

TRANSCRIPT

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into Homelessness in Victoria

Melbourne—Thursday, 2 July 2020

(via videoconference)

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WITNESSES

Dr Jonathan Spear, Deputy Chief Executive and Chief Operating Officer, and

Mr Llewellyn Reynders, Manager, Strategy and Policy, Infrastructure Victoria.

The CHAIR: Hello, everyone, and welcome back. This is the Standing Committee on Legal and Social Issues, our public hearings for the Inquiry into Homelessness in Victoria. I would like to welcome Infrastructure Victoria. Llewellyn Reynders and Jonathan Spear are joining us. I just need to make a couple of points to you, Llewellyn and Jonathan. All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act* and the standing orders of the Legislative Council. Therefore the information you provide to us today in this hearing is protected by law, but should you repeat those comments outside, they may not have the same protection. Any deliberately false evidence or misleading of the committee could be considered a contempt of Parliament.

As you can see, this is not only being broadcast but also being recorded. It is wonderful—this enables more people to hear and take part in these hearings. You will receive a proof version of the transcript, and I encourage you to have a good look at it and make sure we have not made any big errors in the reporting. Ultimately it will find its way onto the committee's website.

To get things going, I would invite you to make some opening comments. We have received your submission, although it does seem like a lifetime ago now, and if you would like to make some opening remarks then we will open it up for a committee discussion.

Dr SPEAR: Thank you very much, and we really appreciate the opportunity to present to the committee this morning. I am Jonathan Spear, Deputy Chief Executive of Infrastructure Victoria, and with me is Llewellyn Reynders, who is the manager of our strategy and research team at Infrastructure Victoria. As Victoria's independent infrastructure adviser, Infrastructure Victoria focuses on responses that address the economic, social and environmental needs of Victorians. In our 2016 30-year infrastructure strategy we identified that increasing social and affordable housing supply is one of our top three recommendations. We identified that major investment over the next 30 years is essential to ensure that our most vulnerable Victorians have access to one of the most fundamental needs—that of shelter.

Without significant change the number of Victorians who are homeless or living in insecure accommodation could increase to levels we have not seen before, and we think that the effects of COVID-19 could well compound this further. While the cost of social housing will be significant, not acting will also come with very significant costs to society and the economy, and it will be felt for generations to come. Our research has found that living in social housing significantly reduces the likelihood that a person will become homeless. Therefore our submission that we provided and our evidence that we will present today will focus on social housing infrastructure as a response to homelessness. Of course we would like to acknowledge that there are other means of addressing homelessness in addition to social housing, and you have had other organisations and experts who you have heard from and who have made submissions who are well placed and possibly better placed than Infrastructure Victoria to talk about some of those other responses.

We have recently published research that analysed the Journeys Home dataset that Centrelink publishes, and that has provided estimates of the impacts of social housing on outcomes, including on homelessness. What we found was that placing an individual who was vulnerable to becoming homeless in social housing meant that they were less likely, compared to similar individuals, to become homeless. The effect was really quite large. In the period following placement in social housing, individuals who were placed in social housing were around 66 per cent less likely to become homeless than similar individuals who were not in social housing. So our findings show that social housing is providing an important safety net for people who are vulnerable to becoming homeless. That finding has been backed up by further research coming out of RMIT and the University of Melbourne, who found that approximately 73 per cent of people who end up homeless could avoid that path if they were placed in social housing. These numbers are really compelling, and they show why any conversation about prevention of homelessness should include a thorough examination of social housing.

If we are to consider how to improve our approach to social housing, Infrastructure Victoria believes that the best place to start is by recognising that social housing is a form of infrastructure. It should be planned and

funded and built with that in mind. Since our establishment in 2015, Infrastructure Victoria has considered social housing to be infrastructure, and Infrastructure Australia has also adopted a similar position. However, the way that social housing has been planned and delivered has been quite inconsistent. Funding is often allocated on a project-by-project basis without clear long-term planning and funding. We could compare this, say, to the way schools or level crossing removals are planned and funded, where the government identifies a long-term target and provides a large long-term funding allocation to reach it over a period of time.

Now, social housing is a considerable asset held by the state, with a value of around \$26 billion in June of last year. So viewing social housing as infrastructure can encourage governments to manage this asset in a planned, financially sustainable way, like we do with other infrastructure sectors. This could include things like undertaking planned asset management cycles to procure, operate, maintain and dispose of assets, and then combining that with a long-term pipeline for planned expansion.

In the context of COVID-19, this could also allow government to use social housing as an economic lever to stimulate recovery. We have seen organisations like the Reserve Bank and the Master Builders Association both identifying the need for infrastructure spending for some time now. And the RBA has called on states to bring forward infrastructure projects that help boost the economy, and that includes maintenance of public infrastructure.

While in some cases, particularly in and around metropolitan Melbourne, the current volume and scale of infrastructure construction means that the industry is operating at capacity, social housing is a bit of a different story, because social housing does not require the same complex capabilities and expertise that you need, say for example, in major transport infrastructure projects. You can utilise the capacity in the residential construction sector at a time when Victorian building approvals have dipped, and so governments have an opportunity now to secure a really important win-win here, where creating more social housing, which we know will prevent homelessness, can also help boost the Victorian economy as we look to bounce back from the COVID-19 pandemic.

So there is a bit of a question then about what is the need? What is the quantum of the need for social housing in Victoria? So in summary: it is significant and it is growing. During the current pandemic, the Victorian government has taken the really welcome step to fund hotel rooms and safe accommodation for thousands of homeless Victorians. The true test of course is: what comes next? We have the opportunity to transition those thousands of people into long-term secure housing, but in reality we do face a chronic mismatch between social housing demand and supply. The Victorian government has certainly made a real effort in recent times to boost supply, and continuing and sustaining that effort over time, over many years, is going to be needed to bridge the gap.

The demand for social housing is difficult to calculate, and there are many estimates out there. You will have heard that from submissions that have come to this inquiry. Some look at the homeless population as one component. Others look at the number of low-income households that are paying a proportion of their income for housing. Whichever way you calculate it and when you add in the effects of COVID-19, the demand for social housing is only likely to increase. Even before the pandemic hit, the number of low-income Victorian households in rental stress, where they pay more than 30 per cent of their income in rent, had grown by nearly 60 per cent in a decade to more than 140 000 households.

Our own research for the 2016, 30-year infrastructure strategy estimated that 75 000 to 100 000 vulnerable low-income households are not currently having all their housing needs met. Not all of these households are going to need a social housing response, but whichever way you look at it, demand does outstrip supply. Supply of social housing in Victoria has experienced minimal total change in terms of debt numbers over recent years, with public housing experiencing little change in overall dwelling numbers, and Victoria's supply of social housing does lag behind the national average.

The Australian Housing and Urban Research Institute, who I understand you have heard from today, have estimated that 8300 new homes need to be built in Victoria every year to hit the projected need for 166 000 new households by 2036. In our 30-year infrastructure strategy we recommended the provision of approximately 30 000 new and affordable dwellings over 10 years as an achievable and significant response, not necessarily a response that meets all the need but something that was achievable and significant. Given the current context of COVID-19, maybe even a stronger response than that is now required.

In addition to the lack of social housing stock we are also experiencing a mismatch between the type of social housing being provided and the profile of those who need it. Nearly half of all Victorian social housing tenants live alone, but nearly half of social housing dwellings have three bedrooms, and around 80 per cent of new applicants for social housing are single adults. In addition to this, the existing housing stock is also deteriorating, with over 60 per cent of dwellings more than 30 years old. As many of us are well aware, older homes cost more to maintain than new homes. Our ageing social housing portfolio is increasing in maintenance costs and that puts pressure on the whole system. Investing in new social housing stock can help to alleviate these issues. New smaller homes can be built for existing tenants to live in on their own, and inappropriately sized older dwellings can then be redeveloped or sold to provide capital to build new homes.

To sum up, our research has proven that social housing does make a significant impact on the prevention of homelessness. By treating social housing as infrastructure we can secure an important win-win in preventing homelessness and in boosting the economy. While the Victorian government has made some good inroads in recent times, we still face a significant mismatch between the demand and the supply of social housing. The stock of social housing that we do have is ageing and not really fit for purpose. Thank you very much for the opportunity to present to the committee. Llewellyn and I would really welcome any questions or clarifications that you have in relation to our submission.

The CHAIR: Fantastic. Thank you, Jonathan, for that overview of your submission. I think it is almost frightening to hear that the 30 000 over 10 years, you think, actually, in light of COVID, may not even be adequate and that we may even need to build more. On that, 30 000 over 10 years as infrastructure, that actually almost sounds possible, but probably we will need the private sector to get involved in this as well. I am wondering if Infrastructure Victoria has thought about what levers government could provide to bring the private sector into the solution?

Dr SPEAR: Yes, look, we certainly have. There is probably a preliminary observation that I would like to make, which is that we need to think about the different cohorts of social housing and vulnerable people here. There are some—the most disadvantaged people—for whom it tends to be the case that the private sector is not really going to provide social housing for those cohorts. They can make a really good contribution to the overall availability of affordable housing but is important to keep that in mind. It is most likely that the state or the state and commonwealth governments working together are going to need to fund the additional provision of social housing for the most vulnerable Victorians.

Having said that, you are right; there are certainly some opportunities. Often they lie in the way in which the planning arrangements lie. There are certainly levers available that we identified in our 30-year strategy in 2016 around incentives in the zoning and planning arrangements that make the delivery of more affordable housing attractive to the private sector. There is also the opportunity, when there is really significant precinct-level development around zones that have got good access to jobs and services and where government is investing significant amounts of money and rezoning, to as part of that require the delivery of sociable and affordable housing. Those were two of the levers that we identified. It may be that Llewellyn would like to add to that.

Mr REYNDERS: Look, and just quickly, I think fundamentally the problem here is how do you recoup money from people who do not have any in order to fund housing? There are a lot of really interesting different mechanisms and models that have been examined about how to bring other players into the space, but none of them remove the requirement for government to provide some kind of contribution to that system. AHURI did a really interesting study looking at different models and different ways of funding and found the difference between the best and the worst was kind of a 25 per cent saving. So you can reduce the cost of provision, but you cannot remove the cost of provision. You will always come back to what government is prepared to spend in order to cover the gap if you are going to actually result in producing more social housing.

The CHAIR: Thank you. I think sometimes when you look at the numbers, they are just eye watering. It looks like the state government would have to spend its entire budget to meet some of the projections on what we need in housing, and that is just not possible in this time. But yes, thank you, that is interesting.

Dr KIEU: Thank you, Llewellyn and Jonathan. I have a question. It is very good that you appeal for buildings to be spent on social housing in addition to the infrastructure major projects, but I just want to point out that we already had some shortage of skills before COVID, and not everyone who is underemployed or unemployed can be brought forward straightforwardly into the building and construction area. But my major

question is as follows. You talk about social housing needs and you talk about the mismatch between the profile of existing public housing or social housing and the needs of the people to be housed. The government have put \$1 billion into the Social Housing Growth Fund and also lately about \$185 million into the renovation of public housing. How do they help and what do you expect from them?

Dr SPEAR: On your point about skills, I entirely agree with you. But I want to acknowledge that in a period of potential downturn of the domestic housing construction industry there could be a really good opportunity to use those skills in the workforce that we do have which may be otherwise under-utilised and which can be applied to social housing. The government's investment that was announced over the last year or so is a really good start. We think that that is a good sign of additional investment and also refurbishment of existing social housing. Our point is that we are going to need to sustain that sort of investment in both refurbishment and new housing over probably some decades for us to even begin to meet the level of demand that there is, acknowledging that there is already a wide range of estimates of what that demand is, but whichever way you look at it we are not there yet. It is the continuation and acceleration of those existing initiatives that will be very welcome.

Ms VAGHELA: Thanks, Jonathan and Llewellyn, for your time and submission. Your focus is on social and affordable houses, and you have spoken in detail about quite a few things in relation to social housing. If we look at, say, a partnership between the federal government, the state government, local government and the private sector, is that the only option that could work, or if we go further and say, for example, a developer has to have a certain percentage of the project for affordable housing, can you see that working?

Dr SPEAR: Yes. There is a really wide range of potential players who can contribute to meeting social housing needs. Certainly for the most disadvantaged cohorts of people who need social housing it is likely that the funding and delivery of that is going to have to come from state and federal government funding, which has been the case in the past but has fallen off in recent decades. There are absolutely opportunities for private sector, and also superannuation funds of course have interest in the sector as well; they do tend to be more interested in the affordable or key-worker or build-to-rent housing than the most disadvantaged people. And that is a really good contribution, but we probably need to keep a clear distinction in our mind between the different sorts of needs those cohorts have, and Infrastructure Victoria's focus because we have to prioritise in terms of our strategic work has been the focus on the most disadvantaged people. Llewellyn, would you like to add to that at all?

Mr REYNDERS: No. I think you summed it up well.

Ms VAGHELA: I just want to know: the question that I related about the developer, do you think that would work? That is what I wanted to know from you: if we go on that path, can you see it working?

Dr SPEAR: Yes. Well, the way in which this has most often been put forward is in the inclusionary zoning, a term we hear a lot, which is when there is a major redevelopment as part of the planning condition or as a recognition of contribution to infrastructure and amenity in an area that there is a requirement to deliver a component of social housing. It can certainly work in theory. The practice is something I have heard mixed results on from people in the development industry, some who are very enthusiastic about it, others who have expressed some concerns about what it does to the financial viability of the development. It is not something we have done detailed analysis on, but it is certainly something I have heard from development industry stakeholders.

Mr REYNDERS: Yes, just to pick up on that, there are a lot of different models about how you might do it. Do you have a blanket rule for everyone? Do you look at particular places where that works better? Do you do it as a part of rezoning or is it something you put on top of existing zonings? There are a whole lot of questions that go to the kind of commercial viability of those kinds of inclusionary zoning schemes that need to be carefully thought through in order to ensure that they actually produce social housing or affordable housing and do not prevent the housing industry generally from functioning properly.

The CHAIR: Fantastic. Cue Wendy Lovell.

Ms LOVELL: The reason she said 'cue' is that she knows that I have a great concern that inclusionary zoning can be a cost shift from government to private home owners and it is only going to drive up the cost of a private home if we put that cost onto developers. I do not want to see it becoming an issue for people getting

into private home ownership, because they cannot afford it actually driving up the affordability of housing or driving down the affordability of housing—I am not too sure which way you should say that—but blocking people out.

I am going to go down a different track because we have talked about that. You talked about the number of housing properties needed for social housing being around 30 000. You have also talked about social housing being for those in greatest need. I wondered if you actually had any thoughts on the tenure of rental for social housing and also the flexibility for people to be moved around within the social housing network. Currently if somebody gets into public housing, they have a lifetime tenure and there is no way to really move them out. The only thing is there are some sticks with rent in that it is 25 per cent of your household income until you meet what is the market rent, and of course on social housing properties market rent is lower than what it would be elsewhere anyway. So people can stay there in the system, clogging it up for ever and a day.

Also, someone is given a four-bedroom house because they have three children; the children grow up and move on, and they stay in that four-bedroom home and it is very difficult to move them out to another property to allow a family to come off the waiting list. Do you have any views on whether tenure should be a lifetime tenure? Obviously there are some people—the profoundly disabled, the elderly—who will always need a lifetime tenure, but should housing actually come with other supports that enable people to improve their opportunities in the workforce with education or retraining and see them move on from the social housing network?

Dr SPEAR: Yes, we certainly have some views on this and I guess would like to acknowledge that it is really complex because some of what we are balancing here is utilisation of an infrastructure asset, and there are a whole lot of other factors that are not about the infrastructure, that are about people's social connections and where they live and the services they access and so forth, and that might be something that Llewellyn would like to add to, given his experience in this area. What I would point to, which is very relevant to our submission, is that there is this clear mismatch between the sort of housing infrastructure we have got in social housing and the needs in terms of the sizes that we have got, and that is something you have referred to as well. That clearly is a concern in terms of being able to best match the size of social housing and its condition with the size of the household that is using it. So obviously if there can be a better match of the household size with the social housing that is provided, that would result in greater utilisation of that social housing, and we need to be thinking about that as we generate additional social housing stock.

Then you get into issues around the extent to which people can move between existing social housing stock and new housing stock. Some of that can obviously come up as there is regeneration of social housing, and we are conscious that that is not necessarily a straightforward issue either but that is where there is an obvious opportunity as well. Llewellyn, would you like to add to that at all?

Mr REYNDERS: Yes, and just to add to the observation that there are a whole lot of considerations in moving people that need to be taken into account—obviously people are attached to communities, they are attached to services, children may go to local schools et cetera—so I think there is certainly a lot of care needed in consideration of tenure policy to ensure that it is not merely the housing that is being provided but in fact people are being provided with a community around them and a service system around them in place.

The second point I would make is reiterated in Jonathan's point that at the moment, even if we could, there is nowhere to move people to in terms of smaller stock sizes. So in a sense, until there is the availability of some of that stock—and I guess with the attractiveness of that stock as well I am very aware that often concerns about moving people are not an objection to moving, per se, but a concern about the type of dwelling that they will be required to move into. In a program of expansion and building new stock there are far more opportunities to offer people attractive premises to move into rather than having deep concerns about the type of housing that they will be required to move into.

The final point I would make just about the length of stay in social housing is that the incentives can be very tricky to get right, because if you have a system that says, 'If you earn too much, you have to leave your home', that can introduce some perverse incentives into the system so that people suddenly see that as a punishment for earning too much, and you would not want to disincentivise people from pursuing better opportunities in their lives by the threat of losing their housing tenure.

The CHAIR: Thank you. You have shown us the extraordinary balancing act on all levels of appropriate housing and tenure and the whole range of it. Thank you so much, both of you, for making the time today. Jonathan, thank you for standing for all of this. It is very much appreciated. Both of you, thank you so much for your insight. Thank you for your submission as well. As I mentioned, Hansard have been recording this, and they will provide you with a transcript in the next little while. And ultimately, as I said, that transcript will go up on our website. Thank you, everyone.

Witnesses withdrew.