

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Inquiry into the public housing renewal program

Melbourne — 5 December 2017

Members

Ms Margaret Fitzherbert — Chair

Ms Nina Springle — Deputy Chair

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Ms Jaclyn Symes

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Mr Greg Barber

Ms Georgie Crozier

Mr Nazih Elasmar

Ms Colleen Hartland

Mr Gordon Rich-Phillips

Witness

Mr Rob Spence, Chief Executive Officer, Municipal Association of Victoria.

The CHAIR — Thank you for joining us this afternoon. I would like to welcome everyone present, including those in the gallery. We are hearing evidence today of course in relation to the inquiry into the public housing renewal program, and the evidence is being recorded. All evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action for what you might say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. I invite you to address the committee. We have been asking people to, if they can, keep their comments to between 5 and 10 minutes, and then I will open it up for questions. So we are in your hands.

Mr SPENCE — I start off by saying that I am not an expert in the public housing space, so what I will do is give you a perspective from the local government area on some of the issues that are coming up. I think from our viewpoint there is a real challenge in how you go about refurbishing some of these old concrete housing developments, particularly the walk-ups which have come out of the 50s and 60s. You can see how decrepit I am, and I worked in the housing commission when they were being constructed, so you can imagine what they look like with wear and tear in them.

The comment I would make is that obviously there has been little spent on some of these facilities for an awfully long time, and we would argue that they are not currently fit for purpose. You are dealing with no disability access, dealing with the age and so on. The walk-ups we think are beyond useful life, but they are currently a critical facility for people who cannot get access to other housing. The challenge in the life cycle of this housing is that if we do the construction, then how good are we at the maintenance and how do we think through the renewal? We do not think over time there has been a lot of effort put into that. There has been some patchy stuff, but it is a bit like the public transport system; you leave it for 50 years and you have got a massive backlog you have to deal with.

The problem as we see it is really how you fund it. The government have formed a view that the way to do this is to look at effectively public-private partnerships, putting the land in some form into private hands and then doing the development — the development being a mix of both public-private and public being public and social potentially — and using that as the vehicle to do the funding and looking, I suspect, at a lifetime of those developments of about 50 years.

The international research we have looked at — and I have looked at some of the submissions that have come in to your committee — indicate that there are some advantages in getting the private-public mix in a development if you take a whole community view rather than just the development itself. The research I have seen out of the US says that you see improved social and economic outcomes for those people in the public housing space if you get that mix occurring and these facilities do not become effectively public housing ghettos, you could argue, almost. So it seems that with the notion of moving to a model where you have got a mix of public and private the research would say there are some long-term advantages in that. The challenge, though, comes I think from the issues that are reflected to us by our members. We are handing over public assets to the private sector. Are we handing them over forever or are we handing them over for a set period? Should we be in fact thinking seriously before we actually do that, and thinking about the consequences of it?

Another critical issue that comes out of our membership, their concern with what they have seen, is the level of public housing in these developments. Is it biased more towards private housing and not to public housing? How do you get that mix right? Should we be pushing for a significant increase in the public housing proportion on these sites? I mean, it all depends on economics, but our membership are concerned about that issue. Obviously they are concerned about the bypassing of councils from the land use planning viewpoint. If we go down this path and we have these private developments including public housing, how does that fit into the local neighbourhood and how effectively is it integrated et cetera?

One issue that has been raised with me on a number of occasions which I will just conclude with is we have gone through a 50, 60, now almost 70-year cycle with the current housing. What does this look like in 50 or 60 years time? Is the model built in a way that allows for regeneration of these facilities? Are they in the control of the private sector? Do they revert back to the public sector for action? Do they step into another phase of a joint sort of public-private redevelopment? They are some of the issues. Obviously where you relocate people who are currently in the facilities, the rights of individuals to move back into the same location that they were if they are moved out and the facility is refurbished — there are a lot of issues sitting behind it.

My last comment is in connecting with the public housing associations the comments that have been made to me are that little, if any, money has been spent on these facilities in 30 to 35 years and this is a sort of opportunity to actively land something, but we have just got to get the model right.

Ms PATTEN — It is interesting that you were talking about 50 or 60 years ago when we did this type of infrastructure build. In other infrastructure we bank land, so if we are looking at rail or road, I mean, VicTrack has got hectares —

Mr SPENCE — VicRoads is the same.

Ms PATTEN — VicRoads is the same. Was that ever a consideration back then — to bank land? In some ways I am thinking is this land we are selling like our land bank for public housing?

Mr SPENCE — I assume at that time, because I will tell you now that I was just a pup when these places —

Ms PATTEN — Of course.

Mr SPENCE — At that time there were targets. There were sites that were redevelopment sites, like in Fitzroy where I live, for example. So it was moving from effectively slum housing — you know, earthen floors and no facilities — to the next phase of the cycle. This housing would have built in 1860 or 1870 through to probably 1900 and then the next cycle was the public housing cycle which occurred in the 1950s and 60s, or late 60s, and now we are up for the next round of it. In a way we have captured this land in the right locations in my view, because you do not want people who are from a low socio-economic background who require public housing being moved to locations where they have not got access to public transport. Like in Fitzroy they have got all the hospitals around them, public transport, jobs, services that are all within walking distance, almost, so any model that we come up with needs to make the most of that inner-Melbourne zone, in our view, in relation to public housing.

Ms PATTEN — We spoke to a developer who had been part of the Carlton redevelopment, Stephen McMillan, just previously, and he was talking about how this was all a very transparent exercise for them. All their books were audited; everything was laid out on the table. We have not felt that that has been our experience. Certainly for your members, who gave evidence earlier, they seemed to indicate that they were kept very much in the dark.

Mr SPENCE — Yes, I think that is right. I think from the government's viewpoint the challenge for them is that I do not think they know what the model looks like at the moment because they are waiting to see who proposes what on what site, if I understand the timing correctly.

Ms PATTEN — It is a chicken and egg, isn't it?

Mr SPENCE — It is chicken and egg.

Ms PATTEN — We have got to find out what the developer will offer before we can offer something in the public housing sector.

Mr SPENCE — That is right, and then how do you negotiate that into a sensible outcome from a state community viewpoint. So when you go out and seek expressions of interest for the redevelopment of these sites I think it becomes quite complex, because you could end up with a whole lot of options that are not really palatable to the community. The councils are frustrated I think because they want to know what is proposed. This is in their space. They want to know what is proposed. They want to be part of the conversation about what is going to happen in Boroondara, Darebin, Melbourne or Moonee Valley, but in a way the state is not in a position to have those detailed conversations. So it is chicken and egg, yes — if that helps.

The CHAIR — Mr Spence, you made a reference to the time frames. What is your understanding of the time frame of these developments?

Mr SPENCE — I have not got the exact time frames locked in, but my understanding is I would expect the government would want to see some of these developments progressing within the next six to eight months.

The CHAIR — We have had evidence of tenants now being asked to leave basically, but there has been no clarity about what is being built or when, which is creating a huge amount of unrest for people.

Mr SPENCE — I think that is an outcome of the issue we were just discussing. It is not clear what the ultimate model is. All they are doing is preparing people to say, ‘We will have a model. This is what your unit will look like, roughly, in the sort of model we are thinking about’, but the actual complete design in my understanding is not well-known yet.

Ms CROZIER — Thank you, Mr Spence, for your evidence. I have got a couple of questions. Has the MAV identified any of those land banks that Ms Patten spoke of in relation to public housing?

Mr SPENCE — No. In relation to land that has currently got public housing on it, no. We have not done a piece of work that looks at what is around in the state’s hands or in local governments’ hands, from that viewpoint, to see what would be possible with social public housing on those sites. With a proper integrated approach between state and local I think you could identify all sorts of things. They do not have to be massive developments. They can be relatively small developments but very effective.

Ms CROZIER — There is no data.

Mr SPENCE — No, that is right. It is VicTrack land, council land, VicRoads land, excess education department land et cetera.

Ms CROZIER — I think there are hundreds of potential sites; it is just where they are. My next question is you mentioned that you live in Fitzroy and it was a good environment for public housing and social housing because of the services provided, but I think we are becoming so congested in the inner-city areas. What is MAV’s view in relation to catering for people in the outer-urban areas and also in regional Victoria, because those pockets of disadvantage and socio-economic implications occur right across the state. Coming into the city areas in my opinion — and I would be interested in your opinion — is not a solution in the long term for many of these people.

Mr SPENCE — Just to talk quickly about some of the trends we are seeing, we are seeing more low-income people moving into housing in rural Victoria where they can get access to housing really cheaply. The problem is that the communities do not have the services to provide them with what they would have expected in an urban community. We are seeing that now and it is represented in comments back to us from our rural membership.

Ms CROZIER — I am very interested in that point and in terms of those rural municipalities that may have provided that information to you stating that. Are you able to provide us, the committee, with which municipalities are seeing those pressures?

Mr SPENCE — Yes. You also have issues in municipalities like Swan Hill, where you have communities with a lot of rough sleepers and so on because there is a lack of housing and a lack of cheap housing in those fruit-growing and cropping areas.

Ms CROZIER — I think the committee would welcome that.

Mr MULINO — Thank you for your evidence today. One of the interesting things I thought was the contextual observation that there have been waves of investment, and a lot of these sites have not seen investment for decades and there is a real funding challenge. Obviously there are a lot of details to be worked out and to some degree that will be clarified when the market comes back with a response, but it sounds like you are not opposed to a model in which there is private investment and a mix of social and private housing.

Mr SPENCE — Our view in the ideal world would be that this land stays within public ownership, whether that be it is leased to someone for a 50-year period and comes back into public ownership. Let us not talk about the walk-ups, but if you take those sites in Fitzroy or the site in Williamstown, where there is a public housing high-rise right on the beachfront, if I remember. This property is now worth squillions in private hands. A Fitzroy property on the corner of Brunswick and Gertrude streets would be worth a squillion dollars now. If it goes to the private sector, the public sector can never get that back. You can never afford to buy it back. I do not think so. We would be saying you need to be looking at a model where the state ultimately does not lose control and ownership of the property. That might mean that is a lease arrangement for a period or whatever. I am not

an expert in the finances on this, but you do not want to be revisiting this in 50 years time and finding you have not got access to stuff that you previously owned. We struggle with a whole lot of stuff now because we made dumb decisions a few years ago, and things like that.

Ms PATTEN — Playing that out, I have been reading a little bit about the build-to-rent model that Europe and the US are doing a lot more. The idea now is sell the land to the developers and the developer can make a 20 per cent return on it and they build the private housing. How would a lease work?

Mr SPENCE — There is work that is occurring at the moment that is looking at a model in Victoria that could set up a lease arrangement, and I have been doing some work with —

Ms CROZIER — Is that you doing that work?

Mr SPENCE — I am doing some work with Rob Pradolin, who is ex the development sector. I have been having discussions with Julius Colman, who has been a property developer and is involved now assisting in the funding of the development of schools in high-need areas to get better social and community outcomes. He is interested in a piece of work in this area as well to see if there is a way to create an environment as in the US.

There was something on ABC TV a while back that showed that super funds in Australia are investing more in US housing than they are in Australian housing, so we have been turning our mind to: why is that the case, and how could you get the tax structures and stuff right here so that the super funds, which are holding a significant amount of community money, can invest in this and get a reasonable return? There is obviously a need for some tax breaks in it, but it does open up another opportunity in the marketplace. Even if we deal with these walk-ups, that is going to be a poofteenth, in my economic language, in the scheme of trying to resolve the housing issue.

Ms PATTEN — I will get the spelling later for that!

Ms CROZIER — Is over-regulation a burden to these developers that you speak to?

Mr SPENCE — It is trying to get the economics right and get what is an acceptable rate of return, and what you can get out of a model like this. To achieve it you might need a bit of subsidy from state or commonwealth, but if you can do it in the US, why can't you do it here? What works in the US —

Ms CROZIER — Tax wise.

Mr SPENCE — Yes, that is right. If you get the tax structures right and the returns are right, then it is possible.

Ms SPRINGLE — My question pertains to who should have the discretion over planning. Should it be a council thing or should it be a state government thing.

Mr SPENCE — We would always argue it should be a council at the front end of it, because you should be integrating these sites into the local community in an effective way.

Ms SPRINGLE — So the responsible authority, in your view, should be the councils?

Mr SPENCE — Yes. That does not always work out, as you know, but yes.

Ms SPRINGLE — Sure. Okay.

The CHAIR — I was interested in what you said before about putting this into context in terms of waves of development in the past of public housing. You reminded me that in the past, councils and state government have actually, as I understand it, worked together quite closely to develop public housing estates. Could you provide any further detail on that?

Mr SPENCE — Where it has happened and how it has happened?

The CHAIR — Yes.

Mr SPENCE — I will do some trawling for you if you like and come back with some examples. There are a lot of examples of small social housing outcomes, which we could talk to you about and provide you with information on.

The CHAIR — That would be really useful, I think. We had some evidence this morning from Bayside council, and they gave an example of a development that they had done, which I know fairly well, that has worked well.

Ms PATTEN — In the not-for-profit —

The CHAIR — Yes.

Mr SPENCE — Yes. And there are a number of these developments across the state. Even the notion of inclusionary housing — you know, when you are doing a development you add a few social housing units in the development — has worked.

The CHAIR — There is a lot of chatter about that. Does it happen commonly?

Mr SPENCE — I do not think it happens commonly, but it does represent an opportunity if you can get the model right. The ones that I have heard about have been constrained by the fact that the economics only work on the building to a certain height. If you want to have the extra housing, the social housing, in it, you have got to go above what is an acceptable limit. If we are seeking solutions, then we really need to try and push past some of those issues and try and find a way around them, because we do not want half of Melbourne sleeping in Bourke Street, do we? It is becoming more prevalent. Then we have got public housing that is really run-down. A lot of it is in incredibly poor condition.

Ms CROZIER — Just on that point: walking down the street at lunchtime, you see a number of people on the street sleeping — they are obviously sleeping rough. What is the MAV's view on that issue and how especially the Melbourne City Council is working towards addressing it?

Mr SPENCE — We are keen to try and find a solution to it, but it is not only happening in Melbourne. Even across rural and regional Victoria it is happening. I think it is going to be small steps to address the issue, but as we are doing with the social housing space, we are willing to push into areas to see if we can provide appropriate housing for these people. In talking to Rob Pradolin — I do not know whether he has presented to you, but if he has not, you should try to get him in — with his group he has been identifying buildings around Melbourne that are in transition in a redevelopment. They may sit for two or three years to get through a process. They have been looking at providing that for housing for people to get through that period. There are all sorts of interesting things that are happening out there, and there is a lot of private sector activity in the space. People are trying to find a solution to it.

The CHAIR — In terms of state government regulation and policy, what sorts of changes could we make or recommend that might make that sort of creativity easier to turn into practical results?

Mr SPENCE — I think the starting point is for us to put state and local together and for them to think together on what can be achieved. At the moment we have got state over here, they have got their game plan, and we hear about it after the train has left the station. To me the good outcomes come out of combined effort in this — so you bring the private sector into the room with local government and state government and see what you can do. All sorts of opportunities, in my view, will pop up. At the moment if all the thinking is in one area, that is constrained by their budget capacity and the way they approach things.

The CHAIR — Absolutely.

Mr SPENCE — Flexible thinking is what is required.

Ms PATTEN — Just following on with this notion of the long-term lease of the land, is that an active conversation in MAV?

Mr SPENCE — Yes, absolutely it is an active conversation.

Ms PATTEN — So it is a very active conversation amongst your members?

Mr SPENCE — As I left, my president was saying to me, ‘You have to tell them that this public land should not be sold’.

Ms PATTEN — Looking at other developments, is that notion of a land lease amongst councils?

Mr SPENCE — Yes it is. In the discussions I have had there is a view that if you get through a cycle, the property stays in public hands; it is not lost to public hands.

Ms PATTEN — Yes, you see that with aged care and in a whole range of areas.

Mr SPENCE — That is right. We are seeing it in a whole lot of areas now, aren’t we? The aged-care system is going to be fully privatised in the not-too-distant future. How does that affect the community if the market shifts? There is a place for government.

The CHAIR — Thank you very much for joining us today, Mr Spence. You will be provided with a draft transcript of your evidence today for review, and you should receive that within a few weeks.

Mr SPENCE — Thank you.

Witness withdrew.