly, government subsidies or even centralised procurement for green consultancy and certifications on smaller projects would enable more of these to go ahead.

Case Study 1: Victorian Property Fund's Environmentally Sustainable Housing Funding Round

The $1.5 million Victorian Property Fund (VPF) Environmentally Sustainable Housing Funding Round was launched in February 2018.

The program's aim was to improve the environmental sustainability of Victoria's social housing, increase the thermal comfort of renters' homes, reduce utility bills, and lower carbon emissions.

CHIA Vic worked with the VPF and CHOs to undertake a joint procurement exercise using BOOMPower to create a list of pre-qualified suppliers. This created an efficient and cost-effective implementation process at scale.

The program delivered solar power to 1,428 homes, and fixed cooling units to 116 homes.

Barriers to upgrading community housing

The most common barrier to improving the climate resilience of their housing portfolios that our members face is the cost of doing so, and the lack of funding to do it.

Funding (or financing, where the split incentive can be overcome) from government is needed to make the necessary upgrades across all community homes. As explained above, even where upgrades are partly rebated there can be a structural disincentive for CHOs taking up government-funded programs.

In the private rental sector, upgrades can be paid off through increased rents or tax deductions. As not-for-profit organisations that are providing subsidised and rent-capped housing, CHOs can't use rent increases to fund these upgrades. And as charities that are already exempt from many taxes, deductions or write-offs can't be used to cover the costs either. Private providers have also been able to pay for upgrades through co-contributions from renters, where both reach an agreement to do so. But settings under these programs to date haven't allowed CHOs to do the same.

Another barrier is that the full scope of risks and potential upgrades for the sector is not well known, as it relies on individual organisations undertaking their own assessments. This is costly for already resource-constrained CHOs, and can be prohibitive to taking action to address climate risk.

Resistance from renters to having modifications made to their homes is also an issue our members raise. For instance, one CHO told us that around 10% of renters that were offered a gas heater replacement under the Government's Home Heating and Cooling Upgrade Program, declined. Not fully understanding the health and financial benefits of the upgrade, they preferred to keep their current heater.

Finally, our members have reported difficulties insuring properties exposed to extreme climate events, such as in flood-prone areas. Information about mitigation that would

improve insurability is not readily available, nor is there an understanding of local and state government plans in given locations prone to extreme climate events. This makes asset management decisions about these properties challenging.

What can be done

CHIA Vic, in partnership with the national Community Housing Industry Association and others, has helped establish a nationwide Community Housing Climate Action Network (CHCAN). CHCAN aims to help CHOs across Australia understand and prepare for the impacts of climate change, reduce carbon emissions in their portfolios, and improve the thermal comfort and financial circumstances of their renters. Its actions include creating and sharing resources with CHOs to help with climate risk assessments, and forming connections with governments and other stakeholders to influence policy and funding decisions.

CHCAN was launched in late 2023 and is preparing a Climate Resilience Roadmap for the use of all CHOs across Australia to help them transition to a more climate resilient sector. Government assistance in the work of CHCAN, and investment in the climate solutions it identifies, is necessary to make this transition happen quickly and effectively.

A partnership approach to increasing climate resilience in Community Housing can unlock benefits for renters, Governments and CHOs as evidenced in the case study below:

Case Study 2: Virtual Power Plant

Unity Housing is a South Australian CHO managing over 3,000 homes including community, affordable, transitional, disability, and rooming house accommodation.

Unity have partnered with the SA Government and Tesla to offer community housing renters the benefits of cheap green energy while supporting Australia's transition to net zero.

This is possible through the creation of a virtual power plant, a network of batteries, and solar panels on social housing rooftops controlled by a single software system. Renters benefit from discounted energy bills, access to clean energy, blackout protection, and visibility of their energy consumption.

This is one example of an innovative way that government and CHOs can work together to improve the energy efficiency of social housing and reduce costs for renters.

A mechanism to fully fund the retrofitting of community housing stock is needed to support the climate resilience for CHOs and their renters. Given the restricted capacity of CHOs to fund this work, government investment is needed to prevent financial and energy poverty, and subsequent adverse health impacts, for community housing renters.

Where funding isn't provided, allowing CHOs to enter agreements with renters to make co-contributions (as is the case in private rentals) could be a way forward. Savings from reduced energy bills would incentivise and warrant these contributions. CHOs do not want their renters forced into economic hardship, and these mechanisms should only be used where it can be shown that renters are better off overall. Protecting renters' homes against the extremes of climate change should be considered in this assessment.

A coordinated approach from the Victorian Government would ensure the entire social housing system is addressing climate risk in an organised way. This approach would include auditing the property condition of all community housing stock, identifying industry wide upgrade solutions and undertaking climate risk assessments.

Where this work identifies ageing or not fit-for-purpose stock where it is not cost effective to upgrade, additional funding should be given to redevelop and replace, and ideally increase, the number of homes. Without this, the homes will remain without upgrades and renters will suffer, or funds will inefficiently be spent on upgrading stock that is nearing the end of its useful life. In the worst case, homes would be demolished without funding to replace this loss of stock from the social housing system.

The audit could be used to help CHOs carry out thermal shell upgrades, such as double-glazing and insulation, that are critical in making appliance-upgrades their most effective. It would help build the capacity of staff within CHOs, and the contractors they use, to look for incremental improvements wherever possible. And it could also be used to give information to CHOs that improved access to insurance and understanding local and state government plans in specific locations.

To ease renter resistance to upgrades, education and communication of the necessity and benefits of them is work that needs to be ongoing. CHCAN will also develop and provide resources to help the sector in doing this, and again government support for this would be complementary and beneficial.

Further inquiries

CHIA Vic and its members are aware of extensive research already done on the benefits of retrofitting existing homes and implementation pathways. Some of this has been undertaken by Sustainability Victoria, such as *Household retrofit trials*,[1] and the *Victorian Healthy Homes Program*.[2] Others have been conducted by external researchers in

[1] https://www.sustainability.vic.gov.au/research-data-and-insights/research/research-reports/household-retrofit-trials.
[2] https://www.sustainability.vic.gov.au/research-data-and-insights/research/research-reports/the-victorian-healthy-homes-program-research-findings.

partnership with governments, such as Race for 2030's *Pathways to scale*,[3] and Climateworks Centre's *Renovation Pathways*.[4]

Solutions for making Victoria's residential built form more climate resilient have already been uncovered through this work. Targeting financial and human resources to CHOs (and the broader residential sector) to implement them would accelerate Victoria's preparedness for climate change.

Summary

- Homes are where we spend most of our lives, and so their resilience to climate change has a huge impact on the health and energy bills of the people living in them.
- Community housing provides homes to some of Victoria's most vulnerable people, who will disproportionately feel these impacts if their homes aren't made climate resilient.
- As not-for-profit organisations the community housing sector can't undertake climate resilience upgrades at scale without government funding or financing.
- Providing subsidised and rent-capped housing means the costs of upgrades can't be covered by rent increases. And being charitable organisations means tax deductions for making upgrades aren't available.
- CHOs have been unable to enter agreements with renters to co-contribute to financing upgrades that would improve their quality of life and reduce their power bills. Even where safeguards could be put in place to ensure renters are better off overall under these agreements.
- A government-led audit of community housing stock would also help the sector get a better understanding of its baseline property condition, to better inform upgrades.
- The Government should provide funding to CHOs to help them improve their properties for the renters who live in them.

[3] https://racefor2030.com.au/project/enhancing-home-thermal-efficiency/.
[4] https://www.climateworkscentre.org/project/renovation-pathways/.

- If full funding for retrofits is not possible then government should consider partial funding, supplemented by no-cost loans to allow the sector to implement retrofits at scale.

- Without this support the sector will only be able to make gradual and opportunistic upgrades. In the meantime, renters will struggle through energy inefficient homes that impact on their health and cost of living.

- There is enough evidence out there to guide CHOs in making these wholescale upgrades. What is lacking is the financial support to gather organisation-specific data and then make systematic upgrades across their portfolios.