

# TRANSCRIPT

## LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

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

Melbourne – Tuesday 8 August 2023

#### **MEMBERS**

Trung Luu – Chair

Ryan Batchelor – Deputy Chair

Matthew Bach

Michael Galea

Joe McCracken

Rachel Payne

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Lee Tarlamis

#### **PARTICIPATING MEMBERS**

Melina Bath

Moira Deeming

David Ettershank

Wendy Lovell

Sarah Mansfield

**WITNESSES**

Cr Mary-Ann Brown, Southern Grampians Councillor and Chair, Rural Councils Victoria;

Cr Andrea Metcalf, Mayor, City of Greater Bendigo, and Chair, Regional Cities Victoria; and

Mr Steve Dunn, Director, Regional Housing Victoria.

**The CHAIR:** Welcome back to our third and final session of the Inquiry into the Rental and Housing Affordability Crisis in Victoria.

Before we continue with our new panellists, I just want to quickly introduce our committee. I am Trung Luu, Chair of the committee and Member for Western Metropolitan Region. I am joined by Mr Ryan Batchelor, Deputy Chair and Member for Southern Metropolitan Region; Ms Rachel Payne, Member for South-Eastern Metropolitan Region; Dr Matthew Bach, Member for North-Eastern Metropolitan Region; Mr Michael Galea, Member for South-Eastern Metropolitan; Mr Aiv Puglielli, Member for North-Eastern Metropolitan Region; Mr Joe McCracken, Member for Western Victoria; Mr Lee Tarlamis, Member for South-Eastern Metropolitan Region; and Dr Sarah Mansfield, Member for Western Victoria.

Welcome back, everybody. I would like to introduce the three new witnesses for our final panel session: from Rural Councils Victoria, Cr Mary-Ann Brown, Chair of Rural Councils Victoria and Southern Grampians councillor; from Regional Cities Victoria, Cr Andrea Metcalf, Chair of Regional Cities Victoria and Mayor of the City of Greater Bendigo; and from Regional Housing Victoria Director Steve Dunn. Welcome to all three witnesses. Thank you kindly for joining us today.

Could witnesses please note that 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 the 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 name and any organisation you are appearing on behalf of. I would now like to invite each panellist to make an opening statement, but I ask you to keep them to 5 minutes to ensure that we have time for discussion afterwards. Cr Mary-Ann, could you please proceed with your opening statement.

**Mary-Ann BROWN:** Thank you, Mr Chair. I am Cr Mary-Ann Brown, Chair of Rural Councils Victoria, and a councillor at Southern Grampians shire, which is in western Victoria. I actually live in Dunkeld.

Rural Councils Victoria is an incorporated body, and we represent 34 smaller rural councils across the state and about 75 per cent of the geographic area. Our committee is made up of councillors and CEOs from across the state, and our focus is on issues relevant to smaller rural areas, many of which are isolated or sparsely populated.

At the outset I would like to make clear the distinction between rural and regional. We consistently advocate at both state and federal levels that rural is not regional. I know I am going to be followed by Regional Cities Victoria. The issues that they deal with are quite different from what we are looking at.

One of our member councils, Mount Alexander shire, in their submission to this inquiry stated succinctly:

They are ... different, and require different policy, funding and financing responses ... Without 'rural' always being acknowledged centrally in policy conversations, our needs will continue to be forgotten or marginalised.

On the other hand, I just want to emphasise the importance of rural communities and businesses to the state economy. Victoria is the second most productive agricultural producer in the country. Twenty-five per cent of the national agricultural produce comes from Victoria, and that happens in our communities, and that is why we

need to be sustainable and supported. So I hope to bring a perspective today that really makes front-page news. It needs to be brought to the attention of those people sitting in Spring Street and in hearings such as this. We really appreciate this opportunity. Thank you.

In 2021 Rural Councils Victoria commissioned a report to better understand what was happening with housing across rural areas of the state. That report, the *Rural Victoria Housing Blueprint*, which is available on our website, was prepared by SGS Economics and Planning, and it found that rural Victoria would need 87,400 new dwellings over the following 15 years. The failure to provide those extra homes could mean an annual gross regional product loss ranging between \$200 million and \$1 billion. Now, this was pre-COVID. The issues that were present in 2019 have been exacerbated by people moving to our communities – which is also an opportunity as well.

In comparison to the metropolitan situation the report found that rural communities struggle to attract the capital investment and the developers required to build new dwellings in their communities. They also struggle with securing skilled labour locally or finding workers able or willing to travel significant distance to undertake construction work. The lack of homes is having a detrimental effect across all sectors of the rural Victorian economy. The lack of supply is the main reason for the affordability crisis we are seeing in rural Victoria, and there is also a serious shortage of rental properties for seasonal workers, who are vital to the production of the food that all Australians need. So it is not just about fruit pickers, it is about harvesters of grains – those sorts of things.

In addition to that, the report found that the sectors worst hit by the housing shortages are agriculture, forestry and fishing, manufacturing and construction, education and training, hospitality and tourism and health, and we are going to see an expansion in the renewable energy sector. They will also need housing for workers, because it is in our communities that renewable energy is going to be generated.

In one local council we heard of a teacher gaining a position at the local primary school, only having to decline that position because they had nowhere to live. In another example business owners – and this is not uncommon; in my shire the hospital owns houses which they provide as housing for their staff – purchased a property for staff to share in order to keep their business running. And that is not uncommon. In addition to that, we also have challenges in terms of people fleeing domestic violence situations. We have a high proportion of older people in our communities who want to stay and age in place, and we also face the issue of single older women and older couples looking for affordable housing. This places significant pressure on what housing is available, which at times can be very limited. Our major town is Hamilton – 10,000 people. At times there are only one or two rental properties available. There are probably 200 job vacancies plus, just in that town. So where those people are going to live is a real challenge for us. So these issues – and I know that these are happening across the country as a whole – do impact our communities more severely, because we have fewer per capita resources, fewer options and there is either no short-term crisis accommodation or very little, or it is at significant distance.

As rural communities do, we work hard to find solutions to the housing challenges facing our communities. The experiences that we have need to be shared, with good ideas identified and funded, and I have just got a couple of examples. Recently at our annual forum in Echuca we heard about the Pyrenees Shire Council, who developed their own subdivision in order to open up land for 100 new houses. This is the Correa Park development, which has been fully sold and has added accommodation for 100 new families in Beaufort in western Victoria. The council did that off their own bat and basically fully funded it.

Moyne shire, which is in the south-west of the state, have also looked at how they can address some of their challenges, and they have delivered five key-worker cabins in Mortlake and five in Koroit. Those facilities were offered to local businesses and industry in order to house their workers, and this resulted in 10 businesses being supported over the busy summer period in the shire. You might say that is not much, but one of the other pieces of work Rural Councils Victoria commissioned in 2019 is about the economic impact of jobs in different sized communities. Just to quote you a couple of stats: in a community of less than 1000 people, one job is equivalent to 31 jobs in a community of over 100,000, so those 10 jobs equate to 310 jobs in a place like Geelong. I think it is important to understand the impact – the numbers may not be the same, but the impact is significant. Mount Alexander shire –

**The CHAIR:** Thank you, Mary-Ann. We are just going to go onto the next talk.

**Mary-Ann BROWN:** Yes. That is fine.

**The CHAIR:** We will come back and will ask more questions relating to your statement as well.

**Mary-Ann BROWN:** Thank you, Chair.

**The CHAIR:** Could I just invite Cr Andrea Metcalf. Please state your name and deliver your statement.

**Andrea METCALF:** My name is Cr Andrea Metcalf, and I am Chair of Regional Cities Victoria and Mayor of the City of Greater Bendigo. Thank you for the opportunity to speak here today on behalf of Regional Cities Victoria on this important issue. I would like to acknowledge the traditional owners of the land on which we meet today and pay my respects to leaders and elders past, present and future.

Regional Cities Victoria comprises the 10 largest regional cities in Victoria: Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga. Collectively we are home to more than 800,000 Victorians in the cities and contribute 10 per cent of Victoria's economy. Population growth has accelerated in the regions in the wake of the pandemic as more and more people are drawn to life in regional Victoria. While we welcome the growth, it actually does present some specific challenges, including a shortage of housing. Across all areas of regional Victoria the rental and housing affordability crisis is preventing regional businesses from attracting and retaining much-needed workers. Increased demand has also priced many locals out of the regional cities and towns they have grown up in. While rental vacancies vary across the regions, for us here in Bendigo the rental vacancy rate is currently 0.1 per cent. The range of housing stock across regional Victoria is also an ongoing issue, with a lack of one- and two-bedroom houses available. Regional Cities Victoria recognises the Victorian government's efforts in providing social housing through the Big Housing Build. We also recognise the recent announcement of the \$1 billion Regional Housing Fund to deliver more than 1300 new homes across regional Victoria. We are really committed to supporting the Victorian government in the rollout of these projects in the regions.

Today I will outline three issues that Regional Cities Victoria have identified as key challenges. The first issue is workforce challenges that are adding pressure to housing supply in the regions. Regional Victoria is currently experiencing extreme workforce challenges due to a statewide shortage of planners. While all local governments are struggling to recoup and retain planners, regionally based councils face additional barriers. These include struggling to match salaries offered in metropolitan roles or the private sector and the challenges of working in a smaller community. Regional Cities Victoria would like to see greater support to offer more competitive salaries and incentives to relocate to the regions. We would also like to develop partnerships with education providers to train and expand the planning workforce and are calling for an opportunity to leverage skilled migration to bring in talented planners to the areas where they are needed most. This is an immediate priority for us and would have a direct impact on housing supply in the regions.

The second challenge is land supply shortages. Our 10 regional cities have varying amounts of available residential land supply and are facing different issues relating to the development of both residential and industrial land. However, all cities are facing challenges in the lead time between identification of land and supply to market. Ensuring there is appropriate enabling infrastructure to support land development in a timely manner is a universal challenge. A lack of enabling infrastructure is ultimately deterring the development of local industry and private investment in the regions, and it poses an immediate challenge. While the development contribution plans contribute to the cost of providing amenities such as local roads and drainage, they fail to provide for areas such as water and sewerage infrastructure. Regional Cities Victoria is calling for the Victorian government to establish a growing regions development fund to assist in providing this enabling infrastructure, and Regional Cities Victoria believes this fund could be replenished with profits derived from the windfall gains tax.

The third challenge facing regional housing and rental affordability is the planning process. Over the past few decades many amendments have been made to the Act, which have been necessary, but with each additional amendment the legislation, and in turn the planning process, becomes increasingly complex to interpret and implement. Many initiatives have been introduced to fast-track planning matters. However, they do not shorten the process or free up time or resources for councils.

Finally, I would like to comment on the issue of short-stay accommodation in regional Victoria. To start, it is really difficult to determine the exact number of short-stay accommodation rentals across Victoria's regional

cities. Most actions available to impact availability and affordability of rental properties fall outside the influence of local government. Some initiatives have been put in place or are being considered by regional councils, including increasing council rates for short-stay accommodation from residential to commercial rates or introducing a new rates category for short-stay rentals. Regional Cities Victoria believes any action taken in relation to short-stay accommodation needs to be assessed by region and with consideration, given the impact to the local tourism industry.

To conclude, Regional Cities Victoria recognises the extent of the current rental and housing affordability crisis across Victoria. We want to work collaboratively with the Victorian government to identify planning pain points, propose some trial solutions and create a more agile planning system. Thank you again for the invitation to speak to this inquiry, and I look forward to taking your questions.

**The CHAIR:** Thank you, Ms Metcalf. Thank you very much for that. I now invite Mr Steve Dunn.

### **Visual presentation.**

**Steve DUNN:** Thanks, Chair. Hi, everybody, and thanks for the opportunity to speak today. I am part of Regional Housing Victoria. We are a member-based peak body recently established by me and my colleague Roger Hastrich to support councils, businesses and housing providers across regional Victoria who want to grow and support social and affordable housing. I would just like to put one page up on the screen, if that is okay, to speak to. I hope you can see that there.

I just want to make this distinction between social housing and worker housing and talk about that for a moment. Social housing, we know, is generally public or community housing. It is often supporting very-low- or low-income people. It addresses poverty and disadvantage across a whole range of different types of disadvantage. The key government agency here is Homes Victoria.

When we talk about worker housing, and we have heard today about the different types of workers that need housing right across Victoria – it can be hospitality, it can be teachers, it can be people in the health sector, it can be manufacturing, agriculture – it is very important, and it is a real drain at the moment that there is not sufficient affordable worker housing for people across regional Victoria. That is because of lack of rental stock or lack of stock that can be purchased. This is part of the same equation, because this is about creating jobs and employment opportunities that can keep people out of poverty or help them move out of poverty or difficult circumstances but also just supporting regional communities and regional economies. The key government agency here is Regional Development Victoria. Now, these two streams and these two government agencies are not necessarily working together. We think there is an opportunity for greater collaboration in regional Victoria where these two things are really so closely linked.

Just to talk about the Big Housing Build, about 20 per cent of the Big Housing Build accommodation – that is 2500 dwellings out of the 12,500 that are being built – will be for affordable housing, and they will be managed by not-for-profit, non-government organisations. We think that the money the government puts into subsidised housing through grants, things like the Social Housing Growth Fund and the Big Housing Build, needs to be increased, and it needs to be sustained. We have seen a long period in the past with no investment. We have now had a major investment over the last couple of years. We need to see that investment stream continued and supported into the future and particularly in regional Victoria.

The registrations and standards that apply for community housing are equally applicable, and we can see those applied for key worker housing as well. Housing associations – these are not-for-profit organisations, they are registered via the government under the *Housing Act* – we think that they are capable of also managing key worker housing in the same way and that they can make investments in key worker housing where they are given subsidies by government, so that is another means of growing worker accommodation, by using similar funding streams, using private sector investment as well as government subsidy and using existing registered housing providers.

We also think that there is a bias in the way funding is distributed for housing. It is biased towards larger scale metropolitan projects and against smaller scale regional and rural projects. You know, building two or three units in a small town is not seen to be as valuable as providing 100 or 200 dwellings in a metro area just because of scale and need, but as we have heard, those homes, that housing is incredibly important to local

communities and to the local economy. So we need to see that bias addressed in the way grant funding is distributed for housing if we are going to see a growth in the housing we need in regional and rural Victoria.

We think there have been a couple of things in the Big Housing Build that have been quite positive – the minimum investment guarantee, the MIG, that provided a minimum investment in housing for about 18 regional municipalities – but we need to see that sort of target established right across regional Victoria so that there are targets of investment, not necessarily targets for council approvals but targets in the amount of investment that the government is going to commit to. Twenty-five per cent of the Big Housing Build was allocated to regional Victoria. That is a good thing. We would like to see that continued and expanded. So they are the sorts of government commitments that would be very useful, you know, in a broader and more aligned program.

There are a couple of other state government opportunities I will just touch on very briefly before finishing. Enabling infrastructure – we have heard a lot about that. Supply is important, but the enabling infrastructure to release that land and make it available is probably more important, and pathways to access funding such as the Commonwealth NHFIC funding that can invest in enabling infrastructure but also the use of development contributions and access to windfall gains tax and so on are equally important.

And rent control – there has been a lot of talk about rent control. We think that that is certainly worth investigating and applying in a measured way to prevent the sort of gouging that we have seen or the large increase in rents that you have heard about during these hearings that have happened over the last few years, where demand has exceeded supply and it has been available to the market to just push rents up to unaffordable levels. That needs some sort of control reflective of, you know, consumer price index normal increases but not the excessive increases that we have seen. So I might just finish there and take some questions when you are ready.

**The CHAIR:** Thank you, Steve. Thank you very much for that. I will start inviting our committee members to start asking questions. Would our Deputy Chair like to start, Mr Ryan Batchelor?

**Ryan BATCHELOR:** Thanks, Chair; and thanks all, for your presentation today. There are a couple of topics I just want to get to quickly. Mary-Ann and Andrea, you both I think mentioned councils as developers. It might be more for you, Mary-Ann – I am not sure. We heard earlier from Swan Hill, who are doing some of this. You mentioned the Pyrenees. You may be able to take on notice any more examples that you have got of that and sort of the scale of councils acting as developers in the areas. But now could you give some commentary really about what kinds of factors enable and support that to occur and any barriers that you think might exist to other councils following the lead of these councils and being a sort of developer of new housing in the region?

**Mary-Ann BROWN:** I might go first. I think one of them is if you have got access to land. For instance, my council have got land in Hamilton. We have done some initial work, and we have just engaged an agent in terms of doing design for that subdivision, which we would probably do in three stages. There is no financial risk in the long term. But probably with rural councils we do not have a lot of spare money, so that can be a challenge. I think the other thing is particularly if there is rezoning involved, which often can be the case around towns – you will have residential land abutting farming land, and there might be a proposal to rezone some of that farming land to meet the demand for residences – that is a lengthy process and particularly when you are talking about smaller developments the windfall gains tax is a disincentive, because these are not commercial property developers. They often might be farmers who are selling some of the land on those town boundaries. That report I mentioned did touch on the issue of windfall gains tax, and I know Andrea has mentioned it as well – that either there should be a different rate or those funds that come from rural and regional communities should be actually sequestered and used back in those communities to assist with that.

On the point that Steve makes about the cost of enabling infrastructure, again, when those property developments do occur there are not the same profit margins as when you are doing a large-scale development in a metropolitan area which sells quickly. For instance, in the Correa Park development in Pyrenees, probably over a period of six or seven years that land has been sold, and certainly the prices have gone up. But you are not getting those quick returns and the infrastructure costs are going to be the same if not more, so that is a challenge as well. Then you have got smaller communities that do not even have sewerage or water systems.

We have got one of those at Penshurst, where the local water authority is doing a pilot sewerage system. That also holds back those opportunities.

**Ryan BATCHELOR:** Thanks, Mary-Ann. Maybe just on notice, could you give me some examples or some suggestions about how the state might be able to help with that funding or bridging capital? It seems like it is sort of short-term funding or bridging capital. As you say, the long-term returns are going to be there, but there might be some cash flow issues. I will just come quickly now to worker accommodation. Steve, you mentioned this. It is a big issue. The state is obviously getting into this space. There was that student accommodation at Maryborough for the student nurses and medical staff that the government invested I think \$4 million in. What do you think the barriers are for private sector involvement in the development of worker accommodation? Do you have any experience of, for example, fringe benefits tax issues being one of those barriers? And also, what sort of incentives do you think the state could provide to support private sector investment in careworker accommodation?

**Steve DUNN:** Yeah, sure. I think, just on the nurses accommodation, you know, if we go back over the years, that was quite a normal thing to do for government agencies – to invest in education, health and hospitals to provide accommodation for their workers – so it is good to see some of that coming back. I think in terms of the private sector, sometimes it is about providing enough certainty for the private sector to invest. It could be underwriting a rental return over a period of time. It could be enabling infrastructure. It could be council and the state government indicating that the approval process can be managed within a reasonable time frame. Probably just on the charges that are applied – we do need, obviously, developer contributions and so on to pay for critical infrastructure. But we just need to be careful not to overload the private sector with cost, and things like enabling infrastructure can be part of that to take out perhaps what might be a barrier to a development proceeding. I think also, you know, the idea of co-investment – so if it is, for example, a hospital, if there is the possibility of land provision or perhaps investment by the state together with a private developer or that sort of thing to take some of the risk out of the project.

**Ryan BATCHELOR:** Is fringe benefits tax an issue?

**Steve DUNN:** Look, I do not know so much about fringe benefits tax. I think within particular industries it could be. I do not know that it is a prohibitor to the developer – it may be more a government organisation or employer, the fringe benefits tax side of it.

**Ryan BATCHELOR:** I assume my time is up, Chair.

**The CHAIR:** No, you have got another minute.

**Ryan BATCHELOR:** Excellent. All right, social housing: you have talked a bit about the need for a sustained investment in social housing. Obviously we have had the Big Housing Build, the guarantee into regional Victoria and we have got the half billion dollars coming from the Commonwealth under the social housing accelerator. There is also the \$10 billion Housing Australia Future Fund which would sort of provide in perpetuity an income stream for new capital for social housing across Australia. Is that the sort of thing that you think would help smooth the peaks and troughs, the boom-bust nature of government investment in social housing in Australia?

**Steve DUNN:** Yes, these are all important and these are all valuable. All of those things we need. I guess the problem is that it is licks at certain points of time, you know, and then nothing for years and years, or it is ups and downs. For community housing providers, it is difficult for them then to plan their future if they do not know what funding is going to be around the corner. It becomes a very competitive process for every new scheme that comes along. It is a competition, rather than seeing that this is a pipeline that we can manage over a period of time.

Particularly in regional locations, it would be great if we could say within a region we need X number of dwellings over the next 10 years and put that out as a competitive opportunity, somebody wins that, you know, a provider is able to win that and then invest. They can borrow, they can invest and they can manage it over time and grow that portfolio in a sustainable way. So that is one aspect, it is just good business practice and good business planning. That also assists everybody to know that there will be sufficient housing. Look, it is really just having that business certainty is probably the main point.

**The CHAIR:** Thank you. Thank you, Steve. I would like to go to Mr McCracken. Joe McCracken, would you like to ask your questions, please?

**Joe McCracken:** Thanks, Chair. I guess my first question is probably to you, Mary-Ann, and it is probably about some of the things you talked about to do with livability and ensuring that it is attractive to invest with all the support services that are needed around rural communities – you know, things like roads and those sort of things. Can you just talk a bit about that and how you think that impacts rural communities as opposed to more regional communities where significant housing shortages are?

**Mary-Ann Brown:** I think, Joe, probably one of the things is that what we see is – and it is not just in this particular area – there is market failure in rural communities. We see that with the provision of aged care services, where often the public health service is involved because there is not seen to be sufficient return to attract commercial operators. There is an element of that in terms of the housing issue. I think there is an opportunity when you look at smaller-scale developments, particularly in existing towns, because when you look at the map there is quite a few small towns – so whether it is about infill development. Interestingly, we had a planning application which would have been a perfect infill development in Penshurst, but because there is no sewerage, we could not approve it. This was not building outside the town, this was actually in the town.

Can I say on that issue of the enabling infrastructure, Dunkeld was fortunate enough about 20 years ago to actually get sewerage and water, and that was part of a state government scheme that operated at the time. I think it is those sorts of targeted schemes – and Steve touched on that a bit – because the costs are still the same; it is just about the capacity of either communities or councils to bear the full cost of that, because you have not got that same economy of scale that you would get in a major development in the metro area. I think that would be a really useful, targeted funding stream to say, ‘Okay, for towns of a certain size or less, we’re going to provide a significant subsidy to help to do that,’ and there are a whole range of benefits not only in terms of the livability of the community but in terms of the broader environment. I think those are some of the challenges for us.

**Joe McCracken:** Thanks. That is excellent. Andrea, I was going to ask you a question as well about planning, because I know that was a big part of your submission. It is long and complex, and as you said, it keeps getting added to. I guess one of the frustrations I have had in the past as a councillor is that when a submission goes in on a change to the planning scheme, it can take 12 to 18 months for it to actually be enacted. Yes, I thought you might have that reaction. That can be a great source of frustration because the problem you have at this point in time is it may take up to two years just to get through that phase, let alone getting on with the construction, and costs escalate. I am interested to hear about your experience on that, perhaps from a Bendigo perspective but more broadly as well.

**Andrea Metcalf:** I agree. It is about a two-year process, and there are four touchpoints in a planning scheme amendment that comes back to councils, whether it is going out for consultation or whether it is going to a panel. I think probably one of the ways that could make that a little bit quicker is, when the planning panel makes a recommendation and it is supported by the city, the minister could support that recommendation. That would be a quicker process. That would really move that along, because sometimes it is a while before we actually get that planning scheme amendment back into the planning system. If it is supported by the panel, supported by the city and all the issues have been addressed, it could be fast-tracked through the system. That would be a really good start.

**Joe McCracken:** Even when it does get fast-tracked, towards the end it sometimes can sit on the minister’s desk, and no-one knows why really, which can also be frustrating.

**Andrea Metcalf:** I would agree with that, Joe. Certainly in regional cities there have been examples of that that have been raised with the minister to say, ‘We’ve got these planning scheme amendments or planning applications that we would like to see moved on a bit quicker than what they are.’ Maybe that could involve DEECA actually being able to have some decision-making authority as well.

**Joe McCracken:** Yes. I know I am running out of time, but my last question is to Steve. You talked about targets for investment. What sorts of targets would you like to see, and when you say targets, do you mean targets in terms of dollars or targets in terms of the number of houses? I am interested to hear your thoughts on that.



**Steve DUNN:** Yes, I was really talking about targets in terms of dollars. I think we have seen through the Big Housing Build a minimum investment guarantee. Then we can see progress against that investment. That is just a way of identifying that we are going to commit some spending in these locations to address the need. Ultimately it is going to turn out a number of dwellings. But the number is dependent on when it gets built, because prices are going up, and it is also dependent on what other levels of investment we can add to that, like community housing provider borrowings or whether we can get some Commonwealth funding to add to it. I was really talking about an investment target that can be distributed right across regional Victoria. That target could depend on the need. It could depend on the shortfall. That is how a target might work. A simple one in the Big Housing Build is that 25 per cent of all expenditure will go to regional Victoria. That is a good thing too. They were the sorts of things that I was referring to – an investment target really. That gives everyone confidence too that there is a program there.

**Joe McCracken:** Yes. No worries. Thanks very much for that. I will finish up my questions there. Thanks, Chair.

**The CHAIR:** Thank you, Joe. Thank you very much. Now I would like to invite Ms Rachel Payne to ask her questions.

**Rachel PAYNE:** Thank you, Chair, and thank you to Mary-Ann, Steve and Andrea for your contributions. I would love to discuss capital investment. I know that, Steve, you have touched on some of these points, but I am assuming with capital investment you are referring to both private and government investment. I guess there are two sides of that that I would like to query. I would love your thoughts on how you attract capital investment. And is there a role for both the federal government and the state government to provide incentives to invest in regional and rural councils?

**Steve DUNN:** Did you want me to start on that?

**Rachel PAYNE:** I would love that. Thanks, Steve.

**Steve DUNN:** Okay. Capital investment – we are talking about building into dwellings rather than infrastructure I think is what you are referring to. That can be through things like community housing providers or other providers where they are given some funding. This is typically the way these programs work now. There is a grant – it might be a competitive grant – and then the applicant will borrow against that. They will go into debt and they will invest some of their own capital into that project. That is one way to do it. That is an incentive, really, to build. The other sort of incentive can be access to land. Now, land can be either land that is given in some ways or it could be leased over the long term. It needs to be long term because if anyone is going to be able to borrow against that, they need to have control of that land for a long period of time to be able to repay loans. Land can also be used as an incentive.

We are also seeing, more in the metro situation but I think we will see it more in the regional cities too, projects that are a combination of things. They might be a combination of social housing and affordable housing and even some market housing. In that way it can create an incentive for a developer to construct a project, knowing that they have got some committed sales through the social and affordable. They might have to go to market to sell the others, but one form of housing can subsidise the other. These sorts of mixed projects are not a bad thing either.

I am sure there are other ways of incentivising. Council support is a great one to do that – knowing that the council is going to back the project. It could be through covering the cost of some piece of infrastructure. It could be a road, we have heard that it is often water and sewerage, it could be an obstacle, but it could be other forms of infrastructure. The state government could support through investment in targeted infrastructure if that will make that project then viable. They are probably the main ones that I can think of.

**Rachel PAYNE:** Excellent. Andrea or Mary-Ann, did you have anything to add?

**Mary-Ann BROWN:** Can I just reinforce what Steve said, because I think one of the opportunities – and certainly the development we are talking about locally – is we are talking about council actually owning some houses, because we have issues attracting staff for vacancies, and if we are going to get people to move to our community, we need to provide a housing package for them as well as obviously a job. We are certainly looking at a mix there of key worker housing, which we would also encourage other agencies, like the health

service, which has significant staffing shortages, to invest in as well. It sort of helps to underwrite the project, and, as I said earlier, also some assistance with the enabling infrastructure. If, say, council ends up being the land developer that gets it to a certain stage and then sells it, if we are not successful in getting a private developer to do that – we are certainly looking at that as an option. I think there is a variety of options there. But it does also need to be long term as well; we are not talking about just the next –

Pre COVID many of our communities had these issues. COVID has exacerbated that, and there is not going to be a quick fix in the next 12 months or two years.

**Rachel PAYNE:** Thanks, Mary-Ann.

**Andrea METCALF:** Rachel, you talked about whether it is a state or federal government one. I was in Canberra last week with Regional Cities Victoria, and the conversations was about that enabling infrastructure and affordable housing. It was being taken up by the government up there. Independents were talking about it with us as well. I raised it with the Deputy Premier Jacinta Allan – I met with her on Friday – and I said, ‘When they’re doing the housing programs, from the state and the federal perspective, the enabling infrastructure could be included as part of that. It’s not just about building houses, it’s about making sure that infrastructure is there so that houses can be built. There should be an agreement, and then the developers would be passing on those savings to people who are buying those houses.’

**Rachel PAYNE:** Good point. Thanks, Andrea. Just finally, I know this has only just come into effect, the windfall gains tax, but what sort of impact is that having on regional councils? Is that something that may disincentivise rezoning?

**Andrea METCALF:** We probably do not have enough information about the impact of that at this stage, but what we would say is that that is an opportunity for the government to be able to use funds that are generated from the regions, and rural areas as well, to actually invest back into those areas. In terms of that enabling infrastructure, if we could get that as a commitment, Regional Cities Victoria would like to see that.

**Rachel PAYNE:** Okay. Thank you.

**Mary-Ann BROWN:** Can I just reiterate, rural councils are of the same view. We either would like to see a reduced scale of windfall gains tax or to ensure that that money does go back into the communities. We think it will act as a disincentive for smaller developers, so perhaps there should also be a scale issue applied, rather than what we are currently seeing at the moment. But as Andrea said, it is [Zoom dropout]

**Steve DUNN:** Can I just add to that and mention that the precursor to the windfall gains tax was the growth areas infrastructure contribution, which was introduced maybe 15 years ago in metro Melbourne. I do not think it applies in regional areas. It is a tax that is applied when a rezoning occurs, so when land goes from rural to urban, there is a percentage that is paid. The thing about it is that those funds are then held and are spent on infrastructure within those growth areas, so it is used exactly the way the councillors are now saying. The growth areas infrastructure contribution works exactly like that. It is collected at rezoning, it is held and then it is applied to enabling infrastructure in growth areas, so that exists, but that is not the way the new one is designed.

**Rachel PAYNE:** Thank you. Thanks, Steve.

**The CHAIR:** Thank you, Rachel. Thank you. Let us move on to Dr Bach. Would you like to start your questions, please.

**Matthew BACH:** Thank you, Chair. I was fascinated by the discussion, but there are no further questions from me, Chair.

**The CHAIR:** Okay. Thank you. We will move on to Michael. Mr Galea.

**Michael GALEA:** Thank you, Chair. Thanks all for joining us. I would like to ask about the role of your town planners. I know, Andrea, in your submission – I can see you smile there – you made a few comments around severe issues with staff shortages in the planning areas. I would be keen to hear from you, Mary-Ann, on this as well. You said that they are often overworked in regional centres because they need to effectively go out and help their neighbouring smaller LGAs and also that efforts to fix the situation have often led to people

just leaving the local government sector of planning and going to other areas and have not really solved the problem. Is there a magic bullet here? What would you suggest is the best thing to do to fix this problem?

**Andrea METCALF:** So you have certainly covered off the areas of concern that we had. We think that as far as the planning process goes: a review of the *Planning and Environment Act 1987* and a full review. The other thing that we would actually say is around removing flood studies and mining from council's responsibilities. If I talk about it, in the City of Greater Bendigo we have two mines. Fosterville goldmine sits with the state; Mandalay sits with council. And so things will happen with those resources and they will give approval, but they do not have planning approval. But we are a regional council. Given that the majority of the state is under some sort of mining exploration, it would be such an impost for rural councils to have to deal with that as well, and that is why we think that would be a good part to move away – and the flood studies work as well. Other amendments could include removing the need for the state to consult regarding the urban growth zone, given that councils already do that. I have mentioned about when they go to planning panel: to move those things through, and allow the development contribution plans to recognise water authorities as development agencies and collect funds as well, and of course expedite ministerial approval. But if I give you an example, Michael, we talk about the differences. Shepparton had – I will give the example – a plan that could go to New South Wales and get paid 30 per cent more than what they would get paid in Shepparton. It is not an incentive for people to stay in the regional areas to do planning.

**Michael GALEA:** Thank you for that. And you mentioned in your answer to Mr McCracken a role for some agencies, such as DEECA, to take more of those powers on. Is that what you are referring to with the mining example, or are there other areas where you think the state can be more proactive in these processes?

**Andrea METCALF:** We do a lot of work with DEECA, you know, their planning department as well, and they provide advice to us as well about what they need, but then we are still going through a process as well. So: we have already done the consultation with them; they have told us what they need; we go back to them and say we have got all these things; they say yes – and then we are still in the planning process. And we would actually like to see, if they have got that information, they have considered it all and they feel like we have got enough, that they are able to make those planning decisions.

**Michael GALEA:** Thank you. And Mary-Ann, do you share similar views around the shortage of local planners?

**Mary-Ann BROWN:** Look, that is definitely an issue, and I think it is similar to the issue around environmental health officers. The workload is increasing and the number of staff available is decreasing. I have probably got a slightly different view about the planning process. I think there should be a devolution of some planning powers to local councils, particularly when it is around the rezoning which is on the edges of towns, and if there are some clear criteria, council can make those decisions rather than going through quite a lengthy process.

I was recently in a presentation which was looking at Timboon and Cobden in the south-west of Victoria. Some of those proposals – one of them was on Crown land and the other one was from farming to residential on the edge of a town. They started the work in 2019. They still have not been signed off on. And part of that is all the steps that have to be gone through, but then it is also what happens at the end when it goes to the state government. So that is not a rapid response, and I think Andrea touched on it in her initial presentation.

Local government is a trusted partner. We have got rigorous processes in terms of community consultation. I think if there are some clear criteria about some of these more straightforward issues, local government can make the decision and get on with the job. I am on our local planning committee. We have a meeting. We make a decision. The proponent is informed of that within the week. So, you know, I think there is a higher level of accountability to the community, but often also to proponents, because we are close to them.

**Michael GALEA:** Yes. And, so you both identified – correct me if I am wrong – some of those processes perhaps and that the way in which they are done as well is perhaps repetitive or inefficient in the way they are allocated. Would that be a fair assessment?

**Mary-Ann BROWN:** Yes.

**Michael GALEA:** You have both also mentioned urban growth zones. I am sure this does vary place to place, but to what degree do these current zones actually allow for further greenfield development? Is there a need to expand them, and can it be done sustainably? Is there enough already in those existing zones, or do we need to re-look at those urban growth boundaries around our regional centres and our smaller towns?

**Andrea METCALF:** I am happy to start this one, Mary-Ann. We are doing a managed growth strategy at Bendigo looking out to 2050. With the, I am going to say, impacts of bushfire management overlays and the native veg removals, we actually have to look at areas where those issues are not going to be found. Now, some of those sit outside our current urban growth boundary, and they will be areas that we will need to consider – whether that is where future greenfield developments will happen. But those two things – bushfire management overlays and the native veg removal – are things that certainly impact us here at Greater Bendigo because we are a city in a forest. We have to think carefully about that.

**Michael GALEA:** You are pretty much wrapped around by national park, aren't you, in Bendigo?

**Andrea METCALF:** We are.

**Michael GALEA:** Mary-Ann, would you have a similar view on those urban growth zones?

**Mary-Ann BROWN:** There probably would be mixed experiences, I think, across our communities. As I said, in some cases it is the lack of infrastructure in towns that detracts from doing the infill, which would be an ideal solution because you have already got infrastructure. But that would be the case. A couple of the issues that Andrea has touched on would be similar inhibitors for some of our communities.

**Michael GALEA:** Thank you, both. Sorry I did not get to ask you anything, Steve. I think my time is up, so thank you, Chair.

**The CHAIR:** Thank you, Michael. Thank you very much. I will move on to Mr Puglielli. Could you please start your questions.

**Aiv PUGLIELLI:** Thank you, Chair. Aiv here, zooming in from Wurundjeri land. Thank you for your time sharing your experiences with working in community on this really crucial issue. We have had a range and breadth of topics covered within the housing space. I might start with Steve, just because we heard about the idea of rent controls. Can you comment on the idea of rent controls and perhaps limiting rent increases? How could this look, and what impact do you think it could have on renters in your community?

**Steve DUNN:** Yes. We do not really have much experience in Australia and we do not really have experience in Victoria, but we can see there is some experience in other jurisdictions. Certainly, Canberra is the one that people look to at the moment, where there are limits on rent increases that are linked to the consumer price index, I think, plus 10 per cent, so it respects the fact that costs go up for landlords but it limits the range. I guess the idea is that when you have got the sort of situation we have got at the moment – we have really got a market failure in terms of rentals; we have got incredibly high demand, from all the reasons that we have heard about, and limited supply, and that just creates a situation where rents are going to go up, certainly rising much faster than cost-of-living expenses – cost of living relates to the consumer price index. We are seeing rents going up in some situations to extremes, and that is making properties very unaffordable. So the idea of a rent control would try and link the amount that rents can rise every year to somewhere close to the consumer price index or cost-of-living increases to try and give the market that – the market is always going to be moving, depending on location, location, location and preferences and jobs and all those other things, so all of those things have to be accounted for – and to try and avoid those very high cost increases.

It is something we are not familiar with. It is certainly an intervention in the private market, but I think in the circumstances we are in at the moment where we are seeing a crisis, really, in rental affordability across the state, this is the sort of tool we should be considering, even if it is for a trial period, a period of time. I think the private market will not probably like it because it is a constraint, but if we apply it within reasonable boundaries and we make sure there are suitable provisions in place to monitor what is going on and protect the rights of renters and protect the rights of landlords, it is something that can be done. It is certainly done in other countries.

**Aiv PUGLIELLI:** Okay. Thank you. A really comprehensive response there. You also, to my understanding, in your submission talk about the urgent need for significant regulation of the quality of rentals on offer. Could you expand on this and highlight to the committee what you have seen or heard that has led to this call?

**Steve DUNN:** Look, in our submission we referenced the work of Emma Baker, who is an academic working in Victoria who has done some fairly comprehensive research into the quality of rental accommodation. We know that in the sort of situation we have got at the moment, with high demand and low supply, it is very difficult for renters to raise concerns that they have with quality. That can be all sorts of things. It could be heating and cooling, it could be health impacts through things like mould, or it could be maintenance of buildings or maintenance of outdoor spaces – all of those things. It is very difficult for renters who are on 12-month contracts, who have got bonds on the property and who can be turfed out, certainly at the end of their lease, with very short notice. It is difficult for them to raise these sorts of concerns, so that creates an environment where properties may not be well maintained and can fall into disrepair. I think the research shows that the quality of a lot of rental accommodation in the state is below par. It is certainly below what you would expect in social housing, for example, and in public housing it is worse than that. It exists in other states too; I have seen some pretty poor accommodation. So I think the idea of introducing some standards and some protections for renters who raise these issues is certainly worth considering.

**Aiv PUGLIELLI:** Okay. Thank you. You also spoke about investment in housing, and I would like to talk about direct investment and the Big Housing Build currently in Victoria. You mentioned, Steve, that 25 per cent of the Big Housing Build is allocated to regional Victoria. I am just interested: how many, to your knowledge, additional public homes have been built off the back of that?

**Steve DUNN:** Look, I do not have the numbers in front of me, but on the website for Homes Vic for you can go through municipality by municipality, and you get a running sheet of how many projects are underway, how many have been completed, what the dollar investment is, the jobs created, those that are underway and completed and the total numbers. I would have to go back to the website. But I think there has been a little bit of concern about whether they would reach the 25 per cent target. There has been a further regional round to try and boost those numbers. I could not really comment as to whether they are going to achieve the target or not, but there is certainly an effort being made to do that.

**Aiv PUGLIELLI:** Yes. Thank you. I hear what you are saying. With the remainder of my time – we have heard today the distinction between regional and rural, so I will jump to rural now and go to you, Mary-Ann. You mentioned that rural and regional areas need an additional 87,400 homes over the next 10 years to be accessible to those who need them. I would be interested to hear more about affordability in rural areas. Do you think residential developments should perhaps be less expensive to rent than the current market rate?

**Mary-Ann BROWN:** That report is only about rural Victoria. I am not sure what the demand would be in regional – it would probably be at least that amount if not more. I think what we are looking at is really a mixture of housing, as we have touched on. Women's Housing are doing a couple of projects in Hamilton. They are also doing some work, I think, in Portland and Camperdown. There is a need for that housing. Unfortunately, in some cases there is pushback from local communities, and the media is not always helpful in terms of saying why we need more of that housing. But it is also about giving people the opportunity to downsize. I think the latest census showed that the percentage of households occupied by one person is increasing and continues to increase. I think there are a number of factors there. In our areas it is not so much the cost of rent, it is actually getting a house to rent, full stop, that is the real challenge. As I said, from time to time in our community there might only be one or two houses available to rent, so it is actually finding something.

This is a bit off track, but has anybody looked at longer leases? You know, looking at what happens in Europe, where people lease houses or residences for years and years, which is not the practice in Australia, it does seem to give people more security on a number of fronts, not only in terms of cost, obviously, but also on that issue of the quality of houses as well. As I said, I think it is the actual availability that is the big issue in many of our communities. Cost would be a secondary factor, but it is certainly that availability.

**Aiv PUGLIELLI:** Yes, and the idea of longer leases we definitely heard about today in this hearing. In relation to the provision of housing, we have heard from you but also others today that councils are stepping in

and providing houses to their community. Given that that is primarily something that the state government would do – providing access to housing for Victorians – do you think that that current state of affairs is appropriate?

**Mary-Ann BROWN:** I think there is an opportunity for the state government. As I said, I think it happens because of market failure, but I think it is fair to say there is probably a perception in rural communities that we are often overlooked in terms of these projects. Steve said, okay, 25 per cent of the Big Housing Build is for regional. How much of that actually goes to rural communities as opposed to those regional cities?

**Aiv PUGLIELLI:** That is a good point. Do you know what that figure is?

**Mary-Ann BROWN:** I do not, and I would be interested to go and have a look at the website in terms of Homes Victoria to see. My suspicion is – and this might be completely unfounded – that probably the majority of that is going to regional cities. That is what I would say. One of the things we would be really pleased to see is a stream that is just about rural communities, and you have some criteria around that that are actually going to support it because, as I said already, the issues are quite different in our communities.

**Aiv PUGLIELLI:** When you say a stream, is that a stream of funding from state government, just to be clear?

**Mary-Ann BROWN:** Correct. We have also expressed support for the Commonwealth housing fund that is currently being debated, and I think Helen Haines has proposed that there should be a stream for rural, regional and remote because of these very issues. They are not the same.

**Aiv PUGLIELLI:** Yes, okay. But nonetheless direct investment from the state government is also something you are asking for?

**Mary-Ann BROWN:** Yes, correct. Thank you.

**Aiv PUGLIELLI:** Perfect. Do I have much time left? Have I rushed through?

**The CHAIR:** Thank you very much. Perfect timing. I would like to invite Mr Tarlamis, please.

**Lee TARLAMIS:** Thank you, Chair. Can I take the opportunity to thank Mary-Ann, Andrea and Steve for their insights today but also for their submissions. We have heard a lot of themes throughout the hearings today about how we are addressing housing needs in this particular area that we are talking about now. Rural Victoria requires a multifaceted approach which obviously relates across the state as well. But we have also heard that one size does not necessarily fit all. I would be interested to see if there are some areas that have not already been covered off where a statewide consistent approach would be helpful.

**Mary-Ann BROWN:** I will probably just jump in. I think on the planning side of it, and Andrea has touched on it, there are opportunities to streamline those processes, which I think would be beneficial on a statewide basis because that can certainly be a factor in terms of getting land released and getting things moving. I certainly think that would be an area where a statewide approach would be helpful.

**Steve DUNN:** I can comment if you like. I think the idea of funding for infrastructure to have a well-designed and comprehensive program that ran right across the state that was very clear to everybody would be helpful rather than variations that exist across each council. We have heard some earlier speakers talk about things like developer contributions or inclusion zoning. At the moment it is a voluntary negotiated process. Voluntary processes are very unreliable, very time consuming, very inefficient and do not achieve a lot of results, and they put councils through a lot of time and effort to try and bargain with developers. Often in rural and regional areas there is not a great opportunity to bargain. They are local developers, they are not on high returns necessarily and the council does not have anything to trade really. Everything it needs, it needs. It cannot give away open space, it cannot give away community facilities, it cannot give away heritage – all these sorts of things. So to think that there is something to trade apart from delay is not correct. If we are going to have a requirement for the development industry to invest in affordable housing, then it needs to be something that is reliable and consistent across the state. There was talk last year of a social and affordable housing contribution that would apply across the state. That is one mechanism, there are probably others – but

something that is consistently applied and does not have to be fought over, does not have to be negotiated and taken off to panels and VCAT and all that sort of thing every time. So that would be my contribution.

**Andrea METCALF:** My contribution, Lee, would be that there be an enabling infrastructure fund right across the state, because it does not matter whether it is rural, regional or – I will even say – metro, it is about making sure that we have sewerage and water connections. Mary-Ann gave the perfect example, in Dunkeld, where they were able to then develop because of that sewerage and water connection. Most of our regional municipalities will have a component of a rural municipality as well, and being able to have that sewerage and water infrastructure connected there then allows those areas to grow.

**Lee TARLAMIS:** Thank you. I do not have any other questions at this stage.

**The CHAIR:** Thank you, Lee. Let us move on to Dr Mansfield. Would you like to ask some questions, Dr Mansfield?

**Sarah MANSFIELD:** Thank you. Thank you for the information you have shared with us this afternoon. I was interested in the comments that several of you made about the difficulties in attracting private investment in housing developments, particularly in more rural areas, but even in regional areas – and I think, Mary-Ann, you described that as market failure. Do you think that the state government should therefore be sort of stepping in to develop more public and affordable housing?

**Mary-Ann BROWN:** I think the answer is yes, because essentially local government is stepping in because it is not happening with private developers. Also, the state government do often have Crown land that might be suitable as well that they own around our communities, so I think there is a role for the state government to do that. Through the Big Housing Build they have used, as Steve said, organisations like Women's Housing, who are building social and affordable housing and are getting support through the big build. So that is a way in which the state government can do it. They could also provide support directly to local government in those circumstances, which would help because, as I said, many of our councils just have not got the financial resources to undertake these projects, which might take some years to get the returns. As I said, the one at Beaufort probably started in about 2016. They have just sold the last lot of land, so over a period of time they have had that return, but it can take time to do that. But I think that that is where there could be a role for the state government as well.

**Steve DUNN:** If I can just add, if it is an open question, Victoria is well below the Australian average in terms of the amount of social and community housing, public housing, that is available. We have got a long way to catch up and that is going to take a number of years. We have not had a lot of investment over the last 30 years. We have had a couple of peaks and lots of troughs. So there is a need to invest, and that is particularly addressing those people who are on things like the Victorian housing register. It is up to about 84,000 people now that are sitting on the register, and a large proportion of those are in rural and regional Victoria; they are not all in metro or regional centres, they are right across the state. Even though they might be small in numbers, they are important in local communities. So there is a clear argument for investment by the state and the Commonwealth.

**Sarah MANSFIELD:** Andrea, did you have anything to add to that?

**Andrea METCALF:** Thank you. I think the role of the state, I am going to say, is around one- and two-bedroom housing, because property developers will – I am not going to say cookie-cut it, but it will be three- or four-bedroom houses that they know they are going to get a return on. But what we know is there is an absolute demand for one- and two-bedroom houses for people to live in across the state. Certainly our regional cities show this. If I was talking of Bendigo, over 95 per cent of new houses built will be three- or four-bedroom, and it is such a small minority of houses that are one- and two-bedroom. But I think Mary-Ann made the point earlier: our census data shows there are a whole lot of people that are living in a house, and it is one or two people.

**Sarah MANSFIELD:** Thank you. We have heard a couple of times, 25 per cent of the housing from the Big Housing Build is at least planned to be invested in regional areas. Do we know if that is distributed according to need or how that housing is allocated across regional areas?

**Steve DUNN:** If I can comment there, there is the minimum investment guarantee that is part of the Big Housing Build. So there are 18 municipalities that have got sort of a minimum investment, and I understand to some degree that is based on need. But otherwise it is a process where there are rounds – well, there are a number of streams of funding within the Big Housing Build. Some of it is reinvestment in existing public housing that needed to be renewed because of its age and quality, and then there have been opportunistic purchases of homes in regional centres. That has been done. It is opportunistic in that those properties were available and they were new, and it was certainly at a time when there was a peak demand, for example, during COVID, but that did also reflect need. In pretty much every situation – well, in every situation – there would have been an identified need for those homes. Then the other processes where we see community housing involved are evaluated, I understand, by Homes Victoria according to the cohort, the type of people that are needing accommodation in that area and so their ability to meet that need and also the value for money and the quality and the ability, the capacity, to deliver. So there are a number of criteria that go into the decisions about where the money is invested; need is one of those elements.

**Sarah MANSFIELD:** I guess what I am curious about is: we have heard that potentially there is a bit of a bias in the way funding from programs like the Big Housing Build is allocated and that smaller rural areas often miss out, because for some reason they are just not as attractive even for government investment. Perhaps Mary-Ann or Andrea – I am not sure if you have got anything to add to that and whether we need to review how we determine need if that is one of the criteria.

**Andrea METCALF:** I would say – and I know Mary-Ann said she did not have the numbers before – in some of the data that I have seen it might be one or two, maybe up to five houses in a rural area, whereas you might be talking probably 100 houses in a regional area. So the population clearly plays into that as well. Certainly, there are much fewer funds going into rural areas than the demand that Mary-Ann will probably talk about – the demand that is there as well. But we see from a regional city perspective, I would say if I looked at it here, some ranging from three-lot subdivisions to 70 five-storey apartments working under the big build.

**Mary-Ann BROWN:** I would say it is probably a mixed picture across rural Victoria, but I do not think it is getting anywhere close to meeting the need that is there – and that is without even then talking about key-worker housing, which is also another significant concern in many parts of rural Victoria.

**Sarah MANSFIELD:** Just on key-worker housing, you talked before about some of the great innovations that are going on around particularly my region of Western Victoria that councils are doing to increase the supply of key-worker housing, but again, is this something that you think councils should be doing, or is this something the state government should be playing a role in?

**Mary-Ann BROWN:** Look, I think there is an opportunity for the state government to support it. The project at Mortlake – which Moyne shire undertook, to build these cabins – I understand had funding from the state government through Regional Development Victoria but basically the council was the lead agency. I think that it is probably appropriate because they know their communities, they know where the needs are and I think have a very clear understanding. I think it is a good example of a partnership that has actually delivered and provided some housing where there was a significant shortage. I think I would see – and Andrea said it in her presentation – local government is a trusted partner in terms of delivering, because we do understand what the requirements of our communities are, but also there are some safeguards there in terms of the state government having certainty and no concern that these are organisations that can deliver these projects.

**Sarah MANSFIELD:** Maybe just on inclusionary zoning – that is something you touched on, Steve. Do you have a sense of what we need to be aiming for with inclusionary zoning, in particular around how much public housing that could potentially deliver?

**Steve DUNN:** Well, it is an interesting question. There are a couple of different ways to consider inclusionary zoning. One is to require a developer, for example, when they are building a private development to either make a contribution of land, cash or buildings. Now, to do that at the moment you can only do it through a negotiated process, so a mandated process would make that mandated for a developer. The questions then are ‘Who manages the properties?’ and ‘If it is only cash, how does it get topped up?’ and things like that.

The other option that was looked at last year was for a social and affordable housing contribution. It would be a contribution mandated across the state or within geographic locations. Every time a housing – or it could be any



type – development goes ahead a contribution is made, and then it is distributed according to need in the same way you would use, say, the Social Housing Growth Fund, the way the state distributes funds based on need, having a reliable developer to build it, someone to manage it and a long-term plan for its use. So there are a couple of options there. I think a financial contribution, like a developer contribution, that applies everywhere, that is easily identified, that is known in advance and that is not too large to burden projects but is spread across many developments seems to be a more realistic approach. But unfortunately the government decided not to proceed with that last year, so maybe that is not on the horizon. Otherwise, if it is going to be a negotiated process with local councils, then I think it just needs to be made easier and simpler for everybody to work with. Developers find it very confusing, very time consuming, councils really are left to their own devices without any clear guidelines about what is acceptable and what is workable, so I think if it is going to be a negotiated process, let us make it a lot clearer and easier for everybody to manage.

**Sarah MANSFIELD:** Sorry, is that my time?

**The CHAIR:** Yes, that is about to run out. Thank you – correct timing. Before I continue with my questions, I would like to say thank you so much for coming in and for the submissions you have tabled. That has brought up some key issues. Obviously with migration and population growth there is always a demand and always a limited surplus, especially with over the last couple of years there has been quite an appetite for those in metropolitan to move out to the more regional and rural areas. From what I am hearing today, the key area is investment in key infrastructure to help development. In the rezoning we have got a bit of an issue of concern regarding the windfall tax. So my question to you from your submissions is firstly from yours, Andrea. You quoted about 27 per cent, 28 per cent of people leaving the metropolitan area to relocate to regional. I just want to know: that roughly 28 per cent, 30 per cent, are they actually relocating there to stay as residents or relocating there as it is a holiday house and using those premises as a holiday rental premises? That 30 per cent moving from metropolitan over to regional, are they actually relocating to live permanently or are they short-term or rental premises?

**Andrea METCALF:** I would say the ones that moved into the regions, and COVID did part of that – that the move was able to be, and then they were able to work from home. I am not sure whether that shift back into Melbourne or the workforce is happening every day of the week. I would say a lot of them do live in the regions. They may still work in Melbourne, but they may only be down there one or two days a week. If it is only \$10 to go down on the train, return, it makes that really doable. We saw a big shift. What we did see also, I would say during COVID in particular, was people were buying houses unseen, and they were probably in some of those cases investment properties. But one of the things that did happen during that time was it actually pushed the housing affordability out of people who lived in the areas, because where they thought they had saved enough deposit to buy a house, when the house went up a hundred thousand, they did not have that deposit then.

**The CHAIR:** Mary-Ann?

**Mary-Ann BROWN:** I think there are probably a couple of elements. There were some people that had holiday houses that have actually moved there permanently, and we have seen that a bit in this area. What we have also seen is an explosion of land or housing costs in coastal areas. I heard someone say the other day there is a house in Port Fairy that has just been bought for \$7.5 million, and that also gets to Andrea's point that locals or people who work in those communities are often priced out of them just because of the cost. It is interesting because some of those people are actually staying. They may still do some work in Melbourne, but it is on a commute basis or they are working remotely, and that does depend on what the NBN facilities are like. Dunkeld is particularly good. It is a very mixed picture across other parts of rural Victoria as to how good your internet connections are. I think the move has slowed down a bit, but whether people are actually going to return to live in Melbourne or the greater Melbourne region it is probably still a bit early to tell. I am going to be completely parochial here: there is a lot to like about living in a small community – I have lived in Sydney and Melbourne in the past. Not only do you have a beautiful natural environment but there are also great opportunities to really get to know people in the community and to be part of it and have control of your destiny. But then there are a lot of things to like when you go to Melbourne as well, so you can have the best of both worlds, it is fair to say. But it is a bit early to tell. I think it has slowed down, but I do not know that there has been widespread return to the larger metropolitan centres at this stage.

**The CHAIR:** Steve, any comments at all?

**Steve DUNN:** I think the numbers that were quoted in that submission – about the 27.8 per cent of people who vacated Melbourne settled in regional Victoria – are ABS numbers, so they are pretty reliable. They would be people who did not just buy a holiday home for weekends. They are people who have relocated. As the other speakers have said, they may be commuting to work but they are living regionally, so there has been a significant shift.

**The CHAIR:** Just finally on that, I know you mentioned the need for one- or two-bedroom premises not only in metropolitan but regional areas also. So these one- or two-bedroom accommodations required or in demand in regional areas, would they be more for locals who are being pushed out of homes, or elder citizens who are downsizing requiring those accommodations, the one- and two-bedroom premises?

**Andrea METCALF:** It is probably, I would say, older people wanting to downsize into a smaller property to make it easier for them to manage. As I said, the data we have for Ballarat shows that 30 per cent of the population are living in households of one or two people but they are in a three- or four-bedroom house, because those are the ones that a property developer knows are going to get sold every single time. The other thing is that when you have a house that is three or four bedrooms, young people buy into it and then they stay there because the stamp duty is so much if they were to sell and move somewhere else. They start at that level with a three- or four-bedroom house. Whereas if you are a single person, a one- or two-bedroom place would be a great place to start, and then you could get a bigger house if you needed to as your circumstances change.

**The CHAIR:** Thank you. Thank you so much for that. Thank you very much. Time has caught up with us. Again, thank you, Mary-Ann, Andrea and Steve, for coming in, for your submission and for your time today.

This brings our panel session for today's hearing to a close. I again thank the panellists for giving their time and their reflections today. That is it for today. Thank you so much again.

**Committee adjourned.**