

# **TRANSCRIPT**

## **LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE**

### **Inquiry into the Rental and Housing Affordability Crisis in Victoria**

Melbourne – Tuesday 10 October 2023

#### **MEMBERS**

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Ryan Batchelor – Deputy Chair

Matthew Bach

Michael Galea

Joe McCracken

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Aiv Puglielli

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David Ettershank

Renee Heath

Wendy Lovell

Sarah Mansfield

**WITNESS**

Simon Newport, Chief Executive Officer, Homes Victoria.

**The CHAIR:** Welcome to the eighth and final session of today's hearing. Joining us is Simon Newport, the CEO for Homes Victoria. Simon, I am Trung Luu. I am Chair of the committee. To my left is the Deputy Chair Mr Ryan Batchelor, Michael Galea, Mrs Moira Deeming, Mr Aiv Puglielli, Dr Sarah Mansfield and Dr Renee Heath.

I will just quickly read this to you before we proceed. All evidence taken 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 any information you provide during this hearing is protected by law. You are protected against any action for what you say during this 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. 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, can you please state your full name and the organisation you are appearing on behalf of.

**Simon NEWPORT:** Simon Andrew Newport, Chief Executive Officer of Homes Victoria, part of the Department of Families, Fairness and Housing.

**The CHAIR:** Thank you. We will proceed straight to question time, if you are happy with that.

**Simon NEWPORT:** I will just acknowledge country – that we are on Wurundjeri land – and give my respect to elders past and present.

**The CHAIR:** Thank you. Ryan, would you like to proceed?

**Ryan BATCHELOR:** Sure thing, Chair. Mr Newport, thanks for coming in – the last witness of the day at the last hearing of the committee's inquiry, so no pressure. You are arguably one of the most important witnesses that we will hear from, given your role in providing housing to some of the most disadvantaged people in our community. Obviously, you have had a busy month with the release of the housing statement. There is a lot in that. There is a fair bit I will not get to in the context of both what was in that housing statement and the very significant program of rebuilding social housing here in Victoria. I might get to a bit of the crux as to why it is necessary at the moment to invest so much time and money in rebuilding our social housing, why some of our existing public housing estates are not currently fit for purpose and what the projections look like over the course of the next few years. I might start there, in particular drawing your attention to those two towers in Carlton that are currently vacant. Maybe you can step us through some of the challenges that exist with the capital stock that we are trying to house people in in terms of the condition, using those two as a starting point.

**Simon NEWPORT:** Okay. I think it has been fairly well publicised, particularly on those two – we colloquially call them the red brick towers, so if you do not mind, I will call them that. I think most people know that is what they are. Those two towers in particular are vacant, and they are vacant for a number of reasons but most particularly they are uninhabitable. The sewer stacks – the sewer system – completely failed on them; I know there was a lot of publicity about that. Those two towers in particular, as I said, are uninhabitable, not viable in any way and certainly have to come down. We know from experience that they cannot sit there empty. Not only are they literally an eyesore but they are also very much a safety risk and open to squatters, security issues et cetera, so they need to come down, and they need to come down quickly. Of course they are going to be part of the housing accelerator fund of nearly half a billion dollars that the Commonwealth government has paid to the Victorian government, and they are the first announcement. They will be the first cab off the rank. I think, from memory, there are 98 in each block, so 196, and I think we will be converting those into 236.

**Ryan BATCHELOR:** Sorry, 96?

**Simon NEWPORT:** I beg your pardon – 98 in each tower, 196 in total, and we will be turning those two towers into 235 or 236. Obviously we have not quite finished all of the designs yet. It is a not-incalculable increase, and at this stage certainly our commitment is that they will be public housing owned by Homes Victoria and run by the department.

**Ryan BATCHELOR:** And the conditions that led to those towers in particular becoming uninhabitable – without going into specifics about other specific estates, but the sorts of maintenance problems that you were encountering in those red brick towers, how common are those types of problems in other parts of your capital stock?

**Simon NEWPORT:** I mean, that one was particularly prevalent with regard to sewer stacks, so the sewer system backing up and raw sewage on the ground – ankle deep in some instances. The other towers are prone to a number of issues, certainly inadequate elevators in terms of just not enough realistically for people to use. They have been retrofitted with sprinkler systems. Obviously when they were first designed they did not have sprinkler systems – fire suppression systems. They have been put in, but the nature of the building is that the elevator shafts sit below ground level so whenever a sprinkler system is tripped the elevator pit fills with water, short-circuits the control board and then the elevators are out of action for some time – 24 to 48 hours – and then you have got the situation where you have got people having to use stairs, sometimes up to 20 and 22 storeys. The elevators are an issue, heating and cooling are an issue in particular, but just generally, those properties were designed in the 50s and built in the late 50s and early 60s and 70s. Having been through a number of them, I think it is fair to say that their time is well past what we would expect for modern standards for Victorians to live in.

**Ryan BATCHELOR:** We may come back to this over the course, but I just want to go to one other topic. We heard from our good friends in the short-stay industry earlier today, who are not a fan of the 7.5 per cent levy that has been placed on short-stay accommodation. My understanding from the government's housing statement is that that revenue is being funnelled to Homes Victoria for maintenance on the public, social and community housing stock that we have to look after. Is that correct?

**Simon NEWPORT:** The statement I am pretty certain says 'to go into the public housing system', but ostensibly we would like to use it for long-term asset management. Whilst new housing is incredibly welcome, we know that there is a longstanding issue with regard to funding in social housing for genuine asset management long term, so we would like to be able to devote it to that if we could.

**Ryan BATCHELOR:** Historically, funding for maintenance has probably been a bit choppy and subject to the whims of governments from time to time. Would having a new revenue stream coming in assist you over time with the maintenance and upkeep of the existing stock? Do you think it would improve that?

**Simon NEWPORT:** I would say yes. I would always counsel people to say that. I am a public servant, not a politician, so I am not advocating for a tax or not. But the fact is –

**Ryan BATCHELOR:** The government has announced it.

**Simon NEWPORT:** the government has announced it. We are very grateful for, if nothing else, a consistent stream of funding. When you get short-term programmatic bursts, they are really, really welcome, but a consistent flow of funds enables you to do some really long-term planning for asset management. So the short answer is yes, notwithstanding that the sector is uncomfortable with the levy.

**Ryan BATCHELOR:** Sure. One of the things that we heard evidence on earlier today was that one of the people from the short-stay industry said that the tax would do nothing for supply. My assessment is that if we are keeping social housing stock to a higher standard for longer, doing more maintenance, that is going to keep more supply of that stock in the system for longer. Would that be a reasonable assumption or expectation?

**Simon NEWPORT:** Yes, it would be, because it does take pressure off. If it takes pressure off the asset management processes in terms of the amount of money that we can spend on asset upgrade and prolonging the use of some assets, it does make a significant difference. Each asset is different, and each asset has structural and other issues long term. But the fact is, as I said, having a flow of funds that we can devote towards long-term asset management will definitely help in terms of maintaining the current level of houses, which means that we can house more people over time.

**Ryan BATCHELOR:** So we do think that this is going to have a positive impact on overall housing supply. I just wanted to clarify that, because I would not want people listening to our earlier commentary to think this had nothing to do with that. Chair, I might leave it there, hand it over to someone and come back if there is more time.

**Aiv PUGLIELLI:** Hi. Aiv here. Thank you for coming in – lucky last on the list. We have just been hearing about the government’s housing statement. Did Homes Victoria have any input or consultation into the creation of that statement?

**Simon NEWPORT:** Yes. There was a submission that was done from Homes Victoria or more broadly from the department into that process.

**Aiv PUGLIELLI:** Is your assessment that that submission has eventuated in materialising in the recommendations in the statement?

**Simon NEWPORT:** Certainly our cornerstone recommendation was with regard to the towers, so yes.

**Aiv PUGLIELLI:** Are there aspects of the submission that you made that have not made their way into the statement, and if so, what are they?

**Simon NEWPORT:** That is probably something a little bit tricky for me in terms of what was proposed. A single regulator is something which has always been part of our consideration, but I think the other broad matter was measures to do with financial sustainability of Homes Victoria. I think Mr Batchelor’s comments earlier probably speak to that. Whilst we did not obviously suggest a levy or a tax, we were saying that some long-term surety of funding is something which Homes Victoria would need.

**Aiv PUGLIELLI:** Forgive me if I am overstepping; I am not entirely sure of the lines here. Are any of the recommendations you sent through available to be sent to the committee on notice?

**Simon NEWPORT:** I would have to check, if that is okay, because I do think that it would be protected as cabinet in confidence. If you do not mind, I will take that on notice.

**Aiv PUGLIELLI:** That would be great. Thank you so much. You talked about the demolition of the public housing towers. Obviously we have noted the two towers in Carlton. Are you able to provide any information that would serve as a rationale for the decision to demolish and redevelop 44 high-rise public housing buildings and associated sites, and has there been an effort to explore alternatives like refurbishment and renovation?

**Simon NEWPORT:** I think first of all the program from start to end at this stage is predicted to run somewhere around 27, 28 years, so by the point you are doing that you are talking some of the towers could well be 80 years of age. The particular construction methodology – effectively concrete panels, ceiling heights that do not permit services to run between floors, some of the issues I talked about with regard to elevators, no heating, no cooling, no verandahs, it is very difficult to even clean windows, it is hot in summer, cold in winter – all of those factors were taken into account. Also just purely from the point of view of basic maintenance being able to be done over those properties, it would be something in the order of about \$2.3 billion over 20 years just to keep them in the condition that they are now, and that is really only in my humble view delaying the inevitable.

**Aiv PUGLIELLI:** You talk about delaying the inevitable. Given how many towers we are talking about – obviously we have mentioned the two in Carlton, and I am sure there are specific instances – for any of these 44 towers are there not instances where there is rationale for renovating and retaining the tower itself?

**Simon NEWPORT:** I think the fact that they were all pretty much built the same way, roughly the same vintage – they might be slightly older in terms of they were not all built exactly at once, but they were all built within a fairly short time frame and effectively designed by the same architect – means the same issues that you have in one, you have in all. Certainly the ongoing maintenance of the properties, reaching the end of their economic life – asset condition is the driving factor behind those properties and their suitability for the future.

**Aiv PUGLIELLI:** When you say ‘economic life’, could you just clarify what you mean?

**Simon NEWPORT:** At the moment when we evaluate a property it really has no more useful life than 75 years, and that is if you can prolong it with really sound well-funded maintenance. Some of these properties will be getting up to that pretty soon, particularly those that were built in the late 1950s. They are coming up to the end of it, and once you decide that they are not really going to be retained within the next 10 years you have got to make some decisions now about serious upgrade work. As I said, the \$2.3 billion would only just be to keep them in their current condition. It really would not give them new bathrooms, new kitchens, new amenities. It would basically just paint, carpet and a few other things, because they are far beyond their useful life.

**Aiv PUGLIELLI:** But with additional investment is there no rationale that you could think of for retaining these towers to keep these communities together and ensure that they are fit for purpose going forward?

**Simon NEWPORT:** I am sure we will get to relocations and keeping communities together. I think they are not necessarily entirely related. We will do our very best with regard to that to make sure that people are not dislocated. But the sites themselves are done in terms of asset condition. They really do not have much more useful life. With regard to refurbishment, anything is physically possible I imagine, but there comes a point even when you have your favourite car – and I am not trying to be flippant here – and you go, ‘It’s just not worth throwing good money after bad,’ when you come to it and you look at the amenity. I would also point out that our tenants are overwhelmingly telling us this. It is taking up to between 10 and 20 offers on many occasions to actually get people to agree to come and live in these towers, so when you think about the time and effort and the angst that that causes, the tenants themselves are telling us they want to move to new properties.

**Aiv PUGLIELLI:** I respect that, but then we also hear stories of people saying, ‘I do not want to leave. This is my home. It’s been my home for years, and I want to stay here.’ So we are reconciling these views.

**Simon NEWPORT:** I understand.

**Aiv PUGLIELLI:** When you say that these towers are past their life, and again there are specific instances – we have mentioned the two in Carlton – do you have access to feasibility studies on the cost and options for refurbishment that you would be able to provide to the committee?

**Simon NEWPORT:** We have got the asset management work, which shows how the \$2.3 billion was calculated. That is probably the –

**Aiv PUGLIELLI:** Is that publicly available?

**Simon NEWPORT:** No. To my knowledge, no, it is not.

**Aiv PUGLIELLI:** Is that able to be provided to the committee?

**Simon NEWPORT:** Can I take that on notice and find out where I sit with that, please?

**Aiv PUGLIELLI:** You absolutely can. In terms of the public land itself that these towers are built on, do you have access to assessment or modelling of a maximum number of public homes that can feasibly be rebuilt on each of these public housing building sites?

**Simon NEWPORT:** Of course it is very early days, but the massing studies show somewhere between 14,000 and 17,000 units in total that could be delivered across the 21 sites.

**Aiv PUGLIELLI:** And that is public homes?

**Simon NEWPORT:** That is a massing study done in terms of what is feasible with regards to density and good design. There is no real distinction between public, community, social or private in that instance. That is how many dwellings we think realistically we will be able to get on there.

**Aiv PUGLIELLI:** Okay. I was just clarifying in case there were other economic factors informing a decision.

**Simon NEWPORT:** At the end of the day everything is economic. Again, I am really not trying to be flippant, but I imagine we are going to get towards commercial models and what we think will end up on those,

and I am sure I will be happy to answer those questions. But in terms of what is physically able to be put on there under, we think, reasonable planning conditions, we think it is somewhere between 14,000 and 17,000.

**Aiv PUGLIELLI:** In relation to the announcement that has come through, do you at this stage have access to a breakdown of costs for public housing tower resident relocation – things like stock acquisition, head leasing of private properties and removalists costs? Do you have access to those costings? Are they able to be provided to the committee?

**Simon NEWPORT:** I certainly have access to the costings. Again, if you do not mind, I will take that on notice as to what I am able to provide you – but yes, of course. This is not BAU because this is obviously going to be an incredibly large project, but yes, we absolutely do have indications of what we think it would cost at least on a per unit basis based on our experiences so far.

**Aiv PUGLIELLI:** Okay. If those could be provided, all things permitting, that would be wonderful.

**Simon NEWPORT:** I will have to take that under notice.

**Aiv PUGLIELLI:** No worries. With the remainder of my time, we have talked about the towers as a whole. Looking at specific instances, the tenanted buildings in North Melbourne and Flemington, do you have any information you could provide that would provide a rationale for the decision to initially demolish those in this first tranche?

**Simon NEWPORT:** Okay. If I could get anything across in this forum, it is that the order and the reason for these towers being chosen first is we have stock ready to go. We have stock literally across the car park in Flemington, and the numbers align almost exactly. We have about 360 units that are in the two towers in Flemington, and we have 360 units coming on board with the ground lease model 1. They should be available between October and Christmas, so let us say Christmas. For North Melbourne, for the Y tower, for 33 Alfred Street, we have 133 units coming up in Abbotsford Street down the road, and they are all social housing. In both instances we are now starting to talk to community leaders and starting to talk to the builders about doing showings for tenants. They have display units, and we can start showing them some of the properties that they can move into.

One of the reasons why we have chosen those towers first is – asset condition is always an issue, but certainly when you are trying to do significantly large numbers of relocations and you absolutely want to keep communities really closely connected, the best time to do it is when you have got that mass stock coming on board. There are 143 in the Y tower and there are 133 down the road. We have also got a small number of large families that we will have to find alternative accommodation for, and that is when you are talking about leases, spot purchases, maybe other broad areas. So the opportunity to use stock coming online very soon is absolutely a driving factor.

**Aiv PUGLIELLI:** Okay. Just to make sure I have heard you correctly, though, so it is the primary driver for those sites being chosen that there is stock replacement for those homes that are currently there?

**Simon NEWPORT:** No. It is not the primary driver. It is one of the drivers. Asset condition is clearly one of them. But certainly as stock comes available, it is entirely sensible for us to say, 'Let's make sure when that stock becomes available that we use it to be able to keep people connected to community.'

**Ryan BATCHELOR:** So it is literally across the road.

**Simon NEWPORT:** Across the car park. We have residents every day saying to us, literally saying to me when I did the doorknocking, 'Why can't I move across the road?' So we are saying, 'Yes, you can.'

**Aiv PUGLIELLI:** Are they going to be relocated to that site, though?

**Simon NEWPORT:** If they wish to.

**Aiv PUGLIELLI:** If they wish to.

**Simon NEWPORT:** Yes.

**Aiv PUGLIELLI:** Okay.

**The CHAIR:** We will come back to you if you need more. Dr Heath.

**Renee HEATH:** That actually sounds like the most perfect plan, doesn't it? So people are going from a place that would be unhealthy to live in, given that there is sewage in the lifts on a fairly regular basis, and keeping that together. That is great.

**Simon NEWPORT:** We have a quite detailed plan for the first three towers. Obviously, the other two are already empty. Yes, absolutely, we have a comprehensive plan for the first five towers, particularly focused on talking to the tenants and offering them really good alternatives for accommodation.

**Renee HEATH:** Yes. Do you think that housing affordability is the biggest risk factor when looking at homelessness?

**Simon NEWPORT:** Look, I am biased in the job that I have, but yes, I would say clearly people being able to afford a safe, secure home is absolutely a significant factor. I mean, there are other factors, mental health, particularly when you are talking about some issues for homelessness, but affordability of housing would have to be right up there. Yes.

**Renee HEATH:** Yes, absolutely. And it would be completely out of reach for a lot of the people in these groups that you work with, wouldn't it?

**Simon NEWPORT:** Our average rent, and I can get the exact figure for the average rent for the entire portfolio, is only about \$130 to \$140 a week because it is obviously income based and many people are on Commonwealth welfare or transfer payments. So yes, it is nigh on impossible to get rent for 150 bucks a week unless you are in a social housing setting.

**Renee HEATH:** This is probably very broad, but in terms of getting people into these safe, affordable houses, what are some recommendations that you believe this committee should be making? Or what different ideas should we be looking at?

**Simon NEWPORT:** I think there are macro-economic issues at play and that there is no question that is the driving factor. We have seen a 10 per cent spike since COVID has come along. I would also preface this, by the way, and I am not by any means trying to excuse anything, but I have literally been in the chair 10 weeks, so there will be some things that I will be able to answer and some things I might have to take notice. But to answer your question, some of the driving factors most recently are COVID, families breaking up, interest rates and rising rents. They are all factors.

Certainly from the social housing setting, the public housing setting, without trying to sound like I am getting my high horse, there are two issues that I think the Commonwealth could change pretty quickly. I am not saying it would not be expensive. Commonwealth rental assistance being extended to at least some elements of public housing would be incredibly welcome – talking about a longer term flow of funds. It varies obviously person by person, but CRA, Commonwealth rental assistance, is about \$50 a week. It does vary, and I know it has just gone up by another 15 per cent, but that goes exclusively to community housing providers and people in private rental. It is excluded – for a lot of historical reasons it does not go to state governments. I understand the jurisdictional arguments, but the fact is that in itself is a barrier. Particularly I think I would like to see that focused on elderly, on seniors. They are the most vulnerable because their next step is potentially a nursing home, so keeping them being able to age in place I think is incredibly important. The other one is GST. We are treated – Homes Victoria – and in most of the jurisdictions around Australia they are treated the same as a mum-and-dad property investor. We are what is called 'input taxed'. When we pay the plumber \$110, we do not get the \$10 back from the federal government. That in itself is probably worth somewhere in the order of \$50 million to \$60 million a year to Homes Victoria. That and CRA would probably constitute about \$150 million. That – without again trying to play politics – plus the levy in itself would pretty much put the social housing system on a very sustainable footing for the future.

**Renee HEATH:** Okay. Thank you.

**Ryan BATCHELOR:** What is your current maintenance budget?

**Simon NEWPORT:** Last year we spent \$517 million.

**Ryan BATCHELOR:** That is not an insignificant amount of your overall budget.

**Simon NEWPORT:** Our rent is almost exactly the same as our maintenance bill.

**The CHAIR:** Thank you. Michael, do you have a question?

**Michael GALEA:** Thank you, Chair. Thank you for joining us, Mr Newport. There was some discussion over the red-brick towers, in particular, earlier. Across the entire stock of these towers, how many apartments or dwellings are currently uninhabited because they are uninhabitable?

**Simon NEWPORT:** Look, I would have to get that precise number. What I can say is there are about 6660 units at present in the towers, and for a variety of reasons – one is absolutely they are inhabitable, but two, and I do not mean to be too flippant, is we are really struggling sometimes to fill them. There are about 5800 families, so call it about 860 units at the moment for a variety of reasons but these two reasons: nobody wants to live there and asset condition. And obviously they are linked.

**Michael GALEA:** I was actually going to come back to this later, but it is the perfect opportunity to ask you: you said before, 10 to 20 offers are sometimes having to be made to get people into these towers.

**Simon NEWPORT:** Yes.

**Michael GALEA:** Is that primarily because of the condition that they are in?

**Simon NEWPORT:** There are a number of reasons. One of the big reasons we have been hearing from our housing staff is also that the properties cannot be adapted for people living in wheelchairs, using walkers, that sort of stuff. So the doorways – I mean, they are all concrete construction, right, so it is not that easy to be able to widen doorways, hallways. The bathrooms are very small, and I am not sure if people know what a hob is, but a hob is literally the row or course of bricks that you tile over to stop the water coming out of a shower recess. We cannot do hobless showers because of, again, talking about the floor height, so the only way we can do it is by putting a false floor in, and then you have the issue where people have got to step that far before they go in, so again there is wheelchair access. So they cannot be modified for people with disability needs, and that rules a lot of people out – that is one of the high-priority lists. That takes a great chunk of people out already. So there is genuine asset condition, but by far it is the inability to modify for disability, and that is never going to change.

**Michael GALEA:** Yes. Interesting. And what is the energy efficiency of these buildings?

**Simon NEWPORT:** I do not have the exact rating, but pretty poor. You know, I have not been here for a summer yet, but I have been through them in winter, and yes, there is heating in them, but they are very cold and then very hot in summer, so yes.

**Michael GALEA:** So they are not disability compliant, they are not energy-efficient, they overheat in summer, they are freezing in winter and all sorts of other issues that you already went through. If we took the alternative that some are suggesting – that we can somehow feasibly fix all these problems with renovations, which it does not sound like we can – would you be able to increase the overall quantity of stock on these premises, just by renovating these buildings?

**Simon NEWPORT:** Well, I think the disability factor I just talked about does speak volumes as to – again, I do not want to be flippant, but it does feel a little bit like lipstick on a pig with regard to some of this stuff. You really get to the point where you go, ‘I can’t ever get these properties suitable for one of our highest priority needs’, which is people with a disability. It is just not physically really possible short of a concrete saw every time I have to widen a door. I know where you are headed with the question, so the answer is: nothing is absolutely impossible. But from the point of feasible, probably one of the big things people need to be aware of is when we had a look at doing work on the properties it became really, really clear very quickly that we would need to empty the tower before we did the renovation work. So either way, people are going to have to be relocated, and we try to minimise the amount of times we disrupt people’s lives. So when we have got ability to move them across a car park, I would really like to do that once and not move them back, although if they want



to when they are replaced, we can – but not to move them back to the same place with just new carpet, new bathrooms et cetera.

**Michael GALEA:** Sorry if I am late, Chair. If we leave these unattended, is there a real risk that we will start to actually be discriminating against people with a disability by not providing these options to them?

**Simon NEWPORT:** I think some people could make the argument that with the amount of refusals that we are getting we are getting to the point already where we are not being able to house as many people with a disability that we would like because of the condition and the design, more importantly, of the towers.

**Michael GALEA:** Thank you.

**The CHAIR:** Sarah.

**Sarah MANSFIELD:** Thank you. Are you able to confirm the number of additional social houses that will be delivered across the 44 towers?

**Simon NEWPORT:** It will be somewhere between 600 and 700. But I think what is important at this stage is that is an absolute line in the sand – you know, we will not go less than a 10 per cent uplift; that is the directive from government. I think it is also fair to say – and I am sure we will talk about commercial models and public versus social and community; I am sure we will go there – it is based on early stages in terms of massing studies. You know, I do not necessarily want to get into debates as to how high you can go, but I would say that air is free, so we would be looking at trying to be a little bit more ambitious in terms of what we can do with some of these sites. And if we do that, I would look to try and push the envelope even further and get more social housing and affordable housing in those dwellings.

**Sarah MANSFIELD:** Okay. Let us go there – how many will be public versus community housing?

**Simon NEWPORT:** So the first thing I would say is the only way the properties can be public is if they are 100 per cent financed by the government. And there is a reason why I mentioned the GST earlier – that is a 10 per cent penalty. I do not want to be political, but that is a 10 per cent penalty by the federal government, because we are naturally 10 per cent more expensive than someone who delivers it outside of government, because I am not able to claim the input tax credit on the construction cost of those towers. So in some instances that is in itself a factor. CRA is also a factor because, again, we do not get the benefit of Commonwealth rental assistance that community providers do – and by no way is this a crack at the community housing providers. They do a fantastic job, but they have a couple of head starts that public housing does not. But the only time that we can have stock that is owned and run by the government is when it is 100 per cent funded, and that is an incredibly expensive thing to do.

What we have done, though, is when we have funding available, like we have done with the red bricks – and I can tell you without trying to grandstand at all I am personally very committed to public housing. I have got family still in public housing, and my dad grew up in public housing. My wife grew up in public housing. And so those two towers that are in Carlton were absolutely a decision that we made early on: because it was available to be funded, we said they will be public. So those two will be public. The next three – we have to go through the commercial models. Our job will be to put up a number of scenarios to government based on funding that is available, based on those real constraints we talked about before, and without, again, trying to – because it is not my sphere – I would say our view is to try to give people, realistically, a choice.

You know, when I speak to tenants – and I have spoken to thousands of tenants in my time in social housing – we get some that are absolutely wedded to the public system, particularly older people, who say, ‘Look, we don’t want to be anywhere else.’ But the vast majority are saying, ‘We’re actually not so worried about who runs it, we’re more worried about making sure it’s clean, safe, habitable, well run and well maintained.’ And so I would prefer, as long as I am at the helm of Homes Victoria, to offer people a choice where we possibly can.

**Sarah MANSFIELD:** You spoke about relocating people, and it sounds like potentially on a long-term basis, so people will move out of the towers and potentially stay in the new –

**Simon NEWPORT:** In the same precinct, in Flemington’s case, across the car parks.

**Sarah MANSFIELD:** And that is where you would anticipate a lot of them might stay long term or go back?

**Simon NEWPORT:** This is not just particular to Victoria; I was doing the same system in New South Wales before I moved down here. Only about a third of people who relocate actually come back and say, 'We would like to move back.' So most people find themselves pretty comfortable where they are sitting. So we will have the right of return for everybody, but we are anticipating it probably will not be more than 30 to 50 per cent.

**Sarah MANSFIELD:** And a lot of those people will be moving from what is currently public housing into a community housing arrangement? Is that –

**Simon NEWPORT:** In Flemington's case and North Melbourne's case, yes.

**Sarah MANSFIELD:** Will that alter, for example, how much they pay in rent, the conditions and broader sort of tenancy settings for them?

**Simon NEWPORT:** No. We have done deals with the community housing providers. Now, Commonwealth rental assistance is different, by the way, so if they are paying \$200 a week, they may be eligible for 30 or 40 bucks CRA. Their rent would be \$240, so they would not be out of pocket. That comes to them and then they have got to pay the provider. In many instances, if people are paying market rent, if they move into community housing, they will actually get to keep the CRA themselves, so they will actually see a reduction in their rent. And anybody whose rent would go up through any other setting – we have already established an agreement with the two community housing providers. I have done that personally. Their rent settings for the public housing tenants moving across will stay the same or they will not get worse; they will either stay the same or get better. So we are very cognisant of the fact that we want to make sure that when people move their rent settings do not deteriorate.

**Sarah MANSFIELD:** And is that a time-limited agreement, or is that –

**Simon NEWPORT:** No, the agreement will be for as long as they are in those properties.

**Sarah MANSFIELD:** Okay. We have heard figures from different groups today about the need that exists for additional social housing and public housing. How far will these measures go to addressing that need? We have heard figures like 60,000 homes over 10 years.

**Simon NEWPORT:** A couple of things. I mean, obviously, if you do not mind me calling it a waitlist, I have got waitlist data there. I would absolutely make the distinction between people that are applying for a house that are not housed and people that are on a transfer list. Again, this probably sounds like – you know, I am very new to the jurisdiction, but I think we do need to make a distinction between people who are in a house asking for a transfer versus those people that are not in a house. I have got it, but I think the number is about 55,000 and starting to now track downwards. I think the most important thing for the towers in the housing statement is this: we are trying to bring in stock from outside of the system and do it over a sensible time frame so we really lessen the impact on that waitlist, so we can make sure that there are lots of people that are on that waitlist now that also get a chance at new homes. So as those towers come on, either the people can come back or we can put people in those new ones.

**Sarah MANSFIELD:** What is the time frame?

**Simon NEWPORT:** The time frame is 28 years in terms of from start to finish, from the time we start this first one now until 2051, I think it is. I am 52, so I probably will not be around running Homes Victoria by the time I am 80.

**Sarah MANSFIELD:** What about the five that are sort of –

**Simon NEWPORT:** I will get you the exact numbers – I thought I had them in my head, but I do not at the moment – but the first five will be finished by 2031, so in eight years, and Carlton I believe will be finished within five. We are pretty well advanced on the Carlton towers, so we will start to see some stock come on line reasonably soon.

In terms of trying to ameliorate the impact on the Victorian Housing Register, we are very mindful of trying to bring stock in from the outside, so where there is affordable stock that is available and we can do some form of a deal with a community housing provider, particularly where we find express demand for tenants, we will offer to bring that back into the system for social housing for a period of time. We are also looking absolutely at spot purchases where that makes sense. And we are also – we are meeting next week with what is now I guess called housing Australia – mindful of the impact the Housing Australia Future Fund is going to have as well, because there is stock surrounding estates and stock surrounding those towers which we would also like to see how we can make sure that we either refurbish, or in their case rebuild, so we can also keep communities together and as we move people out we can then move them back in. So bringing stock in from the outside means that I can house more people off the waitlist as well as do the relocations.

**The CHAIR:** Thanks, Simon. I will concentrate mainly on social housing, as you were talking about Homes Victoria, and then get to affordability a bit later on. You mentioned the waiting list being about 55,000 or 58,000 at the moment.

**Simon NEWPORT:** Yes. It is 55,000 – it has come down from 58,000.

**The CHAIR:** Just going back, what is the current social housing that Victoria has available at the moment?

**Simon NEWPORT:** How many houses do we have?

**The CHAIR:** For social only.

**Simon NEWPORT:** In terms of owned and managed, we have got about 65,000 properties that are under our ownership and management. And then we have got about another, I think, 7000 – I will check that number – that we own that are operated by community housing providers, so a very small fraction.

**The CHAIR:** So 66,000-odd.

**Simon NEWPORT:** We have got 74,000 in total for the stock.

**The CHAIR:** And that would accommodate at least, say, 150,000 people, I dare say, with two or more –

**Simon NEWPORT:** Yes. I have got the exact number. We have a lot of singles in our houses as well, so it is not quite that number.

**The CHAIR:** I understand what you mentioned in relation to the life span of buildings and the need to demolish them. I understand that and that the Carlton towers are getting knocked down and rebuilt; that is fine. I just want to know: do you know anything at all about the Collingwood towers and the Richmond towers, which have been renovated recently? Do you have any knowledge of that at all?

**Simon NEWPORT:** Look, not so much about the Collingwood ones, but certainly I have been to North Richmond in the short time that I have been here. So yes, I am aware that there is still some work, particularly the playground work and some upgrading work, that has been going on.

**The CHAIR:** And that has been going for years. Just in relation to that, do you know of the feasibility study or the cost of actually refurbishing and refitting those three or four towers over recent years?

**Simon NEWPORT:** No. I mean, we could get stats in terms of what has been invested in those towers, if that is the question.

**The CHAIR:** Yes. I just want to get it in relation to those done by the government – which is fantastic; they look brand new inside and out – with people living in them. I just want to have the government compare what has been done to those buildings with those being considered to be rebuilt. I understand you cannot compare the cost between the two. New is always better, I understand that. I was wondering in relation to immediate availability, residents' access to the buildings while they are still getting renovated. I understand in the past they have done it level by level while people were still living in there. I am just wondering if you have looked at that model, which the government has done successfully over the last decade for those buildings. I was wondering: was anything wrong with that model? Did it cost a lot more? I just wonder why the sudden change in attitude to not proceed with those sorts of processes and go straight into knocking down all those ones. It is understandable

that some buildings need to be knocked down. But I was wondering why at the moment the appetite is to knock down everything and then rebuild every single one. There is no mention of refurbishing any of the buildings in the future – they will all just be knocked down. I just wonder what your thoughts are on that.

**Simon NEWPORT:** I spoke earlier about the order which at this stage has been chosen, and really only the first five have been decided. Without trying to sound like I am pre-empting it too much, I think in the circumstances Richmond would not be the next up in order, for one of those reasons. Certainly the cost of those works and the disruptions to the tenants were factors in deciding. I have been in the old and I have been in new units at Richmond, and they look pretty decent, but the first thing that was pointed out to me by the housing staff was the issue that I raised here about the disability access. So whilst they are certainly a significant improvement, they are still old. They have got new carpets, new kitchens and new bathrooms. The cost of those was well into the six figures just to do a two-bedroom unit to get to those new standards. They have the same elevator issues, the same sprinkler issues and the same heating and cooling issues, and certainly disability is a big driving factor for us. So I understand where you are going, absolutely, but I think some of the learnings from that have shown this is an incredibly disruptive process to tenants in terms of the work, and you have got to get them out anyway. The feedback overwhelmingly was: ‘Look, these are much nicer, but they are still not realistically fit for purpose in terms of the long term.’

**The CHAIR:** Yes.

**Simon NEWPORT:** So the answer is yes, it was considered, and it was one of the learnings in terms of deciding whether we took it to the next level.

**The CHAIR:** Fantastic. Also, you mentioned that those two are going to be knocked down and I think rebuilt to the same level – the same 20 levels – or is it going to be higher?

**Simon NEWPORT:** Look, I would have to take that – I mean, I am not a planner. I am originally an accountant and also qualified in building, but I am not a planner, and I think it is fair to say we have got a lot of work to do with the department of planning. We have done massing studies based on current planning levels and a little bit of ambition, but I cannot answer the question on an individual tower at this point. I can say, though, that particularly the North Melbourne site does offer a significant uplift in terms of the way that you can use that property. And I think probably the biggest thing to point out – and, I mean, Richmond is well down the road – is single-level open-air car parks in themselves represent a huge opportunity in terms of inner-city places. You would just not design them that way in future; you would go underground car parking, for sure.

**The CHAIR:** Didn’t you mention before that the number of apartments was going to be the same or something?

**Simon NEWPORT:** 14,000 to 17,000 across all the sites.

**The CHAIR:** I mean for those two Carlton ones.

**Simon NEWPORT:** Yes.

**The CHAIR:** So the social housing, are we actually getting more or the same amount of housing as we are rebuilding?

**Simon NEWPORT:** There will be a 10 per cent increase at least in social housing across all of the developments.

**The CHAIR:** But let us just focus on those two buildings actually getting knocked down and rebuilt at the moment now. I just want to know the amount of social housing in those. Are we getting the same amount of housing apartments, accommodation, or are we getting a little bit more?

**Simon NEWPORT:** Well, our absolute aim is to get at least 10 per cent more every time we do a development. I cannot answer that specifically for that tower at this stage, but the absolute instruction from government is: ‘You’re to deliver a 10 per cent uplift in social housing every time you do a development.’

**The CHAIR:** So are you telling me you are knocking down buildings and yet you have no plan, no drawings and no drafting of what you are going have – how many levels or how many apartments – for those two buildings at the moment?

**Simon NEWPORT:** We are nowhere near knocking down the building yet; I think that is fair to say. They will take about 18 months to two years to demolish in some instances because they have to be done by hand. This will be a process before we get to that. Obviously you can run design somewhat side-by-side, and then once we get to that site then you have to remediate the site. We know at times there might be some contamination under the building – there often is when you are pulling down an old building. We have to demolish, remediate, get your levels and then you run side-by-side your design. To answer your question, we have massing studies of course that talk broadly about what is possible and we have an absolute instruction from the government to make sure we deliver a 10 per cent uplift in social housing. But do we have fully drawn builders/construction, DA-ready plans for that tower? No. To be fair, we do not need to yet.

**The CHAIR:** So we sort of lease, we get a stable lease, so under that lease no less.

**Simon NEWPORT:** Yes. I could not be clearer that the instruction from everyone down in the housing statement is what was very clear to me: 10 per cent increase in social housing across the developments.

**The CHAIR:** That is fine. You said after those two buildings, there are three more to be knocked down, which are not fully government supported in funding. The next three after those two?

**Simon NEWPORT:** Carlton red brick are the two that are being funded already by the federal government.

**The CHAIR:** The next three will need some assistance under private as they are outside forward financial – we cannot afford –

**Simon NEWPORT:** We have been funded for all of the planning work at this stage, all of the relocation work, any of the remediation work and all of the community engagement work. We have received funding to do all of the work that we will need to do over the next two to three years comfortably for those three towers, plus obviously the funding is in place for the red brick towers.

**The CHAIR:** Red brick is fine. I just want another focus on those three, not fully government funded, so you need to have assistance outside?

**Simon NEWPORT:** Well, we do not know. The point is we do not know yet of course because the first thing you have got to do is you have got to continue to do that work. It would be absolutely premature at this stage for me to say whether they are going to be public or social in terms of community. What I will say is that we have been charged with coming back to government with a suite of options, but the first thing we need to do is to sensibly relocate the people and work on the demolition at the same time.

**The CHAIR:** Those three buildings, after the two Carlton ones, are they actually at the moment all social housing?

**Simon NEWPORT:** Yes, absolutely.

**The CHAIR:** So if they are not going to be down the track fully funded by government, would it require to be outside privatised? So it would not be 100 per cent social housing then?

**Simon NEWPORT:** Well, I cannot answer that question.

**The CHAIR:** So are we losing social housing if it is not fully funded?

**Simon NEWPORT:** No, no, absolutely not. The instruction from government is incredibly clear – no matter what model is adopted by government. It could be a ground lease model; we do not know. We have still got to work with the Housing Australia Future Fund about what their model is – they have not released their investment mandate yet. But whatever model is adopted by government, we have an absolute instruction that we have to increase the amount of social housing by 10 per cent – so keep and increase by 10 per cent.

**The CHAIR:** No matter what. You are saying from the government instruction, with those three buildings, no matter what, there will not be less social housing accommodated in those three buildings. No matter what.

**Simon NEWPORT:** I guess the first thing is we are not suggesting that three buildings are going to come down and the exact same architecture in three buildings is going to come up. The point is, once the sites are open, we will then have a look and see what massing – it could be smaller towers, it could be one larger tower. We are not looking at that yet. What we will say is the number that is there now has to be increased by 10 per cent, but how we deliver that across that site obviously we have still got to work out.

**The CHAIR:** I understand the configuration might be a bit different. At the moment the waiting list is 55,000. The number of those buildings, those three buildings, as social housing, say, 20 levels, no matter what configuration you end up – I just worry, with those 20 levels, the amount of housing for social will either be made the same or increased as the government promises. I just want to understand that, whether it is fully funded or not fully funded, the government has assured there will be no less social housing now compared to the next however many years down the track.

**Simon NEWPORT:** That has been my instruction from government, yes.

**The CHAIR:** Thank you. Moving on. We went from high-rise to low-rise towers. Has there been any consideration of actually – I mentioned the high-rises are a bit harder because it has to be refurbished, and the reconfiguration. With the low-rise towers, the walk-up towers, two to three levels, there is quite a few social housing buildings in that stage. Even ground-level ones, single storey – has there been any consideration of refurbishing those? We have spoken to various normal non-government agencies that say there is a possibility that it can be worth it but it has got to be a cheaper version. Has that been considered at all?

**Simon NEWPORT:** I think it is in the process of being considered now. I did mention previously, in terms of what we historically call the walk-ups, we know there are some challenging asset conditions in some of those. One of the things we are looking at now is whether it is best to renovate those or redevelop those. That will also depend upon our discussions with the Housing Australia Future Fund as well, because we will be interested to find out what their investment models are going to look like, because I am sure they will be interested potentially in towers down the road, but for us, we have got to work out whether it is better to just repair and leave as it is, but in an honest case, if it is a three-storey walk up and something that is going next door is going to be 15, 20 storeys, you have then got to say to yourself, ‘Can we do Paris? Can we go six to eight storeys all the way around without ostensibly changing the community?’ My personal view is I think we could and we should, but I am also very mindful of the more that we take out of the system in the short term, the less that I can do for the waitlist. So it is about getting a sensible order, and it is probably going to have to be once we start the tower work so I do not have a net loss of amenity. I have got to try and constantly build the stock. So the answer to your question is yes, we are absolutely working on it, but we do not have any definitive answers on that yet.

**The CHAIR:** Thank you.

**Ryan BATCHELOR:** You mentioned the Housing Australia Future Fund a couple of times. It was good to see the legislation pass the Parliament.

**Simon NEWPORT:** Hear, hear.

**Ryan BATCHELOR:** And just to reassure you, it is never political to ask the Commonwealth government for more money; I think it is everyone’s responsibility as a Victorian. But we clearly do need money from the Commonwealth for this program of redeveloping, renewing, however we want to describe it – building more public, social, community, whatever stock mix it is here in Victoria. Obviously the HAFF just by design is for a corpus that is invested in the returns to then be spent, which should give us, theoretically, money over decades. Is that the kind of model that you need for the planning certainty into the future? You talked a bit earlier about sort of programmatic bursts as being a –

**Simon NEWPORT:** The short answer to your question is yes. Not only from my experience in social housing within government but also speaking with my colleagues in community housing, the thing that everybody cries out for is long-term certainty. I come from a building background, and it is the same thing: if you want to keep prices sensible, you have got to give people a guaranteed even flow of work. It is no different

in this, because you can do long-term planning and do some of the asset management I have just been alluding to. Providing a long-term stream of funding, a guaranteed funding of projects, is incredibly welcome. We can debate all day about whether it is sufficient and all the models are there, but I have to say my personal view is we were certainly very happy when the legislation was passed.

**Ryan BATCHELOR:** Last question I just want to get to is on the experience. Obviously we have had tenant relocation come up a little bit. In my part of the world we have got a few walk-up redevelopments that are sort of almost coming to the point of re-tenanting. Observation one, the comments about, from the several sites that I have now visited, it is quite remarkable what difference zero-level entry design makes in terms of removing barriers to people walking around. Not specialist disability accommodation but accessible standards for people in walkers, for example. I think the proof there is in what is being built, so I think that is really important to say. In terms of the tenant relocation experience, any lessons you got from what has been going on now and the people coming back into the sites – Ashburton, the Markham estate; we have got New Street, Brighton, about to come back online – what percentage of tenants are choosing to return to where they were several years later?

**Simon NEWPORT:** I do not have the exact number. I do know that certainly when I inquired, when I first joined Homes Victoria, it was pretty similar to my experience, and that was about a third of people who actually relocate choose to go back. Generally speaking, they are quite happy in the process. Acknowledging that it is incredibly disruptive, particularly for some of our older residents, we absolutely understand that. Let us be honest: if you are living in a three-bedroom home with a backyard and you are probably technically not realistically entitled to that under any eligibility criteria, of course moving to a two-bedroom apartment is not your first choice, so we try to get people to a house. But overwhelmingly the feedback is really positive. I was speaking to a gentleman out at Ascot Vale a couple of weeks ago – sorry, not quite in your neck of the woods, but in Ascot Vale – and he was naturally apprehensive when he first heard the news, and he was absolutely singing the praises of the development by going that it is so much better than what he had. He is now, I think, like a superintendent or a caretaker for the site as well. We get lots of success stories where people go, ‘Look, we were a bit worried,’ and we totally understand that, but they were moved out, they were dealt with well and they moved back and they are very, very happy with their 7-star energy rating, air conditioning, solar panels for the common areas. In those particular cases we are doing local electricity networks so we are pooling all of the purchasing power of the tenants and getting great electricity rates, if you can get such a thing these days, but certainly better electricity rates and buying renewable power at the same time. Look, the tenants, overwhelmingly – and you will always get some people, quite rightly, that will not be happy – the ones I have spoken to are very happy with the results.

**The CHAIR:** Thank you, Simon, for coming in today. It is time to bring this hearing to a close today. I thank you so much for your attendance, and I thank all the panellists for giving their time today and giving evidence. You will receive a copy of the transcript for you to review in about a week’s time, before it is published on the website. Again, I thank all committee members for their participation in this hearing. Hopefully we will sit down and get dug in and get all of the evidence and put our report in.

**Committee adjourned.**