

TRANSCRIPT

LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Climate Resilience

Melbourne – Wednesday 6 November 2024

MEMBERS

Ryan Batchelor – Chair

David Ettershank – Deputy Chair

Melina Bath

Gaelle Broad

Jacinta Ermacora

Wendy Lovell

Sarah Mansfield

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PARTICIPATING MEMBERS

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Aiv Puglielli

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WITNESS

Alex Trudzik, Policy Officer, Community Housing Industry Association Victoria.

The CHAIR: Welcome back to the proceedings of the Legislative Council Environment and Planning Committee's Inquiry into Climate Resilience. I welcome representatives from the Community Housing Industry Association Victoria.

All evidence that we take today is protected by parliamentary privilege as provided by the *Constitution Act 1975* and the provisions of the Legislative Council's standing orders. Therefore the information you provide during this hearing is protected by law. You are protected against any action for what you say during the hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

My name is Ryan Batchelor. I am the Chair of the committee and a Member for Southern Metropolitan Region. I will ask the committee members to introduce themselves.

David ETTERS HANK: David Ettershank, Western Metro Region. Hi.

Sarah MANSFIELD: Sarah Mansfield, Western Victoria Region.

Gaelle BROAD: Hi. I am Gaelle Broad, a Member for Northern Victoria.

The CHAIR: And online we have –

John BERGER: John Berger, Southern Metro.

Jacinta ERMACORA: Jacinta Ermacora, Western Victoria Region.

The CHAIR: For the Hansard record, if you could state your full name and the organisation you are appearing on behalf of.

Alex TRUDZIK: Thank you, Chair. My full name is Alexander Trudzik, and I am representing the Community Housing Industry Association Victoria.

The CHAIR: Alex, I invite you to make an opening statement, and then we will get into asking you some questions.

Alex TRUDZIK: Great. Thank you so much. I will say CHIA Vic is how we abbreviate ourselves, just to save myself repeating the long name every time. Thanks very much for inviting CHIA Vic to give evidence to the committee. We really welcome the opportunity.

I will just make a few quick key points in my opening statement, really just reiterating the points that were made in CHIA Vic's submission to the inquiry. Obviously being the peak body for not-for-profit community housing organisations in Victoria, our submission to this inquiry is really focused on the residential stock of Victoria and in particular the stock that our members own and manage on behalf of low-income Victorians who are struggling to find housing in the private rental market. With that perspective in mind, I just want to make a few points.

The first is that the new stock that is built today in Victoria by community housing organisations – any new social housing – is built to a very good quality and much better climate preparedness than previous stock had been built in the past. So really the key challenges for our sector and we think for Victorians going forward, particularly those low-income Victorians who are housed in community housing, is the retrofitting of existing and ageing stock which does not have that climate preparedness. I am sure everybody is well aware of the impacts that low-quality, not climate resilient homes can have for renters. It leads to poor health outcomes,

including poor mental health outcomes; it leads to increased electricity bills; and of course it puts them more at risk of extreme climate events.

With that said, the real challenge, as I said, is retrofitting the existing stock over the coming years as we prepare more for the impacts of climate change, and the fact is that because of the rent model of social and community housing, it is going to be basically not possible for the community housing sector to undertake all of that retrofitting itself. Our rent model means that we are capped at 30 per cent. We take 30 per cent of any renter's rent, and of course, as I said, we are predominantly housing very low income Victorians, so to retrofit the existing stock is going to require some level of government assistance and support.

There have been some government programs to date which have assisted in this, and we have really welcomed them, but we do need them to take into account that difficulty that does exist because of our rent model. So for example, in the private residential sector there are possibilities of having renters make co-contributions to that stock over time to fund the retrofitting and upgrading of stock, but that is simply not possible with the rent model that we operate under, so we need government to provide some kind of funding or financial support to close that gap.

That leads to the key problem that often our sector faces. I am sure you have heard the term 'split incentive problem', where as the owners of the properties are putting in energy upgrades of existing stock, all of those benefits flow through to the renter, which is of course a great thing. It means they are paying cheaper power bills, and as I said, they have more thermal comfort and have better health outcomes. But because there is no ability to put any kind of co-contribution on rent, as the owner of the property there is not that financial incentive for our members to go off and do these retrofits at scale. And any time that they do decide to make any kind of retrofit, that has to be weighed up against making other decisions within their business of running a community housing organisation, which includes things like upgrading bathrooms and kitchens, and ultimately about whether they build new stock for Victorians who do not currently have community housing that require it. So they need to balance up those decisions. There is also not in reality much prospect of them realising those capital improvements to the properties they make, whereas in the private sector obviously there is a bit of an incentive to fund upgrades of your property, not just because it might be better for your renters, but in the long run it also might make capital improvements to the stock. Because we own the stock and manage it as long-term social housing for renters, there is also that lack of capital incentive.

I will just close by saying what we would love to see in support of the sector. Government has a real power, again, as that funder of large-scale upgrades but also just through things like aggregating procurement of different materials or programs of upgrades themselves. Also we think there is an opportunity for government through the social housing system and through the community housing sector to almost build up the supply chains that are going to be required to upgrade all of Victoria's residential stock by using social housing and community housing as a bit of a pilot case in these retrofits, again, to build those supply chains and make sure that Victoria as a whole can roll out those upgrades. Thanks very much again for the opportunity. Those are the points I wanted to make, and I am happy to answer any questions that the committee has.

The CHAIR: Thanks, Alex. We will move on to questions now. I might start. Talking just a little bit about the new stock you mentioned, there is obviously quite a lot of new build going on in the social housing space at the moment. What is the standard to which those new builds are being built from an energy efficiency point of view?

Alex TRUDZIK: They are all built to a 7-star NatHERS rating, which is the national energy system rating, which is a very high standard compared to other residential buildings across Australia. We have seen lots of gains made in recent years around this, and again new stock is built to a really high standard. That is for all the reasons that you would expect, because again as mission-driven not-for-profit organisations we want our renters to be comfortable and safe and secure in their homes, but also we just know so much more as a range of construction industries these days about what needs to be built in homes to make them more climate-resilient.

The CHAIR: What would be the key differences between an energy-efficient and therefore climate-resilient perspective of 7-star new stock and some of the existing stock? What are the key things that tenants would notice as being different between them?

Alex TRUDZIK: There are a whole range of things, but it can be really simple things such as draught proofing and things like that. A lot of our members report that where there are really big gains to be made by installing more efficient appliances and heating and cooling systems and things like that, it is often older stock that does not have that kind of draught proofing and things like double glazing – that sort of thermal shell efficiency that means you might be putting in great new systems which do make an impact but they are actually not running as efficiently as they could be because of problems with the thermal shell. It can even be matters like installing proper blinds that block out some of the heat that can get in in summer – small things like that – and they can make a really big difference.

The CHAIR: We had evidence before from architects who were talking about the difference in the running costs for occupants of 2- and 2½-star versus 7-star accommodation. Do you have any evidence about what the running costs for tenants are of having more energy-efficient homes?

Alex TRUDZIK: Yes, sure. I do not have numbers off the top of my head. I know that the Victorian government have run projects in the past where they have done assessments of the difference this can make. Like I said, I do not have the numbers to hand, but I do know there is evidence out there which shows that tenants really can save lots on their power bills.

The CHAIR: If you come across any such material, the committee would be very happy to receive it on notice.

Alex TRUDZIK: I am certainly happy to provide that on notice.

The CHAIR: One of the things that you have talked about is this issue for community housing providers. A private home owner might realise the benefits of a capital gain from doing capital improvements, but you do not have that same dynamic at work given the nature of the work that you do. What sorts of solutions do you think would be necessary to make sure that our community housing stock is more resilient to climate changes – temperature extremes or the like? What do you think needs to be done to facilitate that given you do not have the ability to do that yourselves?

Alex TRUDZIK: Again, it really does come down to having adequate funding or even financing. Where full funding is not available, having either very low cost or even ideally no-cost loans to then cover the rest of what has not been funded would allow our members to undertake upgrades more. There has been experience of this of a sort in, for example, the Solar Homes program, which some of our members have taken up. They have installed Solar Homes using the government rebate, which pays off some of that. There are always challenges, though, and it comes back to the point I made earlier where if there is any up-front or out-of-pocket cost that a community housing organisation do have to make, they do have to weigh that up against what else they could be doing with that money. That could be things like tenant services or it could be routine maintenance on other properties, and it could also be a matter of whether they can build a new social housing project somewhere else or them deciding to fund this retrofit.

The CHAIR: So it is a question of them having to make a choice between more stock or better stock, essentially, in the absence of additional funding streams?

Alex TRUDZIK: Correct. It is a question of priorities, yes.

The CHAIR: Have there been examples in the past of government programs that have helped the community housing sector deal with those sorts of challenges, and what were the features of those programs?

Alex TRUDZIK: Yes, the Solar Homes program, as I said. When it initially rolled out, I know there were difficulties for our members – I should not say difficulties, but our members were required to fund the solar panels at some stage up-front and then receive a rebate. My understanding is in the latest iteration of the program it actually became much simpler for organisations to get that rebate immediately, so they are not as out of pocket – basically not at all – which does make it a lot easier. So they do not have to raise finance or funds to fund the installation of upgrades on the proviso that it comes back to them at some point in future. They know that at the point of purchase it is all there, funded, which when it comes down to these decisions of priority can make a big difference. So programs like that that take into account – it comes back to that inability of the community housing sector compared to the private sector to realise any sort of future capital gain from installation. In the private sector, for example, upgrades can be factored into rent increases, but again based on

the rent model that community housing and social housing operate under, there is no way for rent increases to be factored in as part of that paying off of the upgrades. Again, the point is that we are housing some of Victoria's lowest income households, so that is not even necessarily a great solution, but I am just saying there is that different incentive between a private rental provider and a community housing provider.

The CHAIR: Thanks. Mr Ettershank.

David ETTERS HANK: Thank you, Chair. And thank you for your presentation today. It is much appreciated. On the idea of a co-contribution agreement and making that a reality, I guess there are two questions in my mind. The first one would be, given the socio-economic nature of community housing – and I appreciate it is mixed – do you think there is likely to be a big uptake amongst tenants if indeed that was able to be introduced? Is there the capacity for them to be able to participate?

Alex TRUDZIK: It is a good question. I do not have solid answers on what the uptake would be. What would be helpful for our members is if they were able to enter some kind of co-contribution with renters, if it could be demonstrated that they were better off overall. So going back to, Chair, your question about the running costs of these upgrades, if it could be established that a renter might actually be saving and could make a modest co-contribution to the funding of an upgrade but over, say, 12 months they have actually made money back by the savings they have made on their power bill, that would be a win-win situation, really. The renter would actually be paying less money. It is just that part of their rent would be going to fund the upgrades of the home. We would like that to be a possibility that could be explored, and we fully understand that there would need to be lots of protections in place to make sure that what was expected to be a better off overall assessment before the installation did actually happen and that tenants were not actually saving as much on their power bills as was hoped and ended up making an extra co-contribution that just amounted to effectively them paying more rent. We would fully expect that any co-contribution scheme did take into account that tenants would need to be protected against those sorts of things.

David ETTERS HANK: Who does not like a good BOOT? Okay, I am going to demonstrate the breadth of my ignorance here. That 30 per cent cap – where is that actually defined legislatively?

Alex TRUDZIK: It is in the housing registrar, which is the regulatory body for community housing in Victoria. It is within the performance standards that they set for community housing organisations, so they monitor the rents that community housing organisations charge to renters and make sure that they remain affordable, and that is set at 30 per cent.

David ETTERS HANK: So that is just by regulation; it is not actually an Act of Parliament or whatever –

Alex TRUDZIK: That is my understanding, but I can confirm that if I can take that on notice. My understanding is that is part of the regulatory framework and not actually set out in the *Housing Act* in legislation.

David ETTERS HANK: Could you perhaps take that on notice and then perhaps also give us a little bit of your thoughts on what a BOOT might look like or how you might actually address that question of ensuring that their co-contribution is indeed a good outcome for all parties?

Alex TRUDZIK: Yes, absolutely.

David ETTERS HANK: Okay, great. You talked about also I think the potential for the state government to assist in coordinated purchasing arrangements. Would you like to just elaborate a little bit on what that might be and how that might work?

Alex TRUDZIK: For example, materials are an issue that has been raised by some of our members for some of their projects. Particularly in regional Victoria they have found that to get social housing projects approved by government, there are certain requirements to make the homes a certain energy efficiency standard, and that requires the use of certain materials that can be quite difficult to procure in regional areas. I have heard stories: for example, a particular type of concrete was required somewhere, but it could not actually be transported to that area of Victoria before the concrete set, so it was not possible. Where we think government could play a role is by centralising that procurement and adjusting the sorts of materials that are required in particular locations to be more based on what is available locally. Again, that central procurement would basically

achieve economies of scale. If they aggregated projects across the sector to help different sector organisations acquire those materials at a reduced cost, that would help the overall cost of retrofitting the sector homes.

David ETTERS HANK: Okay, thanks. Thank you, Chair.

The CHAIR: Thank you. Ms Broad.

Gaelle BROAD: Thank you very much for coming and presenting today. What is your experience in the sector generally? Is the demand for homes increasing? Because we are seeing a waitlist of 60,000 people. Can you talk to that? How has it changed in recent years?

Alex TRUDZIK: Yes, certainly. There is a very high waiting list for social housing in Victoria. The number changes, but I think at last count around 2.8 per cent of all housing in Victoria was social housing. It has probably come up a little bit now since the Big Housing Build, which was announced in 2020. I think there have been about 4000 homes that have been built through the community housing sector, which is starting to lift that proportion back up, but Victoria still has a low number compared to other jurisdictions in Australia. There is certainly a high demand for social housing, and I think we have seen in recent years through cost-of-living pressures and other changes in the housing market that there is an increased demand for not just social housing but there is an increased demand for affordable private rental homes as home ownership declines and things like that.

Gaelle BROAD: I have heard about people on dual incomes now seeking food assistance and being in a position where they are finding it hard to afford a home. You talked a bit about the star ratings earlier, and I just want to understand, because I know there have been 130 changes to the *Residential Tenancies Act*, like reforms, and another six were announced recently: do they apply to your sector? What changes specifically have you had to make to ensure that homes keep up with those standards?

Alex TRUDZIK: Our members are all held by the *Residential Tenancies Act*. Most of the legislation directly applies. There are some differences. I am not CHIA Vic's expert on the residential tenancies legislation, but there are some changes where the *Housing Act* comes into it. It is really more to do with funding agreements with the Victorian government on getting new homes built where that 7-star requirement comes in. I am not entirely sure if that is through the *Residential Tenancies Act* legislation, but it is basically through partnership agreements with government that they will be built to this certain standard.

Gaelle BROAD: Okay. So that is with new builds.

Alex TRUDZIK: Yes.

Gaelle BROAD: With existing housing at the moment, what is the variation that you see in that star rating? We heard an architect talk earlier about how a 2-star should be a lot cheaper to rent than a 7-star. What do you have in your membership at that range?

Alex TRUDZIK: We would have a range of the star ratings. As I said, a lot of the older stock, I would assume, are around the 2-star rating. New stock, though, will all be built around that 7-star minimum rating.

Gaelle BROAD: I have heard from real estate agents and others around regional areas, because I am based in northern Victoria, that there are a lot of empty homes that are being left because they cannot afford to upgrade. What are you seeing? Is there a demand for 2-star rating rentals? Their concern was that more affordable houses are disappearing and then as a result there are less rentals available and the rents can increase as well. What is your perspective here?

Alex TRUDZIK: We probably do not see that directly, not being the private rental sector. Again, it comes back to our rent model: rents are not really linked to the property; they are linked to a renter's income. The majority of the renters in the social housing system are on some form of either government pension or allowance – some form of Centrelink income basically. With those rents being capped at 30 per cent, it really means that the rent they are paying is always going to be relatively below market. It is subsidised housing. There is a gap between what that home would fetch on the private rental market versus what rent is actually collected.

Gaelle BROAD: Yes. Okay. And just to your submission: you mentioned obtaining insurance is a challenge. Can you expand on that?

Alex TRUDZIK: Yes. Some of our members did report or have given us advice that, particularly in areas which, for example, had experiences of bushfires recently or other extreme climate events, their insurance premiums might go up in a short space of time. Or if they are looking to build in an area that all of a sudden has some kind of climate threat anticipated in the future, insurance agencies will price that into the insurance premiums, and it makes it more difficult to build in these areas. So how government could support the sector in retrofitting but also just continuing the construction of good quality new homes would be by assisting with that level of knowledge of what are the risk mitigation strategies to lower insurance premiums, and also if the government is seeing in the future that some areas might have some kind of planning mechanism put over them that suggests they are more at risk of a climatic event, that that insight is provided to the sector so they know which areas might be actually more expensive to build in in the future because of climate risk.

Gaelle BROAD: Thank you. If I could just ask: do you have much perspective on regional areas? What is the difference between what is happening in the regions as opposed to the city?

Alex TRUDZIK: Difference in what? I mean, there are lots of differences.

Gaelle BROAD: I guess just as far as the accessibility of the housing generally. You talked about the need for greater flexibility with some of the developments in regional areas – but yes, can you just expand on that?

Alex TRUDZIK: Yes. I mean, it is just sort of generally like what you would expect in regional areas, which might not have as many local supply chain options or services available. You know, it just makes it more challenging. Every region is also really different. It is very hard to generalise. There is land cost, which becomes a big factor in building new projects, which is very different in different areas compared with metropolitan Melbourne.

Gaelle BROAD: Thank you.

The CHAIR: Mr Berger.

John BERGER: Thank you, Chair. Thank you, Alex, for your attendance today. Alex, one of your recommendations is about the audit and upgrade plan for community housing properties. Can you just elaborate on what the priorities might be in terms of those audits?

Alex TRUDZIK: Yes. Sure. Thanks. As I was saying earlier, it can often be that these low-hanging fruit – things like draught proofing and insulation and double glazing – can actually have an outsized impact on the actual energy efficiency of a home. But to be able to assess a whole portfolio of homes – you know, some of our members own and manage upwards of 2000 properties; it can be difficult to know what to prioritise when and where. So having some kind of sector-wide audit of all properties that was supported and led by government would assist our members in knowing which of their homes could use what kinds of upgrades where. And again it is that really crucial thing of making some outsized wins through relatively small investment and also not making decisions to, for example, install quite expensive new appliances when actually the thermal shell of the home might mean that those upgrades are not fully felt by the renter. So you want to make sure that you are ticking off those small things as well as doing the big-ticket items.

John BERGER: I suppose the next question leads to: where do you prioritise the level of comfort over, say, an expense to a renter?

Alex TRUDZIK: Well, again, because of the rent model of community housing, the renter is never going to experience that cost directly, the cost of an upgrade up-front, so it really comes down to the question – and it goes back to that earlier point about the priorities of what community housing organisations can do – of what is more important for a renter. Is it putting in a new kitchen or a new bathroom, or is it making some kind of energy upgrade? And I would struggle to generalise what that call is; it really does come down to an individual case. And I suppose that is also a point – why a broad audit would be really useful for the sector so that it could be better informed on making these decisions. It can be quite costly for organisations to go out and do an audit of these sorts of things in their properties, and then doing them one by one, individually, just represents a lot of

additional cost burden to the sector in better informing themselves on what decisions to take. Having some kind of audit or some kind of system led by government would reduce that cost burden as well.

John BERGER: All right. Thanks, Alex. Thanks, Chair.

The CHAIR: Thank you, Mr Berger. Dr Mansfield.

Sarah MANSFIELD: Thank you. Thank you for appearing today and for all the evidence you have provided. I am interested to understand: I guess this is going to be an ongoing challenge both in terms of new builds and retrofitting the existing community housing stock, and particularly going forward, given that the government has really increased its focus on the community housing sector to deliver housing for people requiring some form of social housing. You mentioned before that the financial model underpinning community housing makes it quite challenging to make some of those up-front investments, including even in new builds, in making infrastructure climate-resilient. Do you feel that there is a need for something more enduring from the government side to support those sorts of investments?

Alex TRUDZIK: Yes, a more sustainable rent model would always be welcome. One of the key ways that could actually be done is through a raise in things like the youth allowance and JobSeeker, because that directly impacts how much rent community housing organisations end up taking and obviously it also improves the lives of the renters who receive those payments. That would certainly help make the rental revenue base of the rent model more sustainable as well as improve the lives of renters.

Sarah MANSFIELD: I guess more in terms of maybe a fund or something that was accessible. The government often co-contributes to the funding of a lot of community housing developments as well. Building in something that helps to cover those additional costs of investing in climate-resilient infrastructure and better design – is that something that may be required, do you think, for this to be done?

Alex TRUDZIK: Certainly. As I said in the presentation, we really would welcome government either funding or low-cost financing, or a mixture of the two, support to do the retrofits. New design would assist as well. We believe the greatest challenge for the community housing sector in the next 10 or so years is retrofitting the existing stock and improving the lives of those renters who are already in homes that are not as climate-resilient as they could be. That is probably where our priority would be. Having some kind of fund or some mechanism where government was funding this retrofitting work, again just taking into account the not-for-profit rent model of our sector – it is not something the sector can undertake at scale without some level of funding and financial support. Again, it goes back to the points that I have made. Whereas the private rental sector does have that ability to factor in its costs in either long-term capital gain or through some form of rental increase, those factors do not apply to the community housing sector.

Sarah MANSFIELD: Yes. I know that you are not going to be able to provide an answer for all the different community housing providers out there, but do you have a sense of whether there is auditing going on in relation to the status of the different properties that are managed by community housing organisations? What sort of work needs to be done on them? Is that something that is done routinely, or is it that different community housing providers are at different stages of that sort of work?

Alex TRUDZIK: Yes, absolutely. Look, it really is the latter: different organisations are at different stages. I guess it goes back to what I said at the start about how a lot of these homes were built at a time when we did not know as much as we do now about the impacts of climate change and what it takes to have a climate-resilient structure. New information has come to hand that organisations might not necessarily have collected in their property audits to date, and they need to go out and do that work. There are also challenges then when you are talking about properties that renters live in, and there are typical challenges that come with that.

As mentioned in the submission, recently CHIA Vic partnered with our national analogous body and other organisations as well to form a climate action network. This is one of the key things we are all looking into. We have got some members in Victoria, for example, who have undertaken quite a bit of work on their stock to work out the exact sort of climate readiness of the stock and the energy efficiency of it, but it is not cheap. For example, CoreLogic collects this data through property sales for the private rental sector, so there is actually decent data for the private residential sector on this. But CoreLogic does not have the same data for our sector, because we are not selling these homes as routinely as you see on the private rental market, so you do not get that data flowing in. Again, for the climate action network this is one of our key areas of focus. We are trying to

find what is the best and most efficient way that our members – and members across Australia as well, not just Victoria – can get this better intel on their properties. Again, if there was government support for this, there are tools out there that can be used, but again none of them are free.

Sarah MANSFIELD: Okay. Are there any requirements currently for community housing providers to maintain asset registers and report on that or maintain them to particular standard? What are the existing regulations around that?

Alex TRUDZIK: Again that is all through the housing registrar. There are key performance and asset management standards there. Different organisations, though, will collect these records in different ways, and that is again one of the problems that having this kind of more centralised audit would solve, having it more standardised. And really building up that awareness across the sector and also suppliers as well on what kinds of information needs to be recorded would be of assistance.

Sarah MANSFIELD: Thank you.

The CHAIR: Thanks, Dr Mansfield. Ms Ermacora.

Jacinta ERMACORA: Hello. How are you? I have got some fairly basic questions about community housing. Are all the models that the various community housing entities use the same, or are there variations in the model of ownership and how they operate?

Alex TRUDZIK: There are differences. When you say models, do you mean the rent model –

Jacinta ERMACORA: The governance model and ownership model.

Alex TRUDZIK: Absolutely, yes. That is part of having a diverse sector. There are I think 55, at the latest count, registered housing organisations in Victoria, and they all have their own sovereignty over their organisation. They obviously all have regulations and standards they have to meet, but within those organisations, yes, they will have different governance structures. And as I said, some of our members are owning and operating portfolios in excess of 2000 homes and others have less than 10 – a handful – so obviously the governance and organisational structures between those organisations are vastly different.

Jacinta ERMACORA: Thank you. My next question is about how they run, a little bit, and I am going to ask you for a generic answer rather than an answer for all 55. Presumably the surplus funds – they do not run a profit, they run a surplus – according to their governance model would go to a capital investment reserve and to an operational maintenance type fund. Is that correct?

Alex TRUDZIK: Yes, correct. All surpluses do go back into tenancy management services for the operations of the tenancies, and that includes, as you say, maintenance and business-as-usual upgrades of the homes. And then it can also go to more capital projects of constructing new social housing, yes. So all surplus goes back and gets reinvested back into either improving existing stock or hopefully building new stock as well.

Jacinta ERMACORA: And presumably, just like any other real estate market, there are ebbs and flows of when certain things are expensive, and obviously at the moment it is expensive to buy and expensive to build. Do they calibrate according to what the market is doing at the moment, like maybe holding off on capital investment for a couple of years until things quieten down a bit or that kind of thing?

Alex TRUDZIK: Yes, absolutely, and that is more for the organisations that are up towards that 2000 homes end rather than the ones that are holding a dozen or so. But for those organisations, yes, they are making commercial real estate decisions around whether there are current government funding opportunities on the line. That will inform whether they might go for – land might become available in an area that they operate in and they think would be a great site for new social housing. But if there is no government funding, you know, they might hold back on that, whereas if they knew that there was government funding, that makes them more likely to buy it, and then of course they have to factor in construction costs, supply chain costs, all of that. When applying for government funding on a project, they need to say what their costs would be, and that obviously takes into account market conditions.

Jacinta ERMACORA: With the operational side of things, the money allocated for maintenance and so on, obviously they have to comply with all landlord laws. They also have to comply with the principles and values reflected in their incorporation or whatever model they have got. So is there a level of flexibility around the choice to focus on the level of maintenance they might do versus capital investment? And I am leading to climate resilience as well.

Alex TRUDZIK: Yes, absolutely. Look, it really goes back to your first question, and that is around each organisation having some different level of governance structure. There are obviously the minimum requirements that our members have to meet, and that is based on legislation and also regulation about maintaining homes and making sure they are livable and at a good standard and also satisfying renter needs. Then basically, beyond meeting those minimum standards, it becomes an internal governance question of what that organisation wants to prioritise with any surplus it might have.

I would just make the general point that surpluses in the sector are very low, and again that comes back to the rent model of social housing. You know, these are not huge amounts. Again, to a point earlier, all community housing is effectively run at a subsidised cost. That subsidy is coming from somewhere, and that is typically from government, whether it is government funding for that specific project or it is other sorts of arrangements that can be worked out internally across sites within an organisation's portfolio. But the surplus we are talking about is not a huge amount so that there is lots of scope for decisions on where that goes.

Jacinta ERMACORA: Even rent assistance is a government subsidy for the sector.

Alex TRUDZIK: Yes, exactly right.

Jacinta ERMACORA: I have got one more question, but is my time up?

The CHAIR: Quickly, yes. You can ask it.

Jacinta ERMACORA: I was just interested to know: how many local governments in Victoria are running a community housing model?

Alex TRUDZIK: Running one themselves, do you mean?

Jacinta ERMACORA: Yes.

Alex TRUDZIK: I do not know off the top of my head. I mean, not very many. Social housing is typically run either by the state government or by community housing organisations. There are various levels of partnership agreements and arrangements between local governments and community housing organisations, but they are typically not running this sort of housing themselves.

Jacinta ERMACORA: Okay. Thanks.

The CHAIR: Thanks, Ms Ermacora. Thanks very much, Alex, for coming in. Just a couple of quick questions if you could follow up on notice for me.

Alex TRUDZIK: Yes, of course.

The CHAIR: You mentioned it earlier, and I assume it is exceptionally high, but the percentage of the community housing tenants who are on a form of income support – if you could just confirm that. Also, you talked about policy models or programs that would assist the community housing sector to do retrofitting of homes. If there are any examples of where such programs have existed in the past or in other jurisdictions, we would be really interested to see those. Again, we can probably get it through the housing registrar but you may wish to provide to us – the requirements that are placed upon you with respect to asset management and asset improvement: in a regulatory sense it would be useful to have some information about that as well. If you could follow up for the committee, that would be excellent.

Thanks very much for coming in today. You will receive a copy of the transcript to review. With that the committee will take a short break.

Witness withdrew.

