Supplementary Submission No 2a

INQUIRY INTO THE REDEVELOPMENT OF MELBOURNE'S PUBLIC HOUSING TOWERS

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Wasting taxpayers' money: expensive finance model of the government's plan to demolish 44 public housing towers

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Executive Summary

For renewing the 44 public housing towers, three scenarios have been assessed: case 1, Demolish & Rebuild, the Government's planned approach; case 2, Retrofit: Minimal Intervention for Building Code compliance; case 3, Retrofit: Upgraded Intervention to meet requirements of social housing standards. Results indicate that the standard renewal case 1, as planned by the government, with the Ground Lease Model, is substantially more expensive than the retrofitting cases 2 and 3, a total of about $17 billion over the 40 years of each demolition and rebuild, and therefore a huge waste of taxpayers' money. Demolition and temporary relocation costs are part of these redevelopment costs, with the latter substantial in the case of the Abbotsford St, North Melbourne, PHRP project.

The Government's plan also continues the process of Homes Victoria transforming itself into a huge subsidiser of community housing providers and private investors, accompanied by loss of current public housing rent revenue putting at risk its capacity to maintain other public housing across the state.

Designed and built in a time of post-war modernist vision and social aims, Melbourne's 44 public housing towers were constructed between 1960 and 1975 and comprised 7,027 apartments (Table A4, Appendix A), ranging from 27 m^2 bedsits to 96 m^2 three-bedroom units. Located on 21 estates, the towers provide homes for some of our most vulnerable populations (low-income, elderly, sick). In 1975 there were 47 towers that collectively could house 5,439 families and 2,391 individuals, or approximately 24,000 people (Executive Director 2024: pp. 13-14).

Three towers have been demolished in the past in Flemington and Kensington and if the Elgin and Nicholson Sts, Carlton towers are retained and refurbished, we estimate that the current units' capacity based on the household compositions of residents when they were completed, could be up to 22,000 adults and children or twice the 11,000 that the government plan is planning to accommodate in community housing. These numbers add significantly to the value of refurbishment over demolition.

The government's statement that only 10,000 people were living in the 44 towers at the time of its announcement needs to be dismissed, unless there were a significant number of vacant units. Our estimate is- if household compositions were the same as the current VHR waiting list- up to 13,000 people were accommodated. The 10,000 number seems to have been used to limit the government's commitment to create community housing for only 11,000.

The most cost-effective way to increase the supply of housing for people on low and very low incomes is to build public housing on public land at the greatest yields possible (Lawson et al 2018). No other model stands to address the housing crisis in as urgent or appreciable manner as required. Further, and as demonstrated by the *Retain, Repair, Reinvest* study (OFFICE 2022), viable alternatives exist to the current approach of estate renewal via demolition and redevelopment through public–private partnerships. State governments have a mandated responsibility for the direct provision of housing in Australia (Kelly et al 2023: p. 10).

At a time of intense housing crisis, it is completely appropriate for government to plan, construct and maintain public housing, without non-government partners. Indeed, models of public–private partnership have been abandoned as unfit and inappropriate public policy in the UK (Booth 2018).

Retain, Repair, Reinvest is the most effective method for the direct and expedited supply of housing for people in housing need and represents the best value for money. Based on analysis, and the findings of international studies and models, it is recommended that:

1) Existing public housing stock is provided with sustained and appropriate investment in maintenance and routine upgrade;
2) Feasibility studies for retention, repair and reinvestment are undertaken for all existing estates targeted for renewal;
3) A ban is placed on public–private partnerships for social housing projects.

Further, the recommendation for an independent social and affordable housing regulator (Review Panel 2021: p. 79) should be approved by the government as soon as possible, to minimise the risk of any housing renewal party to achieve gains by devaluing the assets and standard of services to tenants.

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Introduction

Designed and built in a time of post-war modernist vision and social aims, Melbourne's 44 public housing towers were constructed between 1960 and 1975 and comprised 7,027 apartments (Table A4, Appendix A), ranging from 27 m^2 bedsits to 96 m^2 three-bedroom units. Located on 21 estates, the towers provide homes for some of our most vulnerable populations (low-income, elderly, sick). In 1975 there were 47 towers that collectively could house 5,439 families and 2,391 individuals, or approximately 24,000 people (Executive Director 2024: pp. 13-14). This report would have been provided in draft form to Homes Victoria prior to its finalisation and the numbers were retained. Three towers have been demolished in the past, in Flemington and Kensington, and if the Elgin and Nicholson Streets, Carlton towers are retained and refurbished, we estimate that current capacity based on the household compositions of residents when they were completed could be up to 22,000 adults and children.

There have been changes in the composition of public housing households over time since the towers were completed, which may explain the difference between this number and the government's stated lower number of 10,000. The 10,000 figure, though, strongly suggests numerous empty units. If current public housing household composition is considered and using Victorian Housing Register data, we estimate that up to 13,000 people would be living in the towers if fully occupied. If larger households than current averages were accommodated in refurbished units, getting close to 22,000 might be achievable.

Investment in public housing is long overdue (Bertram 2025). Also, our public housing towers form part of an international modernist movement to provide high-rise public housing throughout the 1950s and 1960s, with many countries now looking at how best to update this aging building stock (Bertram 2025). Needing to be updated to current building codes and living standards, European approaches have included the successful retrofitting of existing towers (Hans van der Heijden Architect 2017). With lower costs and environmental impacts, European case studies such as Lacaton Vassal's Bordeaux housing have even managed to avoid the social upheaval of needing to decant residents (Lacaton & Vassal 2016).

Therefore, the current proposal to demolish all 44 of Melbourne's public housing towers, relocate more than 10,000 residents, and redevelop the sites, is deeply flawed. This blanket approach risks repeating the traumatic dislocation of vulnerable communities that happened when the towers were built more than 50 years ago. It also involves wasting money, energy, and construction materials (Bertram 2025).

The state government says the old high-rises are being redeveloped to meet modern standards and house more people. But the decision to demolish and rebuild, rather than upgrade, has been challenged repeatedly. Yet, we know retaining and reusing existing structures saves energy and other resources, ultimately reducing greenhouse gas emissions. Across 44 buildings, this could also save around $1.5 billion in construction costs (Bertram 2025).

Breaking down the barriers

Several reasons have been circulated by the government as to why these high-rise towers are unsuitable for retrofitting. Also, residents and the public at large have been denied information on the status of each tower, despite requests by the Victorian Supreme Court and Victorian Upper

House MPs. However, the two retrofitting reports, OFFICE (2024) and Barnett and colleagues (2025), effectively respond to these claims, as discussed in this report.

The towers are constructed from precast concrete slabs and internal walls are load-bearing. This makes major bedroom reconfigurations difficult, because most walls cannot be moved. The buildings were also designed when the requirement to resist earthquakes was minimal. A range of other technical hurdles, such as improving acoustic, thermal and fire separation and repairing degraded concrete, would also complicate upgrades. But none of these issues is insurmountable (Bertram 2025).

Both reports include strategies to address these issues, costed into the estimates. For example, the cost of strengthening to meet earthquake codes has been estimated as $1.73 million in Flemington and $3.85 million for Atherton Gardens. That is around 3.7% of the total $105 million estimated construction cost for a single Atherton Gardens tower (Bertram 2025).

Government plan

The government plans to replace the 44 public housing high-rises (and other buildings) with modern, accessible, and energy-efficient community housing homes and improved shared spaces and community facilities. The plan provides only a very modest increase of around 10 percent more community housing for Victorians. The project was announced in September 2023 and is planned for completion in 2051 (Homes Victoria 2024).

The government also claims there are currently around 10,000 people living across the 44 towers. Once they are redeveloped, the government anticipates that around 30,000 people will live across these sites (Premier Andrews 2023), with 19,000 of this number accommodated in so-called affordable (at 90% of market rents) and full market-rent dwellings. Only 11,000 of returning residents and people in very low to low-income households will have a community housing dwelling - a mere 10% increase on numbers as stated by the government - while 19,000 people in moderate and higher-income households will have accommodation. Numbers of applicant households in the Victorian Housing Register (VHR) increased to 53,554 in September 2024. This number of applicant households corresponds to a conservatively estimated number of 93,871 people, of 62,483 adults, and 34,951 children. This is 8.5 times the 11,000 community housing residents the government is planning to have accommodated by 2051.

Unsustainable funding of Homes Victoria

Royce Millar and Rachael Dexter (2025) have argued that the Allan government's financial woes are certainly not due to lavish spending on public housing maintenance. New Productivity Commission data shows Victoria has the lowest recurrent spending – which excludes capital spending – per capita on social housing in the country. RMIT lecturer and housing researcher Liam Davies has studied decades of state housing annual reports to find that rent income exceeded spending in the management of public housing for the vast majority of years since 1984.

We contend that the demolitions and redevelopment plan will result in lost rental income for Homes Victoria. The plan transforms Homes Victoria into a massive spender putting the financial viability of the agency at total risk, including its capacity to function as an agency supporting other public housing across the state.

We do not believe the Allan government and future state governments can afford the grand demolition plan without abandoning the promise to maintain all land under public ownership. This was a promise made at last year's Victorian Labor Party conference to allay the concerns of delegates questioning its merits. Even with sales of land we doubt that future budgets can afford the plan without sacrificing other programs unrelated to housing provision.

In this report

In this report we respond to the terms of reference that are primarily related to financial costs: (a) the rationale and cost modelling; and (d) the efficacy of the proposed financial, legal and project delivery models, versus alternative models. Specific topics covered include: the Ground Lease Model; Hidden costs of relocating tenants in the PHRP and BHB models; the Retain, Repair, Reinvest model; Total costs for renewing the 44 public housing towers by scenario; Public Private Partnerships; and Legal issues.

Ground Lease Model

Background

The redevelopment model at the Kensington and Carlton estates was implemented via a partnership between the Government of Victoria and the Becton Corporation, a private developer established in Melbourne in 1982. Becton purchased two-thirds of the Kensington estate (4.18 ha) below market rate for the construction of private housing later sold at market rate. This public–private partnership model was the first of its kind in Victoria, with an emphasis on finance mix, housing mix and social mix. Initial home sales were sluggish and as a result Becton sought to change the master plan and later went into administration. An evaluation of the model by Shaw and colleagues (2013) found that it resulted in a loss of public housing units and bedrooms; social mix was found to be ineffective in bringing about social interaction between residents of different tenure types; the premise that there was locational disadvantage prior to development was erroneous; private and public tenures were segregated on site; and revenues ultimately flowed to the private developer rather than being retained by the government for reinvestment in public works. The report recommended overall that the redevelopment model at Kensington should not be reproduced in the same arrangement on other estates (Kelly et al 2023: p. 3).

Despite the conclusions of the independent evaluation, all subsequent renewal projects in the state of Victoria have followed this redevelopment model, albeit with some policy modifications. The Public Housing Renewal Program (PHRP) followed the same principles as Kensington, with an emphasis on financial and housing mix and the use of public–private partnerships to deliver renewal projects. One key difference since the redevelopment of the Kensington and Carlton estates has been the wholesale removal of public housing on renewal sites, instead replacing public housing with community housing.

The Big Housing Build (BHB) is by-and-large a continuation of the PHRP. The main difference between the PHRP and BHB is the use of the Ground Lease Model (GLM), which involves the in-principle retention of public land (Kelly et al 2023: p. 3), and not the community, private investor and homeowner housing, that the PHRP intended to deliver.

The original PHRP was a massive failure with only four of the 11 estates selected - Abbotsford St, North Melbourne; Oakover Rd, South Preston; Walker St, Northcote; and Gronn Place, Brunswick West - which have been progressed by government-awarded contracts to partnerships between community housing providers and private developers. Full redevelopment at all of these four estates is still not complete seven years after they were announced and then residents evicted. The other seven have had Homes Victoria fully fund redevelopment using funds from the Big Housing Build.

Ground Lease Model Approach

The first iteration of the Ground Lease Model, identified by the Victorian Government as Ground Lease Model Project 1, was applied at three public housing sites at New Street (Brighton), Victoria Street (Flemington), and Bangs Street (Prahran). All were PHRP sites that were rebranded as Big Housing Build sites in 2020 (Kelly et al 2023: p. 4).

The second iteration of the GLM (GLM2), which the Government identifies as Ground Lease Model Project 2, applies to four sites: Horace Petty (South Yarra), Essex Street (Prahran), Bluff Road (Hampton East), and Barak Beacon (Port Melbourne). As far as can be discerned through publicly available material, there are no major policy differences between GLM1 and GLM2. In the absence of public information to the contrary, it can be assumed they operate on the same principles and assumptions (Kelly et al 2023: p. 4). A summary of the two GLM projects is shown in Table 1.

Table 1 Details of the two current ground lease model projects

	Ground Lease Model 1	Ground Lease Model 2
Number of target public housing estates	3	4
Existing public housing dwellings	446	502
Social dwellings proposed	619	650
Total social dwelling uplift	173 (+28%)	148 (+29%)
Quarterly service payments	$638,000,000	$848,000,000
Capital investment	$263,667,000	$260,000,000
Total expenditure	$901,667,000	$1.108 billion
Cost per additional social dwelling	$5.21 million	$7.5 million

Table source (Kelly et al 2023: p. 5).

The Ground Lease Model works by leasing the land to consortia made up of community housing providers, investors, and private developers, for a 40-year period, during which time the redevelopment occurs, and a mix of private and community housing rental dwellings are built. In the case of GLM1 the consortium is Building Communities (Vic) Limited, setup as a Special Purpose Vehicle (SPV) in 2021 by a community housing organisation called Community Housing (Vic) Ltd. Building Communities (Vic) Limited designs, builds, and manages the entire site including the community housing tenancies. GLM2 has the same community housing provider.

After the lease period expires, the land and buildings return to government ownership, in 'as new' condition. Assuming a 40-year lease period in the Ground Lease Model it is plausible to extrapolate that if the new buildings developed, particularly the community housing dwellings, are not supported with sufficient investment in maintenance and upkeep, processes of decay and dereliction are likely to unfold. In the absence of public information to the contrary, it should be presumed there is an option for government to renew the lease with the prospect that these sites might effectively operate under a perpetual GLM (Kelly et al 2023: pp. 4-5).

The GLM also sidesteps critique about the distribution of profits. This model does not include the sale of any dwellings given its 'build-to-rent' approach, removing the need for the private developer to act as a sales agent (as was the case at previous sites). Instead, the Special Purpose Vehicle collects revenue under the model in four ways: from rent and rent assistance payments of social tenants via the community housing organisation; from rent collected from private tenants; by access to Commonwealth funding schemes such as the National Housing Finance and Investment Corporation; and through availability contract payments paid by the Government of Victoria every financial quarter for 40 years. Theoretically, the site could be run with a consistent operating surplus that is then reinvested to provide more supply, although there is no publicly stated guarantee that this will occur. At the end of the 40-year ground lease, either the SPV will hand the site back to the government with properties in 'as new' condition, or the lease may be renegotiated (Kelly et al 2023: p. 6).

Also, no details are provided on the terms of operation of the 'built-to-rent' 'affordable' components of these developments, apart from the clause that rental units would be offered with an initial lease tenure of three years, with possible renewal for a further 3 year. There are no guarantees that the affordability would be for the entire 40-years period of the government's lease (Homes Victoria 2024b: p. 18).

Further, no details are provided of what type of ownership title buyers of the private market-housing component of these developments will be left with, as the GLM stipulates that (Homes Victoria 2024b: p. 43):

> *At the end of the lease the assets built on the land will be returned in full ownership to the Director increasing the asset base of the public housing portfolio and retaining the land in whole for intergenerational benefit.*

Case study: Barak Beacon estate

In November 2022, OFFICE, a not-for-profit multidisciplinary design and research practice, based in Melbourne, supported by a full team of Services Consultants, produced a viable peer-reviewed, costed alternative to the redevelopment model currently underway at the Barak Beacon Estate (OFFICE 2022). The feasibility study *Retain, Repair, Reinvest* demonstrated large financial savings across all three areas of investment, as summarised in Table 2. OFFICE's report emphasised the ability of this alternative approach to meet all stated objectives of the redevelopment model with both a reduced cost to government and without the need for the destruction of the estate's community.

Over 40 years project life, under the GLM model, the state government has to spend substantial amounts of money to the service companies, while for the Retain, Repair, Reinvest model the

housing remains as public housing, under normal management by Homes Victoria, which is much cheaper, Table 3.

Table 2 Comparing costs of the Ground Lease Model and Retain, Repair, Reinvest for the Barak Beacon Estate

Retain, Repair, Reinvest factors	Ground Lease Model	Retain, Repair, Reinvest
RETAIN		
Increasing existing social housing	+10% (9) dwellings, 98 in total	+25% (+23) dwellings, 112 in total
Increasing New Homes	+252 dwellings, 350 in total	+238 dwellings, 350 in total
External Relocation costs These expenses are paid by the Government.	-$16.193 million	$0*
Health and wellbeing costs These costs are based on SGS modelling of health and wellbeing impacts through relocation.	-$238,656	$0
Education costs These costs are based on SGS modelling of educational impacts through relocation.	-$674,800	$0
REPAIR		
Direct Refurbishment Costs (25% increase in public housing occupancy)	NA	-$19,654,000 (-$175,482 per dwelling)
Direct New Dwelling Construction Costs	-$105,006,150	-$78,243,000
Embodied Energy†	-	- 54% reduction
Global Warming Potential†		- 46% reduction
Land Use†	-	- 273% reduction
REINVEST		
Estate construction cost savings (refurbishment and infill)	-	+$7,109,150
Total construction costs	**$122,112,606**	**$97,897,000**
Estate project cost savings	-	**+$24,215,606**

*Relocation fees for RRR are $0 due to the staging of works. There would be a budget for a small removalist fee from relocating residents within the estate during the new build and refurbishment.
†, This saving is calculated against the demolition and rebuild proposal. Table adapted from (OFFICE 2022: p. 9).

Table 3 Project life-time investment costs by government compared to Investment for RRR at Barak Beacon

Project element	Direct Government investment at Barak Beacon	Investment for RRR: Barak Beacon
Project development, market testing and procurement costs†	$64,750,000	NA
Construction costs‡	$122,112,606	$97,897,000
Quarterly service payments to the Project Co to manage and maintain the properties over 40 years*	$118, 658, 499	NA
Projected total costs	**$305,521,105**	**$97,897,000**
Net saving of investment for RRR: Barak Beacon	-	**+$207,624,105**

†, This value is one-quarter of the capital investment for GLM Project 2, as Barak Beacon is one of four estate renewal sites. ‡, from Table 2. *, This value is based on the GLM Project 1 costs, as the GLM Project 2 contract has not yet been awarded. This cost has been calculated by dividing the budgeted Quarterly Service Payment (QSP) total government expenditure of 40 years by 4, to reflect that this cost pertains to one-quarter of the project sites (Port Melbourne). It is likely this QSP figure would be larger for GLM2, as the project is delivering more dwellings overall across more sites than GLM1. Data source (OFFICE 2022: p. 10).

If the full public investment to redevelop Barak Beacon ($277 m) were deployed to maximise the potential yield of housing on the now vacant site, no less than 922 public housing dwellings could be constructed within already-earmarked redevelopment costs. Table 4, below, highlights three potential scenarios and associated metrics, suggesting varying measures of value for money:

- Ground Lease Model: the proposed redevelopment plan and costings offered by government.
- Public housing only: the proposed masterplan, with all dwellings held in public tenure.
- Maximum yield of public housing: the current budget, maximising the number of dwellings that can be built and held in public tenure.

Table 4 Comparison of three social housing development scenarios for the Barak Beacon Estate

	Ground Lease Model 2: community housing	Public housing only, using current masterplan	Maximum yield of public housing, with current budget
Total dwellings	350	350	922
Social dwellings	98	350	922
Social dwelling uplift	9	261	833
Cost per additional social dwelling	$30,750,000	$300,000	$300,000
Quarterly service payments (over 40 years)	$212,000,000	$0	$0
Capital investment	$65,000,000	$105,000,000	$277,000,000
Total expenditure	$277,000,000	$105,000,000	$277,000,000

Source (Kelly et al 2023: p. 10).

Hidden costs of relocating tenants in the PHRP and BHB models

Relocation options for tenants of public housing who have been evicted under the PHRP and BHB procurement models have been and are, as far as it is known, by being allocated to housing in three modalities, each with hidden costs: (1) available public or community housing; (2) spot-purchases of homes ready to build or already built; and (3) existing rental-market housing. We next discuss the hidden costs of these three modalities.

Firstly, in public or community housing available at the time of relocation. This uses vacant accommodation that could be a home for applicant households from the waiting list of the Victorian Housing Register, but is used instead for relocating evicted tenants. This lengthens waiting times, hinders reduction of homelessness, and foregoes potential rent paid by the tenant not allocated to the dwelling.

Secondly, there have been spot-purchases of homes that are ready to build or already built (VAGO 2024: p. 22), which subsidise the speculative housing market. The VAGO Report did not make an evaluation of what the cost to government would have been if the purchased homes had been the result of direct government commissions.

The spot-purchase has also another troubling aspect, as the redeveloped estates are being targeted to smaller households, the dwellings provided in the new constructions being designed with a great majority of 1- and 2-bed units, with a very small quantity of 3-bedroom units.

This has been justified by Homes Victoria with the rationale that VHR applicants' household configurations have changed, the majority being individuals, couples, and small families. While this may justify an increase in smaller units, the reality it reveals is that, as published recently by the Australian Property Journal (Briglia 2024):

Homes Victoria has been offering five-year fixed term leases to the builders and guaranteed rent increases of 5% per year. The agency has been targeting three-bedroom homes in suburbs including Albion, Ardeer, Braybrook, Brunswick, Carlton North, East Melbourne, Kensington, Maidstone, Maribyrnong and Sunshine.

The effect of this narrowing of dwelling size offer in the 'renewed' estates is the expulsion of larger households from their established community and the reduction of household size diversity.

Thirdly, there are hidden costs in the leasing of existing rental-market housing by Homes Victoria. The cost of this modality, for PHRP and BHB redevelopments completed or underway, is hidden and unassessed. However, a glimpse of it was gained when a dispute arose in June 2020 about costs for delayed works at the Abbotsford Street Estate PHRP project in North Melbourne, in the Supreme Court of Victoria. In an affidavit, the Director of Housing reported a cost of $150 (GST excluded) per dwelling per day of delayed work for the accommodation of the 112 households relocated to either alternative public housing or private accommodation leased by the Director, for a total of $16,800 rental cost per day (Crawley 2020).

The Abbotsford Street public housing tenants' relocation was completed at the end of 2018. Demolition started in September 2019 and the new community housing was officially opened on 22 September 2024. Re-housing costs have therefore accumulated for five years and nine months. This, then indicated that the rental costs potentially accrued to around $35.2 million.

In general, the costs related to relocating tenants in other PHRP/BHB redevelopments are undeclared and untested.

Retain, Repair, Reinvest model

Flemington Estate: Feasibility Study and Alternative Design Proposal

The Retain, Repair, Reinvest report (OFFICE 2024), addresses all of the criteria presented by Homes Victoria that justify estate demolition - including energy efficiency, liveability standards, structural integrity of the towers and additional housing capacity through infill, Figure 1.

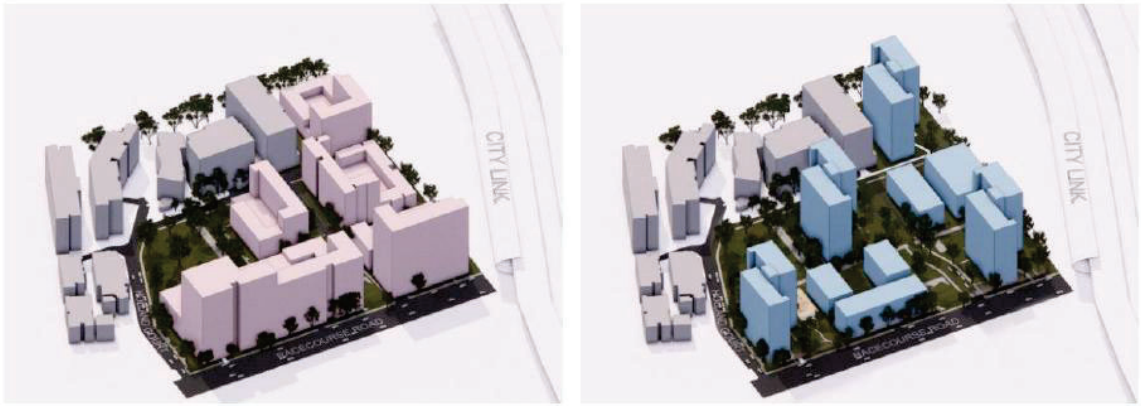

Figure 1 (Left) Homes Victoria's HRRP proposal for Flemington Estate, (Right) RRR proposal. The RRR proposal retains the existing towers and infill to achieve the same number of dwellings as the HV plans. Image by OFFICE (2024).

The report questions the rationale for demolition, quantifies the uncaptured costs and value-loss of the real estate-led model, and calculates the savings that can be achieved through renovation and infill. These costs and disbenefits of the HRRP model include:

- The direct financial costs of relocating residents during the demolition and rebuild period
- The social and health impact of relocating residents.

This report demonstrates the value of a refurbishment and infill approach by comparing the delivery of the High-Rise Redevelopment Program (HRRP) development with a Retain, Repair, Reinvest (RRR) model.

As outlined in Table 5, the RRR feasibility study has found that a refurbishment of the existing public housing, combined with infill of new social housing dwellings, can be delivered for $519,386,582 ($400,000 per unit), while retaining the existing community on site and avoiding the social impact and economic costs of relocation. A demolition and rebuild approach would cost $882,994,835 ($680,000 per unit).

The RRR procurement method would save the government $227.7 million in direct relocation costs, and approximately $5 million in associated health and wellbeing costs as well as reduced construction costs. The RRR proposal also provides a 55% reduction of global warming potential compared with the HRRP approach.

The RRR study proposes that it is possible for the $364 million of financial savings, Figure 2, to be reinvested back into the refurbishment of the existing public housing and development of new social housing. The HRRP does not provide financial, social, or environmental benefit, and improved outcomes could be delivered for significantly less government and private investment.

Table 5 Comparison of key estimated costs of the HRRP and RRR proposals for the Flemington Estate

Retain, Repair, Reinvest factors	HRRP Flemington Estate	RRR: Flemington Proposal	RRR: savings compared to HRRP
Retain factors			
External Relocation costs of existing tenants.	Estimated to be $227.7 million	Relocation costs for RRR are minimal due to the staging of works.	$227.7 million
Health and wellbeing cost for relocated residents.	Estimated at $2,088,000	By retaining community, there are no health and wellbeing impacts through relocation.	$2,088,000
Education costs, due to interruption to education for relocated residents.	Estimated as $2,492,724	By retaining the existing community, there are no educational impacts through relocation.	$2,492,724
Repair factors			
Demolition and construction costs.	Approximately $650,670,482 ($501k per unit)	Flemington Estate can be refurbished with new infill housing achieving the HV standards for $519,386,582. ($400k per unit)	$131,283,900. A saving of $101,000 per unit
HV Objectives (Lifts, Energy Efficiency, Accessibility).	Addressed through demolition, relocation and rebuild.	Addressed through refurbishment and infill. The RRR refurbishment strategy can meet all HV objectives, for a lower financial investment.	NA
Increase Housing Numbers.	To 1297 new community, affordable and market dwellings.	RRR will retain the 720 public housing units and introduce infill to match 1297 dwellings on site.	NA
Reinvest			
Overall cost.	$882,994,835	The RRR strategy would see the Flemington Estate refurbished and housing infill for $519,386,582.	The overall cost savings to government by retrofitting rather than demolishing would be $363,608,253.

Data source (OFFICE 2024: pp. 86-88).

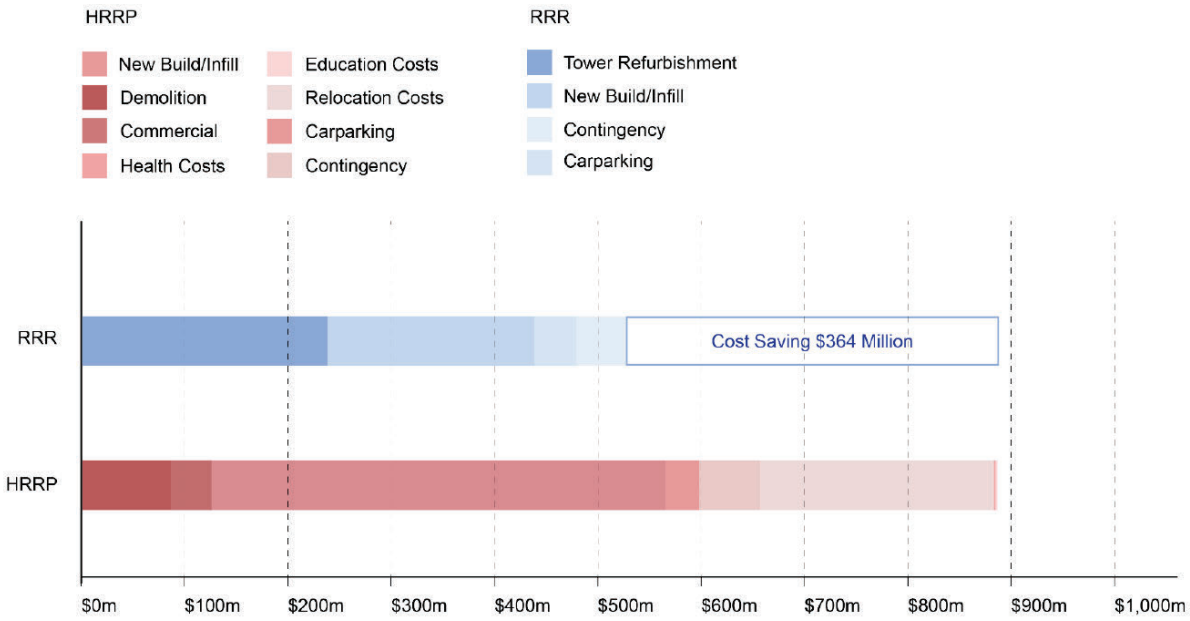

Figure 2. Cost comparisons between the RRR and the HRRP proposals. Source (OFFICE 2024).

Apartment improvements planned after surveying residents

Responses from residents about architectural improvements were incorporated into the proposed retrofit design through several design solutions (OFFICE 2024: p. 58):

- New kitchen and bathroom joinery, fixtures, and fittings throughout.
- New double-glazed operable windows and doors.
- A balcony addition to the east and west facades, creating additional living space and providing sun shading to bedrooms and living areas.
- AC split system to each unit for heating and cooling.
- Allowance for upgrades to plumbing systems.
- New Specialist Disability Accommodation (SDA) apartments on ground floor, widening of corridors and doorways throughout to increase accessibility.

Structural improvements

A structural assessment was undertaken by Sheer Force Engineering, a Victorian structural engineering company which has expertise in adaptive reuse and heritage buildings. The assessment was undertaken on the construction drawing set of the S-Type tower at Atherton Gardens drawn by W. P. Brown & Associates and generally dated 1963. As part of the structural assessment, three different scenarios were explored (OFFICE 2024: p. 59):

- Assessment of the building under earthquake loading equivalent to that of 33% of current design standards.
- Assessment of the building under earthquake loading requirements as outlined in current design standards (100% of design seismic load).

- Assessment of the building under earthquake loading requirements as outlined in current design standards, however, with the north and south façade concrete precast panels removed to allow installation of an apartment “extension” to facilitate increase in floor area per apartment.

The structural assessment identified both non-compliance within the existing building to the current code as well as strength deficiencies in the event of an earthquake. While these factors deem the existing building to be non-compliant through the retrofitting of bolted steel plates, the building can be made to comply.

General Non-Compliances with Current Code

Several construction elements within the existing building were deemed to be non-compliant when assessed against current codes. The scope of this assessed the S-Type building against current code requirements which include (OFFICE 2024: p. 59):

- NCC 2022 Volume 1 (for structural related elements)
- AS1170.0 :2002 – Structural Design Actions – General Principles
- AS1170.1 :2002 – Structural Design Actions – Permanent, Imposed, and other Actions
- AS1170.2 :2021 – Structural Design Actions – Wind
- AS1170.4 :2007 – Earthquake Actions in Australia
- AS3600 :2018 – Concrete Structures
- AS3826 :1998 – Strengthening Existing Buildings for Earthquake

Existing building non-compliances with current code: (OFFICE 2024: p. 60)

1. **Wall Reinforcement Spacing** - *the maximum allowable spacing of vertical and horizontal reinforcement within structural walls*. A number of existing walls are non-compliant as the vertical and horizontal reinforcement exceed the maximum distance.

2. **Minimum Wall Reinforcement Requirements** - *the minimum quantity of reinforcement required within structural walls.* While the majority of existing walls meet the minimum quantity of structural reinforcement, a few do not. It is worth noting that the few that are non-compliant are also the lesser load-bearing walls as opposed to the principal load-bearing walls of which all pass.

3. **Minimum Dowel Bar Requirements** - *the minimum requirements for dowel connection of prefabricated structural walls.* The base connection for the majority of the pre-cast panels (both the principal load-bearing panels and the secondary load-bearing panels) relies on a half inch embedment (12.7 mm) of the base of the panel into the wet-stich grout connection of the prefabricated wall panels, without the inclusion of reinforcement ties/dowels. This detail does not satisfy code compliance.

Existing building Strength Compliance: (OFFICE 2024: p. 60)

1. **Typical Slab Assessment:** The typical slab structure has been assessed given the required design loading and proportions which have been provided within the structural documentation and summarised within this report. The typical slab/floor arrangement was generally found to be adequate and code compliant with current design standards. This includes the assessment for removal of the north and south façade pre-cast panels and installation of the apartment extension.

2. **Wind Assessment:** The assessment indicates that the building is structurally adequate under wind loading conditions when assessed based on current code requirements.

Existing building Strength Deficiencies: (OFFICE 2024: p. 60)

1. **Seismic Loading:** Design deficiencies were observed with wall strength in both tension and shear action for seismic loading conditions, Figure 3. This was the case for both the 30% load application and 100% load application.

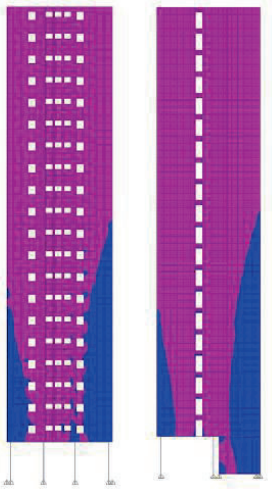

Figure 3. Elevation of the westmost primary load-bearing wall (Left) and the next internal wall immediately to the east (Right). This indicates locations where the walls are overstressed based on seismic loading conditions (blue shaded area). Image by Sheer Force Engineering. Source (OFFICE 2024: p. 61).

Rectification

These identified deficiencies can be rectified through installation of steel plate reinforcing retrofitted to the faces of the concrete shear walls, Figure 4. Through the introduction of these plates the design proposal can achieve 100% compliance with current building code (OFFICE 2024: p. 61).

To achieve the minimum connection requirements from wall to wall, it is proposed that a short length of steel plate be provided either side of the pre-cast panel which are connected to the panel by bolts. The steel plates are to continue from the top of one panel through the slab immediately above and connect to the base of the panel above (OFFICE 2024: p. 61).

There are also several locations where horizontal plate strengthening and continuous vertical plates are required due to insufficient shear capacity of the walls themselves (OFFICE 2024: p. 61).

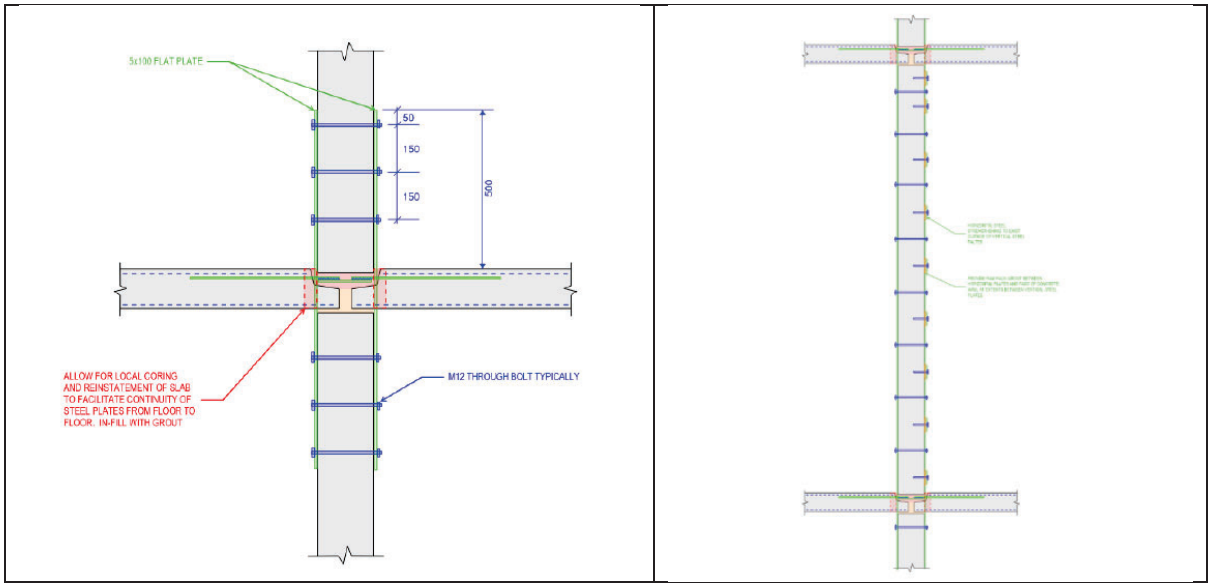

Figure 4. Proposed structural connection detail to make the building compliant with seismic requirements. Image by Sheer Force Engineering. Source (OFFICE 2024: p. 61).

Carbon Fibre Strengthening

In addition to steel plate insulation, carbon fibre reinforcement offers an alternative solution, Figure 5. Carbon fibre strengthening has gained popularity over recent decades, often matching or exceeding the performance of traditional steel plate strengthening. While the placement of the reinforcement remains similar, installation time may decrease since bolting to concrete walls is not necessary. Carbon fibre strands are arranged in both directions to provide vertical tension and horizontal shear capacity. Due to the specialised nature of these systems, qualified operators experienced in carbon fibre strengthening for concrete shear walls should be involved in the design and installation (OFFICE 2024: p. 62).

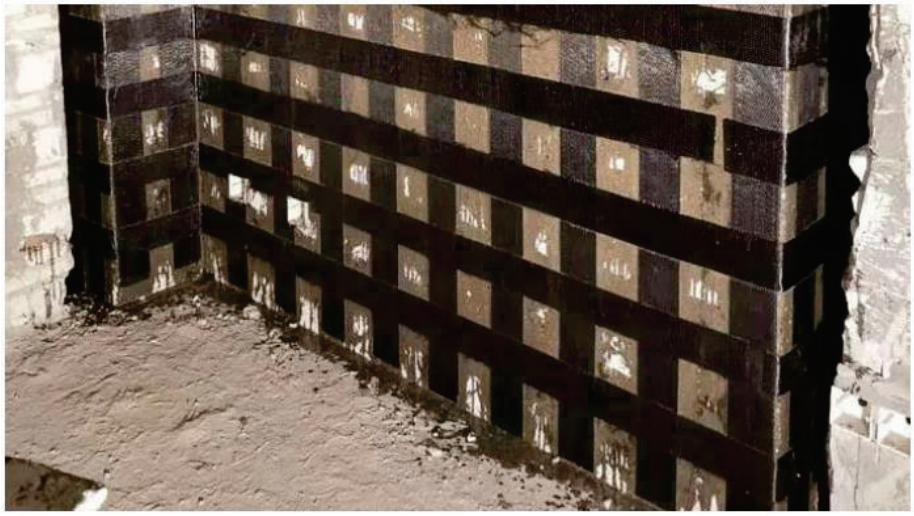

Figure 5. Example image of a concrete shear wall strengthened through the introduction of carbon fibre reinforcing in both vertical and horizonal directions. Image by Sheer Force Engineering. Source (OFFICE 2024: p. 62).

Concrete Cancer

Concrete cancer occurs when the steel reinforcement within a concrete slab starts to rust. As the steel corrodes, it expands, pushing against the surrounding concrete. This leads to the concrete becoming brittle and cracking, which worsens the problem. Due to the efficiency in material usage the external walls of the high-rise towers range from 178 mm for Levels 1-5 to 150 mm for Levels 6 and +. This leaves the steel reinforcement susceptible to moisture and rusting. While there are no publicly available reports detailing concrete cancer as an issue or justification for demolition, engineer consultants identified this as a potential issue. This can be addressed by rectification works undertaken on the affected panels, with over cladding becoming an option to panels which require further weather protection (OFFICE 2024: p. 62).

Retrofit Scenarios for a 20 Storeys Tower at Atherton Gardens, Fitzroy

The Atherton Gardens Estate, Fitzroy, has four public housing towers of 20 storeys height, each containing around 200 dwellings (Appendix A). Barnett and colleagues (2025) considered three scenarios, for renewing one of the 20 Storeys Towers at Atherton Gardens, Fitzroy, Table 6. The two retrofitting cases show that costs can be substantially reduced compared to Demolish & Rebuild, by $41 m or 30% for case 2, and by $35 m or 25% for case 3, Table 6. Further, there are a range of advantages for retrofitting the 20 Storeys Tower at Atherton Gardens, in construction and operation, Table 7.

Table 6 Summary of three scenarios for renewing one of the 20 Storeys Towers at Atherton Gardens, Fitzroy

Case number	Description	Summary	Estimated capital costs
Case 1	Demolish & Rebuild, the Government's planned approach.	Demolish and rebuild an equivalent building to current standards, minimum compliance (equivalent to current new social housing construction approach).	$140 m
Case 2	Retrofit: Minimal Intervention for Building Code compliance.	Externally: provide seismic strengthening, provide new insulated thermal layer to existing precast facade. Internally: refurbish building and bring up to current regulatory standards, while maximising environmental initiatives that would reduce operational costs for residents. This scenario would meet the requirements of current market housing.	$99 m, a saving of 30% compared to Case 1.
Case 3	Retrofit: Upgraded Intervention to meet requirements of social housing standards.	As per Case 2, but adding fully new external bracing facades with balconies for each apartment. This scenario would meet the requirements of current social housing.	$105 m, a saving of 25% compared to Case 1.

Information source (Barnett et al 2025: p. 7).

Table 7 Advantages of retrofitting the 20-Storey Tower at Atherton Gardens in construction and operation

	Construction				Operation	
Case	**Capital costs>** **($m)**	**Total Embodied Carbon‡ (tCO_2)**	**Construction time (months)**	**Community impact**	**Operating costs†** **(per year)**	**Operational carbon (t per year)**
Case 1	140	47,000	25	All tenants move out and are relocated	$770,000	1,700
Case 2	99 (-30%)	30,000 (-34%)	20 (-20%)	Staged resident relocation<	$250,000 (-70%)	270 (-84%)
Case 3	105 (-25%)	31,000 (-35%)	22 (-12%)	Staged resident relocation<	$250,000 (-70%)	270 (-84%)

>, Types of capital costs, common to all: demolition, structure, building envelope and roof, internal walls, internal finishes, services; only Cases 2 and 3: Heat Recovery Ventilation (HRV) and airtightness, greywater, rooftop PV solar 80%, Domestic Hot Water (DHW) Heat pump. ‡, Sources: site works, services, internal finishes, envelope and roof, structure, and foundation. <, Staged resident relocation possible floor by floor in sync with works. †, Services: energy, water, sewerage, and waste. Information source (Barnett et al 2025: p. 7).

Total costs over 40 years for renewing the 44 public housing towers by scenario

The total costs over 40 years, as the current period of government land lease contracts for public housing renewal, for each project involving the demolition of the 44 public housing towers, and rebuild, were estimated by scenario, Table 8. The assessment used data from Barnett and colleagues (2025), for capital and annual service costs, Table 7, and from Kelly and colleagues (2023) for GLM service payments, Table 4.

Table 8 Total costs over 40 years for renewing the 44 public housing towers†, by scenario

Case	Estimated construction costs ($m)	Operating costs over 40 years ($m)	Service payments over 40 years ($m)	Total costs over 40 years ($m)	Savings compared to Case 1 ($m)	(%)
1	4,919	1,082	15,201	21,202	-	
2	3,478	351	-	3,830	+17,373	81.9
3	3,689	351	-	4,041	+17,162	80.9

†, The 44 towers contain a total of 7,027 dwellings (Appendix A).

For renewing the 44 public housing towers, the standard renewal case 1, as planned by the government, with the Ground Lease Model, is substantially more expensive than the retrofit cases 2 and 3, by about $17 billion over 40 years for each project, and therefore a huge waste of taxpayers' money, Table 8. Also, given that the projects are grouped to start in different years, the total costs will be spread over the time to when all projects have been completed, perhaps around 65 years. Nevertheless, the retrofit cases 2 and 3 remain substantially cheaper than the standard renewal case 1, as planned by the government, with proportional savings of 81.9 percent and 80.9 percent, respectively, Table 8.

Public Private Partnerships

GLM projects are delivered as part of a Public-Private Partnership between the Project Co and the Department. The PPP investment project is viewed as the preferred delivery/funding model due to (OFFICE 2022):

- Retention of government land for intergenerational benefit
- Provides fixed price certainty over both capital and operating costs for 40 years for each contract
- Provides a (now) proven platform to effectively leverage large scale institution investment and low-cost financing into social housing
- Private rents subsidise the cost of delivering social housing
- Asset management including lifecycle asset replacement works, tenancy management and social landlord services must be delivered up to a prescribed standard. If these are not met, service payments will be abated.
- Higher level of social-private integration
- Builds capacity in the community housing sector

The report by OFFICE (2022) questions the necessity of the PPP model, by illustrating the cost-saving potential through direct government investment, and the disbenefits of the current approach. Nevertheless, one element of the PPP that the RRR proposal addresses, is the Partnership Victoria requirement for meeting Victoria's Value Creation and Capture Framework (Victorian Government 2017).

Legal issues

The Social Housing Regulation Review, which the government commissioned in November 2020, exposed the inadequate regulatory framework and outdated, unsuitable legislation under which the PHRP and BHB procurement programs have been undertaken, firstly with its Interim Report (Review Panel 2021), in which it highlighted, amongst other issues for immediate or urgent action (Review Panel 2021: p. 79):

Augment the regulator's powers to enable effective regulation of special purpose vehicles and any other novel forms of partnerships or joint ventures involving registered agencies and/or Homes Victoria including by:

- Giving the regulator full visibility of all legal arrangements involving registered social housing providers and joint venture partners (however structured).
- Providing for the publication of minutes of meetings of boards of all registered entities.
- Introducing specific requirements for reporting and disclosures of any related entity transactions, multiple entity directorships and senior management appointments and disclosures of conflicts of interest.

The problem being that community housing organisations are becoming involved in multi-party special purpose vehicles (SPVs), which enable for-profit businesses to access funds and become involved in not-for-profit housing beyond the traditional roles played by the private sector in housing construction and lending (Review Panel 2021: p. 79).

The introduction of for-profit entities and new entrants in the sector as SPV participants, and the upscaling of development activity, may pose risks in relation to service delivery and tenant outcomes, financial stability, governance and probity and reputation risks to the sector if things go wrong. There are examples from overseas jurisdictions where the involvement of for-profit partners and/or a relaxation of regulatory scrutiny of providers' investment activities have resulted in poor outcomes for tenants and the social housing sector. The current regulatory regime was not designed with these arrangements in mind (Review Panel 2021: p. 79).

In future, Homes Victoria could seek to enter arrangements with private sector entities to provide social housing either directly or through separate legal entities. Should this occur, it is essential that the regulator has oversight of these arrangements, and the providers are subject to the regulatory regime. These multi-party arrangements may endure for decades, and it is important to ensure that there is no incentive or opportunity for any party to achieve gains by devaluing the assets and standard of services to tenants over time (Review Panel 2021: p. 79).

There is a risk that the creation of complex arrangements and integrated financing techniques could potentially be used to avoid the impact of regulatory measures, conceal the true financial position of the parties, or avoid liability to creditors and others. There is a risk that SPVs could be merely 'shell' entities designed primarily to secure benefits for organisations that are not registered housing agencies leaving the regulator unable to confidently exercise its regulatory powers to protect the interests of tenants or creditors (Review Panel 2021: p. 80).

Secondly, in its Final Report to government (Review Panel 2022), the Review Panel argued for the need to update the Housing Act 1983 and reform the legislative responsibilities framework with the establishment of a truly government-independent social and affordable housing regulator, not subject to broad powers of Departmental or Ministerial direction and control, and with an expertise-based board, and subject to administrative and judicial review of significant regulatory decisions and public accountability.

Given that government took two years and seven months to publish the Final Report with its Response (Victorian Government 2024), it seems that the Review's final recommendations have not found much favour in the government, due to its favouritism of developers and other for-profit companies, under the government's Neoliberalism ideology (Rouch 2024). So, the recommendation for an independent social and affordable housing regulator has only been graded as under consideration, perhaps to be approved sometime in the future, once further major issues have been publicised.

To do better

The opportunities for optimising the impacts of renewal across all 44 public housing towers, based on the retrofit case 3, are (Barnett et al 2025: p. 22):

- ~$1.5 Billion reduction in capital cost (-25%)
- ~$22 Million per annum reduction in operating costs (-70%)
- ~10,000 residents' homes are restored and more accommodated from the VHR
- 62,920 tonnes per annum reduction in operational carbon (-84%)
- 748,000 tCO_2 reduction in embodied carbon (-36%)

Retain, Repair, Reinvest & Retrofit are similar strategies for evaluating the refurbishment potential of existing public housing stock both locally and nationally. It is the intention of OFFICE that this type of strategy be undertaken on other housing estates - particularly the 44 high-rise towers - to accurately determine the viability of refurbishment rather than demolition and rebuild (OFFICE 2024: p. 89).

As the 2017 VAGO maintenance report highlighted, public housing estates in Victoria require extensive refurbishment and upgrades to improve conditions for residents. While the government is currently following the approach of demolition, this Retain, Repair, Reinvest strategy offers an alternative strategy. By conducting publicly available feasibility studies into these sites significant social impact and environmental damage can be avoided - as well as financial savings made (OFFICE 2024: p. 89).

OFFICE suggested that future renewal feasibility studies not only include a cost-benefit analysis through a real-estate model, but also capture (OFFICE 2024: p. 89):

- The full costs of relocation
- Social impact on residents
- Environmental impact of demolition
- Other site-specific elements

Conclusions and recommendations

For renewing the 44 public housing towers, three scenarios have been assessed; case 1, Demolish & Rebuild, the Government's planned approach; case 2, Retrofit: Minimal Intervention for Building Code compliance; case 3, Retrofit: Upgraded Intervention to meet requirements of social housing standards. Results indicate that the standard renewal case 1, as planned by the government, with the Ground Lease Model, is substantially more expensive than the retrofitting cases 2 and 3, by about $17 billion over the 40 years of each demolition and rebuild, and therefore a huge waste of taxpayers' money. Demolition and temporary relocation costs are part of these redevelopment costs, with the latter substantial in the case of the Abbotsford St, North Melbourne, PHRP project.

The Government's plan also continues the process of Homes Victoria transforming itself into a huge subsidiser of community housing providers and private investors, accompanied by loss of current public housing rent revenue putting at risk its capacity to maintain other public housing across the state.

Designed and built in a time of post-war modernist vision and social aims, Melbourne's 44 public housing towers were constructed between 1960 and 1975 and comprised 7,027 apartments (Table A4, Appendix A), ranging from 27 m^2 bedsits to 96 m^2 three-bedroom units. Located on 21 estates, the towers provide homes for some of our most vulnerable populations (low-income, elderly, sick). In 1975 there were 47 towers that collectively could house 5,439 families and 2,391 individuals, or approximately 24,000 people (Executive Director 2024: pp. 13-14).

Three towers have been demolished in the past in Flemington and Kensington and if the Elgin and Nicholson Sts, Carlton towers are retained and refurbished, we estimate that the current units' capacity based on the household compositions of residents when they were completed, could be up to 22,000 adults and children or twice the 11,000 that the government plan is planning to accommodate in community housing. These numbers add significantly to the value of refurbishment over demolition.

The government's statement that only 10,000 people were living in the 44 towers at the time of its announcement needs to be dismissed, unless there were a significant number of vacant units. Our estimate is- if household compositions were the same as the current VHR waiting list- up to 13,000 people were accommodated. The 10,000 number seems to have been used to limit the government's commitment to create community housing for only 11,000.

The most cost-effective way to increase the supply of housing for people on low and very low incomes is to build public housing on public land at the greatest yields possible (Lawson et al 2018). No other model stands to address the housing crisis in as urgent or appreciable manner as required. Further, and as demonstrated by the *Retain, Repair, Reinvest* study (OFFICE 2022), viable alternatives exist to the current approach of estate renewal via demolition and redevelopment through public–private partnerships. State governments have a mandated responsibility for the direct provision of housing in Australia (Kelly et al 2023: p. 10).

At a time of intense housing crisis, it is completely appropriate for government to plan, construct and maintain public housing, without non-government partners. Indeed, models of public–private partnership have been abandoned as unfit and inappropriate public policy in the UK (Booth 2018).

Retain, Repair, Reinvest is the most effective method for the direct and expedited supply of housing for people in housing need and represents the best value for money. Based on analysis, and the findings of international studies and models, it is recommended that:

1) Existing public housing stock is provided with sustained and appropriate investment in maintenance and routine upgrade;
2) Feasibility studies for retention, repair and reinvestment are undertaken for all existing estates targeted for renewal;
3) A ban is placed on public–private partnerships for social housing projects.

Further, the recommendation for an independent social and affordable housing regulator (Review Panel 2021: p. 79) should be approved by the government as soon as possible, to minimise the risk of any housing renewal party to achieve gains by devaluing the assets and standard of services to tenants.

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Appendix A List of public housing towers

Public housing towers listed by division: Western, North, and South.

Table A1 Public housing towers demolition list: Western Division

Division & suburb	Address	Year Built	Number of households	Shape	No. storeys	Comment
Western Division						
Carlton	20 Elgin Street	1966-68	98	I	16	Redevelopment by 2028
	141 Nicholson Street	1966-68	98	I	16	Redevelopment by 2028
	480 Lygon Street	1965-67	178	S	20	
	510 Lygon Street	1965-67	177	Y	20	
	530 Lygon Street	1965-67	148	T	12	
	478 Drummond Street (140 Neil Street)	1965-67	178	S	20	
Flemington	29 Crown Street	1973	98	I	13	
	12 Holland Court	1965	178	S	20	Redevelopment by 2031
	120 Racecourse Road	1967-69	174	S	20	Redevelopment by 2031
	130 Racecourse Road	1967-69	180	S	20	
	126 Racecourse Road	1967-69	173	S	20	
Footscray	127 Gordon Street	1972	168	T	12	
Kensington	94 Ormond Street	1968-70	95	I	12	
	56 Derby Street	1968-70	105	L	12	
North Melbourne	12 Sutton Street	1966-69	179	S	20	
	33 Alfred Street	1966-69	149	Y	12	Redevelopment by 2031
	159 Melrose Street	1966-69	138	T	12	
	76 Canning Street	1963	155	C	20	
Williamstown	235 Nelson Place	1967	98	S	12	
	63 Hamner Street	1972	117	I	12	

Table A2 Public housing towers demolition list: North Division

Division & suburb	Address	Year Built	Number of households	Shape	No. storeys	Comment
North Division						
Brunswick	351 Barkly Street	1971	216	I	12	
Collingwood	240 Wellington Street	1971	193	S	20	
	253 Hoddle Street	1971	176	S	20	
	229 Hoddle Street	1971	177	S	20	
Fitzroy	125 Napier Street	1971	196	S	20	
	140 Brunswick Street	1971	197	S	20	
	90 Brunswick Street	1971	199	S	20	
	95 Napier Street	1971	198	S	20	
Northcote	1 Holmes Street	1971	139	S	12	
Richmond	106 Elizabeth Street	1973	197	S	20	
	108 Elizabeth Street	1973	199	S	20	
	110 Elizabeth Street	1973	198	S	20	
	112 Elizabeth Street	1973	201	S	20	
	139 Highett Street	1973	220	S	21	Redevelopment by 2032

Table A3 Public housing towers demolition list: South Division

Division & suburb	Address	Year Built	Number of households	Shape	No. storeys	Comment
South Division						
Albert Park	150 Victoria Avenue	1967	97	I	12	
South Melbourne	332 Park Street	1969	297	C	30	
	200 Dorcas Street	1961-62	119	I	16	
South Yarra	1 Surrey Road	1965-68	107	S	12	
	2 Simmons Street	1965-68	144	Y	12	
	259 Malvern Road	1965-68	144	Y	12	Redevelopment by 2032
Prahran	25 King Street	1974-5	120	T	12	
	27 King Street	1974-5	126	T	12	
St Kilda	150 Inkerman Street	1966	140	T	12	
Windsor	49 Union Street	1966	143	S	12	

Table A4 Sub-totals and total numbers of dwellings in public housing towers

Division	Number of dwellings
Western Division	2,884
North Division	2,706
South Division	1,437
Total	**7,027**

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