

TRANSCRIPT

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into the Rental and Housing Affordability Crisis in Victoria

Melbourne – Wednesday 23 August 2023

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WITNESSES

Emma Telfer, Chief Operating Officer, Assemble;

Nemesia Kennett, Executive Head of Development, Nightingale Housing; and

Professor Libby Porter, Professor of Urban Planning, Centre for Urban Research, RMIT.

The CHAIR: Welcome back to any members of the public with us here today and those watching the live broadcast. Welcome to our new witnesses on the panel today. Could you please just state your name and the organisation you are with.

Nemesia KENNETT: Nemesia Kennett. I am the Executive Head of Development for Nightingale Housing.

Emma TELFER: Emma Telfer, Chief Operating Officer for Assemble.

Libby PORTER: Professor Libby Porter at the Centre for Urban Research at RMIT University.

The CHAIR: Welcome. Thank you for joining us. Before we proceed, I just want to introduce our committee members. We have got Michael Galea on the screen there – he is a Member for South-Eastern Metropolitan; Mr Joe McCracken to my left, Member for Western Victoria; Mr Aiv Puglielli, Member for North-Eastern Metropolitan Region; Dr Sarah Mansfield, Member for Western Victoria; and Ms Rachel Payne, Member for South-Eastern Metropolitan Region.

I would just like to read this information to the panel before we proceed. All evidence given is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide today during the hearing is protected by law. You are protected against any action for what you say today during the hearing, but if you go elsewhere and repeat the same thing, 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. 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. For the Hansard record, when you make your comment could you please state your full name.

Just for the committee, could I remind members to please keep your questions to about 5 minutes. If we have extra time, I will let you continue further on. Thank you. Mr Puglielli, would you like to start?

Aiv PUGLIELLI: Yes, sure. Aiv here. Nice to see you all. As a renter I have seen it firsthand, but also hearing from others in the community, we know that right now there is significant pressure facing renters and that their rents are increasing by unseen amounts. They do not know by how much, and it happens for a range of reasons. Currently in Victoria we have a model where rents can increase once per year, but there is no limit on how much that rent can increase at that time. I might start with Libby. Do you think that that system, currently legal in practice in Victoria, is fair or sustainable?

Libby PORTER: Thanks for the question, Aiv. 'No', I suppose, is the main answer. Clearly it is not, because that is the situation we are in and what has prompted your important inquiry. We do need to find a way to manage rents in some more sustainable manner. We need to find a way to manage rents in a more sustainable manner from the perspective of tenants, perhaps, rather than the perspective of landlords, because of the power relationship between tenants and landlords. It is important we keep that in view, I think.

Aiv PUGLIELLI: Thank you. We have definitely through the course of the hearings so far heard a lot about this power imbalance between tenants and landlords and property managers. Perhaps in terms of rent controls or measures that could be introduced to address the amount of increase that people are facing, I know some of it is in your submission to my understanding, but could you go into a bit more detail for those watching along – your view?

Libby PORTER: Yes, certainly. We would recommend capping it at 5 per cent – that was our recommendation in the document – of what the current rent is. Also, looking back historically, we have had a period of very significant change in rental prices, if you like, particularly during, after – if we are after – COVID. That had a massive impact on the nature of the rental market. We have seen that across the state, not just in Melbourne but particularly concentrated in Melbourne. So we might need to look historically at what happened. We certainly know many stories of tenants who had to self-evict as rents started to rise very dramatically. In my own family that happened, where people had to move out, so I think we need to look historically, but we particularly need to look going forward at how we need to manage caps on rental increases, because at the moment what a tenant does is simply self-evict, and it never appears in any data that we can see because the tenant looks like they have made a choice to remove themselves from the housing situation, and of course that is not a choice at all. That is a forced mobility. There is a lot of grey in the area around questions of eviction and displacement and rental prices that are very hard to get to grips with because they fly under the radar, so I think that is an important point.

Aiv PUGLIELLI: Thank you. We have definitely in the hearings also heard about this scenario of rent increases being used as a retaliatory measure or a means to evict a tenant because they will not be able to pay the amount of increase therefore they self-evict, as you have mentioned.

Libby PORTER: Yes, that is right.

Aiv PUGLIELLI: I might now go to this idea of affordability, because it seems that in things that I have read but also in broader discussion the idea of what is affordable – my understanding is there is a definition within legislation but in terms of the provision of housing, particularly in the private or partnership side of the sector, for our other two panellists I might just ask each of you: what is your view of what an affordable home is? I might start with Emma.

Emma TELFER: Sure. I would also like to just respond to that last question if that is okay.

Aiv PUGLIELLI: Sure. Go for it.

Emma TELFER: If I think about it from a supply perspective, we have been thinking about rent controls and the planning reform that is required in Victoria, and we do see an opportunity there. If a rent cap or a rent freeze continues to be investigated within Victoria, a rent control method within the planning framework is something that we would advocate for when it comes to the delivery of social and affordable housing. It would need to be a significant supply, with development uplift and then there would need to be clear conditions associated with that around rent control for, say, a fixed-term 20-year period and a percentage of that housing is fixed in terms of rental control. We see that to be quite a positive approach to thinking about rent control and rent caps within Victoria as long as the supply of social and affordable housing – and clearly defined affordable and social housing – is delivered through that method.

Aiv PUGLIELLI: Thank you. For affordability – to that side of it?

Emma TELFER: In terms of affordability, we do work to the state government definition of ‘affordability’ in the work that we do, so we are looking at no more than 30 per cent of income is spent on rent within the affordable housing that we deliver. We are also providing social housing which is managed by community housing provider Housing Choices Australia, and we share that housing provider across Assemble and Nightingale. So they have very clear definitions that they are working within and the only definition that we can hold onto at the moment is the state government definition. We do call for more rigour and more structure around a universal definition that we can apply within Victoria.

Aiv PUGLIELLI: Thank you.

Nemesia KENNETT: I do not really have anything further to add given the scope of rentals in our portfolio are relating to CHP rentals, and that is the mechanism that is used.

Aiv PUGLIELLI: Thank you.

The CHAIR: Thank you. Ms Payne, would you like to continue?

Rachel PAYNE: Yes, please. Thank you. My first question will be to, I guess, Emma, and Nemesia, you might be able to contribute to this as well based on your submission. Assemble – I currently rent in Kensington, so I am seeing Assemble everywhere, so it is really nice to be able to have a conversation with you about this proposal. You talk about how government should explore policy options which encourage at-scale private capital investment in social impact outcomes. Is that making reference to the inclusionary zoning, and if so, what percentage would you envisage would be fair and equitable for both private and public?

Emma TELFER: Certainly the way that it is positioned is a form of inclusionary zoning. At the moment we are delivering 20 per cent social housing across our build-to-rent developments, so currently in Kensington we have build-to-rent and we also have build-to-rent-to-own, so we have two housing models that we are working across. Build-to-rent-to-own is a more moderate-income household development model which supports people into home ownership who have a desire to do so, but the build-to-rent housing is very much focused on social and affordable and specialist disability, and then the balance being just good-quality market housing that does not attract the premium which we are seeing emerge within the build-to-rent market at the moment here in Victoria and across Australia. There is a tendency to really focus on delivering premium, high-end build-to-rent which attracts a 20 per cent Premium to supply the services associated with that. We are really focused on good-quality housing, really good environmental performance – and we share the same view here (with Nightingale) and then how we can maximise the social and the affordable contribution within that model. At the moment it is 20 per cent social housing, and then we are delivering 20 per cent affordable discount-to-market housing, and that discount to market is between 10 and 20 per cent, primarily designed around key worker housing, so supporting people in staying in place, being able to live close to where they work and being connected through really good transport links, as you know in Kensington. So for us that model of 45 to 50 per cent impact housing with the balance market housing is working well, and it works well with the investor profiles that we are working with. So I think that is a really good benchmark or baseline.

Nemesia KENNETT: From Nightingale's perspective I echo Emma's comments. We are slightly different in that we definitely do support inclusionary zoning. For our model our focus area is that we sell to community housing providers, and we have feedback from the community housing providers that that is their preferred model. They also have the option to be an operator for a fixed period of time, but I think from our perspective we sell at a concessional rate in our model. And so that concession stays within the community housing sector in perpetuity, or as long as that community housing provider continues to be in existence, and typically, when they are well run, it snowballs – it compounds over time and it has a bigger impact on the sector. So whilst the rest of our product to market is not a rental, we think it is really important to consider that as part of a model as well, and inclusionary zoning.

Rachel PAYNE: Great. Thank you for that. And just to completely change the topic, Libby, I just wanted to chat to you about your submission, which points to lots of recommendations around – and this is something that we have heard from renters throughout this inquiry – a real power imbalance between the property owner, or the landlord and the agent, and the tenant. Now, I note that in your submission you do talk about some provisions in place such as minimum standards, but if you could elaborate more on what your submission recommends by way of how that may be better improved.

Libby PORTER: Minimum standards are obviously really important, so we welcome the recent reforms that improved those to a degree. I think part of the problem arises in that we can have standards and we can have legislative responses, and those things are tremendously important, but the actual reality of the situation is quite substantially different. A tenant is not going to take a landlord to VCAT and complain about mould and inadequate housing conditions or rising rents or whatever it might be if they know that the ecology of the housing situation they are in is not going to allow them to find a better solution. So they are going to put up with often a very, very deeply problematic situation simply because it is the best of a bad set of options, and so they find workarounds and do those kinds of things. So again there is this kind of hidden set of stories that are very much in people's lived experience. While obviously those minimum standards are terribly important, we have to find a way to be able to hold housing providers – agents, landlords, developers or whoever they are – and the public agencies to account on the requirement to uphold those standards, and we really should not be doing that through tenants. That is the wrong way to deliver that requirement for meeting minimum standards. It needs to be done in another way. So that might mean some more government oversight of the provision and upkeep of all forms of housing in the ecology – public housing, community housing and private rental. But as I said, it should not come through the tenant, because the tenant is in the worst position with the least power in

that relationship. They cannot advocate in that way, because there is so much at stake if they are going to be evicted or the landlord raises their rent.

Rachel PAYNE: Thank you. I appreciate that. That is all for me. Thank you, Chair.

The CHAIR: Thank you. Michael, can you hear me on the screen?

Michael GALEA: Yes. Thank you, Chair. Thank you, all. It has been a very interesting discussion so far. If I can start with Emma and Nemesia, one of your recommendations is for town planning reform, specifically with a priority development panel to really get to the bottom of delays in building all housing but, I guess, especially social and affordable housing. Can you outline what this would look like?

Emma TELFER: Both of the solutions that we presented in the submission really are underpinned by planning reform. We are really buoyed by recent announcements by the Victorian state government on planning reform. We can see that we are moving in the right direction. If I think about the investor experience and that first solution around creating a policy environment which will encourage institutional investment into social and affordable housing here in Victoria, it is about providing as much assurity as possible, and planning time frames are where we fall down. Planning time frames are where we really struggle. Planning delays or extended or unknown planning time frames are where we really start to incur costs. That is where the feasibilities, which are working incredibly hard already given the affordability targets, are really starting to drive in overtime. So we need to work in an environment where we have assurity around time frames. We understand that the planning process is a process, that there is nothing guaranteed and we need to go through it to receive planning, but we need at least to know what that time frame looks like and to be able to manage our projects accordingly. That, I think, is the number one issue that the state government can really control to support an increased investment from institutional capital, specifically industry super funds, who have started to demonstrate that they are willing and active to play in this space. We have AustralianSuper and HESTA behind the two models that we work within. Having that planning assurity is key.

So what we have presented is a planning priority pathway and panel which would support social and affordable housing through planning. Ideally it would sit somewhere in the four-month zone – 120 days – and there would be certain criteria that projects would need to meet. So scale would be a consideration. Scale is a consideration for us at Assemble, and Nightingale will have a different view on this, potentially. Scale is important for industry investors to make the feasibilities work. We find that 200-plus dwellings is where it really starts to make sense, and that is where we can really contribute the social housing contribution of 20 per cent and above. However, there are nuances to that, and Nightingale and the way that they operate is more nuanced. For a certain level of social and affordable housing, as we were just discussing before, it is making sure that that is significant. The time has passed where we were talking about 5 per cent. We need to really lift that up to include 20 per cent social housing, more affordable housing and specialist disability housing.

The projects also should be shovel ready and ready to go with financing sitting behind them. There are a number of our projects that have been in planning processes for a number of years now which have investment. We have everything ready to go apart from the planning. There are a number of reasons why that has happened, but a number of those projects would be underway, and we would be delivering that housing by now.

Nemesia KENNETT: In Nightingale's case, I think we were sort of somewhere more around 50 to 100 as our minimum number. But we agree there needs to be a scale benchmark, and it would not be much lower than 50, we would think. A great example of the impact that it is having on our business, the planning delays, is really just that, given we are a not-for-profit, our homes are all delivered at cost. As I mentioned, we manage to model into our feasibilities a concessional rate for our 20 per cent of community housing provider homes that are sold on to those providers. When everything is at cost, then costs go up, because your program elongates. You have bought a piece of land or whatever. You have got costs, and the interest on that just keeps rising. So at the end of the day we have to sit there and look at our feasibilities and either re-look at the sales rates for the other homes in the development – we usually get to the point where we are not able to do that anymore; it would become too unaffordable – or the next step is we have to reduce the number of community housing provider homes that we include in that development. Both of those are choices that we really do not want to make. Our CEO has been in the media quite a bit recently on a particular project case – if there is interest, you can look that up separately. But they are decisions which will likely go to VCAT and we believe are likely to be turned over. So it is not an ideal process I think for anyone in that situation.

Michael GALEA: I think, Nemesia, you touched on where I was probably going to go next, and that is in relation to Florence Street in Brunswick, where you have had those issues. I know every council is quite different, each council takes a different approach, but to what degree does the current system with these sorts of objections coming through, where you have got what looks to be a relatively reasonable development being blocked and you have to extend those costs through VCAT, inhibit your work and inhibit your ability to bring more housing to more people?

Nemesia KENNETT: Very much so. Our investment model is different to Assemble's, for example. It is on a project-by-project basis. It can be institutional small-scale investment, but also it can be individuals. It is focused on impact investment. Basically, when one project gets held up it really stops us from bringing another one on board. It limits the movement of those funds that are input into a project into the next project. They sort of get stuck there, if you will. Then it just diverts many more resources internally as well trying to work out how to solve that problem of 'Now this project has become significantly more unaffordable'. I am sure this will come up, but that is certainly not the only affordability pressure in these feasibilities; there are many right now. It just feels like planning should not be one of them.

Michael GALEA: Thank you. Perhaps for both of you again, but especially for you, Nemesia: do you find that different councils approach you differently in terms of that process? Is it faster in some areas, or is it generally difficult?

Nemesia KENNETT: It can be. Particularly we have noticed differences interstate, given we are doing developments in other states. I think one key point to make is just the certainty of time frames that Emma touched on there. I think there is a lot of discretion in the Victorian planning scheme, and that can lead to differences of opinions as you go through a process.

Michael GALEA: Thank you.

Emma TELFER: I would just add to that that I agree with Nemesia. We have had really supportive planning processes with the metropolitan council and then we have had challenges as we move out, and it does differ council to council. I think there is also work to be done around the definitions of 'affordable housing', which we have touched on, but also the ability for there to be tolerance or acknowledgement of the innovation that is required in this space for us to solve the issues that we are talking about today. We need new models. We need innovation. Melbourne has actually a long history of innovating within alternative housing models. Nightingale is a prime example; the model that we launched back in 2018 contributes to that. So we need to create the space and the environment for continued innovation, and I think state government can play an important role there in terms of government relations with local council on clear definitions but then also that space for new models to emerge and support for them.

Michael GALEA: Thank you very much. Is that the bell now, Chair?

The CHAIR: Yes. Are you out of questions? Are you right?

Michael GALEA: I was just going to ask quickly if there was a particular state or territory that has a particularly good model of this that we should be looking towards.

Nemesia KENNETT: No, not necessarily. Our experience has been quite bespoke and specific in each example, but definitely we have just experienced, in all the states we have been in, more certainty around time frames.

Michael GALEA: Great. Thank you very much. Thank you, Chair.

The CHAIR: Thank you, Michael. Dr Mansfield.

Sarah MANSFIELD: Thank you. And thank you for your submissions to this inquiry. Libby, I might start with you if that is okay. We have seen at state and federal level a commitment or a resolution to increase supply and that supply is really the answer to our housing problems, and the focus seems to be on increasing private dwellings as part of that supply. I am interested in your thoughts on that argument that we need more private housing to address our housing concerns. And you have indicated that what we need is I guess more investment

by the state government in housing – I think you said a massive increase in housing – so I would be interested in understanding that a bit more.

Libby PORTER: Sure. Thank you for the question – yes, super important debate. I think certainly in Australia when we confront the housing crisis, as we frame it, we automatically think it is a supply problem. It is in part a supply problem – some of the issues that other panellists have raised are kind of part of that ecology – but it is not solely or actually, in my view and in my understanding of how housing markets work, principally a supply problem; it is more a distributional question. There have been some studies done recently that have shown, for example, in Melbourne we could solve rough sleeping tonight, because we have sufficient numbers of actual shelter that could actually shelter humans right now that are sitting vacant. So we have a vacancy problem. Part of it is driven by the fact that housing is a wealth creation asset, so we think of housing as a commodity rather than perhaps a human right, and so that engenders particular kinds of policy and intervention in this space and even ways of thinking about it and talking about it. So supply becomes the thing that we talk about.

We certainly do need supply of a particular kind which we have less and less of in the housing system, and that is public housing. As a country that has historically had a very small percentage of public housing in the system comparatively to other countries – usually the Netherlands is held up as the one that everyone looks at, which has more like a 30 per cent amount of public housing, or social housing I should say, in its system. It is not perfect, but it is a much larger percentage. So a number of the problems that we see stem from a lack of availability of housing and a normalised level of public housing. So we see public housing as welfare housing rather than public housing as a totally normal part of the idea that we might be living in public housing, for example, because public housing should be accessible to a very wide number of people rather than just a sort of ambulance service, which it currently is. It literally just serves people who are in such deep crisis. So what happens is we see a kind of a self-fulfilling cycle of public housing being stigmatised continuously and then being presented as something that needs renovation, and then what happens is we demolish it and we displace communities and then we rebuild it in another form, usually with a lot of private market housing inside those new developments. So we have the Big Housing Build and public housing renewal programs. They are actually part of the housing crisis, because they do not serve to address the underlying conditions of poverty and the lack of supply of the right kind in a range of tenures to produce an ecology, if you like, of housing that is very diverse and genuinely affordable.

Affordability is a strange thing actually in the fact that it is good that we have a definition of it, but if you think about it, it is a misnomer. I mean, all housing should be affordable to the people who live in it. Just by definition, you should be able to just afford somewhere to live, and so we need a housing ecology that is genuinely affordable and where we do not need to have targets in legislation that create that. We need a different way of approaching that problem. That is a big philosophical question but one I think we need to grapple with. We need a much, much larger concentration of supply in public housing across the board in Victoria, perhaps particularly concentrated in Melbourne.

Sarah MANSFIELD: Yes. I note that you have used the term ‘public housing’. There has been a little bit of looseness around terminology, I think, in this space, and I would be interested in maybe hearing a bit more about why you have specifically said ‘public housing’.

Libby PORTER: Yes, certainly. Thank you. There are three terms that get used. Social housing is the umbrella term that encapsulates actually a number of non-market forms of housing. We in Victoria have two of them – public housing and community housing providers – within that. Community housing is housing where either the dwelling unit is owned by a community housing provider organisation and/or the tenancy is managed by that community housing provider. Public housing is where the state both owns and manages the tenancy, so the whole thing happens there. What we have seen is some slipperiness, as you said, in that world and a big slippage between public housing and the community housing sector. There is absolutely a role for all of those providers, particularly community housing providers, but there is an enormously important role for public housing because of the way that the rents are capped at 25 per cent of a tenant’s income, which is a really important thing to hold in view, because we know that at 30 per cent of their income people are already in housing stress and that is generally the benchmark where a community housing provider might be starting from – and upwards. We know a number of people in community housing, tenants, are in housing stress. There is an enormous increase in people who receive Commonwealth rent assistance who are in housing stress.

Commonwealth rent assistance and the community housing sector cannot solve that; public housing can solve that.

Sarah MANSFIELD: Thank you.

The CHAIR: Thank you. Mr McCracken.

Joe McCracken: Thank you very much. I really appreciate all the contributions that have been made. Emma, I have got to say you got me very excited with your discussion about the build-to-rent-to-own model. I think probably most people do not want to be lifelong renters; they want to eventually own their own property and have their own slice of land. Tell me: how does that model work for you guys? How do you run that, and how it does it work in terms of the investment that people make and then the outcome in the end – from go to whoa, basically?

Emma TELFER: We launched the model in 2018, and the pilot project is now operating in Kensington, as we talked about. We have got 73 households as part of that pilot, and they have just ticked over their first-year anniversary renting in the building. The model is quite simple, but the way it is structured is an opportunity to rent for five years with the option to purchase at the end of that five-year period. It is very simple when I explain it that way, but there is a lot of support that goes around the residents to ensure that they are successful in achieving their home ownership goal and that the model is successful for our investors and also for us as a business. We are learning a lot through this five-year period, but we do have the next five projects underway, with AustralianSuper as the equity investor behind those next five projects. We have two under construction – one again in Kensington and one in Brunswick – and then another three sites which we have recently acquired. They are going through planning at the moment or about to go through planning.

The model really is designed for moderate-income households who do have that goal of home ownership, and it was designed to provide the runway for people to save towards their home ownership goal or save towards a deposit. Back when the model was developed and it was in partnership with ANZ and other key partners, the average length of time it would take somebody to save a home deposit was approximately seven years. That has increased since then, and now we are up towards 12 years. At seven years, we designed the model to be two years in construction and five years of renting with the option to purchase at the end, and that was designed around that runway of ‘required to save’.

We also have a financial coaching service, which is opt-in, to support residents in improving their financial literacy, because many of our residents have not even contemplated that home ownership is possible, so they have not taken the time to inform themselves about what the process is to achieve that. So we have a financial coach on staff who helps them with budgeting: setting up household budgets, thinking about paying down debt and helping them structure a plan that will assist them in saving a 10 to 20 per cent deposit so they will be successful. That is obviously also good business practice for us in terms of minimising settlement risk and ensuring that we have really stable, resilient communities in place. We are going through a learning process with the first resident cohort at the moment, and we are finding that a high percentage still are looking to purchase at the end of those five years and many of them are in a better financial position because they have had the financial coaching or training to support them in improving their financial literacy to get there.

Then, in addition, we work on reducing cost of living wherever we possibly can, and we do that through bulk-buying renewable energy. I should note that we have a real commitment around reducing our carbon emissions, but we work with our residents to do that. That project has 100 per cent of households on renewable energy – 100 per cent renewable energy – but also the thermal performance of the apartments is such that the cost of their power bills is very low. We have worked hard to get that price down through a PPA with a renewable energy provider. And then we are getting people together to do bulk-purchasing to again reduce cost of living and just assist them wherever we possibly can in getting to that home ownership goal.

For the investors that sit behind it – AustralianSuper are not the investor on this project, because it was a pilot, but they are on the next five – really they are attracted to the model for a number of reasons. Really stable income through rents is what is fundamental to the investment profile of this model, but then also they are really focused on thinking about what the world is that their members are retiring into and how they can think about creating affordable housing models which shore up people’s financial futures. This is a model which is

piloting that approach. We have started to demonstrate that we can do this through the model, and that is why there has been renewed investment in the next five projects.

Joe McCracken: Yes. You should really be congratulated on that. I think that is absolutely amazing, because there are so many other benefits than just the affordable housing component of it. One of the challenges that you mentioned was about planning. I have a local government background as well, and within the existing planning framework you often do find that the delays can be anywhere from 12 to 18 months to two years. As you quite rightly said, that can have a detrimental impact on the cost and therefore the ability to provide the social housing, public housing or whatever outcomes you want. What do you think would help change that situation to make it a lesser time? I know we are not all experts in planning, I get that, but is it the case that you are just literally waiting for it to be signed off by the planning department? Any feedback would be welcome and appreciated, because there is a big backlog from what I understand.

Emma Telfer: Yes. I think the solution that we put forward in the submission was in the creation of a planning pathway and advisory panel that would focus on the delivery of social and affordable housing.

Joe McCracken: So that is what the panel would do then?

Emma Telfer: That is what the panel would do. So projects that fit the criteria would be moved into that pathway, and within that pathway there would be clear process and time frame as long as the project is ticking all of the boxes. We also incorporated in the solution an opportunity to really push the environmental credentials of these types of projects and really look for projects that are demonstrating beyond the industry baseline and really looking at best practice.

Joe McCracken: So basically you are just creating a separate pathway just –

Emma Telfer: Yes.

Joe McCracken: That makes perfect sense, yes. Thank you.

Emma Telfer: Thank you.

The Chair: Thank you. I just want to continue on that. I do think that that program is fantastic. I just want to know – with all investment there has to be some sort of incentive for the investor to invest in it. I was just wondering if you could break down what attracts them besides the regular income for the five years. The right to purchase after five years – would that be the same price as market price, or was that price determined five years previously when the contract had been taken up? Because the market could rise quite highly or drop quite dramatically in five years time. Could you just comment on that?

Emma Telfer: Sure, and sorry I did not mention that earlier. For residents, they have all of the pricing information up-front, so when they sign on they know what their rents will be for five years and they know what their purchase price will be at the end of that five-year period. So we have to work really hard to look at what is happening within the market, and what we have done in the past is apply a very conservative growth rate from year on year to get to that five-year price. Now, if the market does not perform as we expect, then our residents have the option to walk away, so there is no obligation or financial penalty if they do not take that opportunity to purchase, and that is a really important element of the model for it to exist, because there were changes in Victoria around rent-to-buy schemes a couple of years ago and our model is able to continue to operate because there is no financial penalty if people do not proceed to take the option. The rent and the purchase are very separate, but everything is agreed up-front, and that is really critical for residents so they know exactly what their rents will be, what they are aiming towards in terms of a home deposit and then they know what that savings goal looks like and what their household budget needs to be. Now, if it performs really well, then that is great. They have got equity built up in their apartment, and they can realise that equity if they would like to do so at the end of that five-year period.

The Chair: Fantastic. Obviously it is a great initiative and definitely will increase home ownership. In your opinion, how do we scale that to a larger scale, whether by putting the government as an investor and having the government commit to being an investor, to give more opportunity to the average Victorian to actually own a home in that scheme? Can you comment on how you see that vision?

Emma TELFER: Yes. From our commitment we are scaling this model already, so we will have 1500 homes under delivery over the next four years or so. We have got five projects, and the scale of those projects ranges from 173 apartments up to close to 500 apartments across multiple buildings. There is a site over in the west that we have where we have got a multibuilding site. So we are scaling up, and AustralianSuper is assisting us in doing so. I think where the opportunity lies is in some of the government programs that already exist – so shared equity in particular. I think we could work more closely with government to think about how we can embed that within the model to support more people into home ownership who perhaps may sit outside of that moderate income bracket and we can start to target people who are sitting more in that low, and potentially very low, income bracket and support people who may be wanting to transition out of community housing or public housing and start to transition towards home ownership.

The CHAIR: My next question you probably both can answer. I know you mentioned affordable housing, and you give a discount concession to non-profit organisations. I was wondering: how has the recent carbon tax system, with costs and prices rising, affected your scheme, both of you?

Nemesia KENNETT: In terms of just general cost of the overall projects?

The CHAIR: And the various taxes coming in in relation to the rates of tax and the fees for property owners and investors.

Nemesia KENNETT: In our case I guess the overall fees, charges, taxes, every cost that goes into the development – we provide homes at cost, so it really just adds to the price of the homes at the end of the day, both to the community housing providers and to the general market. But with the community housing providers, they have caps. They will come to us and say, ‘This is what we can afford to pay.’ There is one thing that I think is really important and I just wanted to touch on, which is not directly answering your question. One thing that is difficult is we joint-venture with a lot of to-market build-to-sell developers, and a lot of them have appetite and are actually comfortable with some level of inclusionary zoning and do have appetite to mimic what we do in our model and sell a percentage to community housing providers. Part of the problem is the way that community housing providers at times get funding via grant rounds that can be very inconsistent and difficult to program in, and the developers require pre-sales to be met before they can commence to get their bank funding before they can start building. An example of a really successful scheme in Bowden in South Australia was where SAHA, the South Australian Housing Authority, actually underwrote the community housing provider sales to give them time to get that funding that they knew they would be able to get. But it meant they could just start building – Housing Choices SA were the developer there, and we were in a joint venture – without adding time. That is just something I want to also put out there: in a build-to-sell or a context where community housing providers are purchasing, if there could be underwriting of their purchases to allow them time to purchase and then get in there earlier and not have to have the uncertainty of their grant funding rounds, that is actually really helpful to them as well.

The CHAIR: Any comment at all, Emma? No?

Emma TELFER: No, nothing to add.

The CHAIR: Just one more question to you, Libby. In the submission – because this came from the previous panellists as well – First Nations housing equality. You said in your submission that access to country is integral to treaty negotiations, so would you provide a percentage of that, and how much and should it be public housing or some social housing, towards part of the treaty negotiations?

Libby PORTER: Are you asking do we already or am I recommending it –

The CHAIR: In your submission it says that we should we include housing – should we have an actual percentage estimate to it, and if we do, what percentage do you think?

Libby PORTER: Yes, I think we should have a percentage of – I think you are referring to new builds or something like that?

The CHAIR: Yes, as part of our treaty negotiation.

Libby PORTER: Yes. That recommendation is about acknowledging that all housing development – all development – is occurring on First Nations land, stolen land, and in order to meet our treaty obligations from a perspective of a settler, a non-Indigenous person, we need to attend to that land question. Ways that we could do that might be through a percentage allocation of either public, social or community housing and also other forms of housing development specifically for First Nations people. But it also needs to include much greater attention to what we describe here as access to country, so thinking of country as home for First Nations people. We all belong somewhere; that is really important too.

It is not simply the built form, the form of shelter, it is also the access to land. If we think about the ways in which we all dwell in the world, they are much bigger than housing – our housing experience is a small part of our ability to live well. From a First Nations perspective, my understanding is the ability to live well includes being able to access country and participate in the life of country and unceded sovereignty. That needs to be part of the treaty conversation as well as the more perhaps mechanical forms of ensuring that land is being returned in effective ways to First Nations people. Does that help?

Nemesia KENNETT: May I add something very small: something we do at Nightingale, in order to acknowledge what Libby is talking about, is that we enshrine into our owners corporation rules at the onset of the settlement of a project that each owner, as part of their owners corporation fees, pays a set amount of money to a First Nations charity, what we call a pay-the-rent type scheme, to acknowledge that they are living on unceded land. So it is something we do –

The CHAIR: Is that part of your contract, incorporated into the cost of the house?

Nemesia KENNETT: Correct, that is right, yes, so it is already clear up-front. And in our community sessions we outline that. We also integrate First Nations elders into our design process for our landscaping areas to hopefully find a sense of country in our developments as well.

The CHAIR: Is that for all of your properties, even affordable homes as well?

Nemesia KENNETT: Yes, in terms of the landscaping component of the whole development. Also, we look at that in our naming of our developments too, which are just very small things but we are trying to acknowledge that importance as well.

The CHAIR: Thank you very much. I think the time has caught up with us. Thank you very much for your contribution today and for attending today. This brings the panel session to a close. I again would like to thank you all, the panellists, for your generous time giving your submissions today and coming to answer all our questions. We will now take a break for an hour and the hearing will recommence at 1:30 pm. Thank you.

Witnesses withdrew.