

PROOF VERSION ONLY

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into the Supply of Homes in Regional Victoria

Ballarat – Thursday 8 May 2025

MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Wayne Farnham

Martha Haylett

David Hodgett

**Necessary corrections to be notified to
executive officer of committee**

WITNESSES

Dan McKenna, Chief Executive Officer, and

Robert Pradolin, Executive Director, Housing All Australians.

The CHAIR: Good morning. Welcome to Ballarat. Thank you for joining us today at this public hearing for the Inquiry into the Supply of Homes in Regional Victoria. On behalf of the committee I want to acknowledge that we meet on the lands of the Wadawurrung people and pay my respects to elders past and present and extend those respects to any First Nations people who may be joining us today or may be tuning in. We pay our respects to them, their culture and their elders past and present. I just want to say that Wadawurrung country is where I get to live, and I am so proud to live on Wadawurrung country. I also extend a welcome to any members of the public and the media who are watching today.

I am very pleased to be here in Ballarat exploring how the government can support regional communities to build the houses that they need, to attract new residents required to remain vibrant and productive and to ensure existing residents can age in place. I know that Ballarat is a great place to live and work in. Expanding the right mix of affordable and diverse housing options is essential to the future of my community.

Now I will just run through some important formalities before we begin our hearing. All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means that you can speak freely without fear of legal action in relation to the evidence you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing, even if you are restating what you said during the hearing.

You will receive a draft transcript of your evidence in the next week or so to check. Corrected transcripts are published on the committee's website and may be quoted from in our final report.

Thank you for making the time to meet with the committee today. May I introduce the Deputy Chair Martin Cameron.

Martin CAMERON: Robert and Dan – Martin Cameron. I am the Member for Morwell, so down in the Latrobe Valley, Traralgon, Moe and Morwell area.

Jordan CRUGNALE: Jordan Crugnale, the Member for Bass, over on the Western Port side of the state.

Wayne FARNHAM: Wayne Farnham, Member for Narracan. I represent the West Gippsland region.

The CHAIR: And joining us online we have Daniela De Martino. Would you introduce yourself, please, Daniela.

Daniela DE MARTINO: Hi there. Daniela De Martino. I am the Member for Monbulk, which covers the Dandenong Ranges and foothills.

The CHAIR: Thank you. Can you please state your full names and titles before we begin.

Robert PRADOLIN: My name is Robert Pradolin, Executive Director of Housing All Australians and former property developer.

The CHAIR: Fantastic. Thank you for being here today.

Dan McKENNA: And I am Dan McKenna, CEO of Housing All Australians.

The CHAIR: Excellent. We are really looking forward to having a chat with you about the role that you play and giving you the opportunity to answer questions. We thank you for the submission that you have put in. We are not going to do opening statements today. I am just wondering, Daniela, because you are online, whether there is anything that you would like to kick off with in terms of a question.

Daniela DE MARTINO: I would like to start just by asking: how developed is the PRADS model at this point in time? How long has it been in effect? How developed do you see it?

Dan McKENNA: We have been engaging a whole lot of different stakeholders for the last couple of years probably. We are working with PEXA as the key driver behind building out this register. We have talked to local governments and state governments. We are talking to the federal government at the moment. There is a lot of enthusiasm and support behind building this out. We have been talking to the state government of Tasmania. So yes, I think people fully understand the need for this and how this can actually break open the focus on the CHP industry as the sole solution to the housing crisis. I think for us it is even more heightened in regional areas, where there is not so much of a presence for CHPs and there are real estate agents and there is investment. I guess it is trying to pull that all together to do it across the country.

Robert PRADOLIN: Yes. Maybe if I could provide a bit more granularity to it. I am a former property developer. When I was running Frasers – my whole career has been in property – we used NRAS. I am sure you have come across that term before. We used it to sell property to the market, but we had to do it on one condition, because we had to mitigate sales risk, and whether we like it or not, there is a perception of this. So we had to be the property manager, and we managed NRAS very, very successfully. The PRADS model is based on the NRAS governance structure, but it was very clinical – analog; it was really clumsy. Assume that governance structure – fully digitalised with the register. Now what that allows a developer to do is if we negotiate with councils – because, again, the term that we are now using is compassionate capitalism. We still care about community even though we run in a capitalist society – it does not mean we do not care. So let us work collaboratively. If you give additional density to a development that is over the feasibility, that adds additional value to the land. That additional value then becomes the subsidy. That gets locked into how many affordable homes you want to try and deliver based on that subsidy. We lock it in with a restrictive covenant. We can sell it to someone in Timbuktu, and you will always be monitored to ensure that those obligations that were established are there for the life of that commitment. You have just unlocked private sector investment for affordable housing for key workers.

You asked the question, and Dan has part answered it – I have been having very deep discussions with the federal government, and before the election result they confirmed with me that I can say, ‘We’ve been in great discussions with the federal Treasurer’s office, the federal housing minister’s office. They warmly embrace the register, and they wish to continue discussing with us should they get elected.’ Now we know the result. We are just waiting for the portfolios to be issued, and hopefully it is the same minister so we can continue those discussions. So I think we are at a very close tipping point. We had an article in the *Age* just a couple of days ago on page 3. I think it is going to end up happening next year, but it must be in collaboration.

Dan mentioned regional Victoria, and this is regional Australia. Community housing providers are the salt of the earth, but this issue is so big we cannot rely on a niche market. You may or may not know that there was a report done by the federal government in 2021, during the Morrison government, which quantified the shortfall of social and affordable housing across the country as \$290 billion over the next 20 years. That is 44,500 homes built every year for 20 years. HAFF is aspiring to build 11,000 homes for the next five years. Where are the other 33,000 going to come from? We have allowed homelessness, which is the canary in the coalmine to a much bigger issue in the housing continuum, to become normalised. If we do not fix affordable housing at the key worker end, homelessness is going to continue to increase. That will have economic impacts as well as social impacts, and the concern as a father is in 30 years time it will be unsafe walking down the street because of the desperation within society.

As a former property developer and as a proud, compassionate capitalist, this is something that we said the other day to the inquiry on planning, if I can reference that a little bit – and we are agnostic politically, so I do not even know which side either of you are on. But what the Liberal Party was saying to that inquiry I heard the Labor Party say in exactly the same words 11 years earlier. Why do you have to wait 11 years to learn again and realise the desperation? This has to be bipartisan. We have to be looking to the future and saying, ‘Unless we solve this fundamental piece of infrastructure, we are not leaving our grandchildren with the society that we want them to have.’ And yes, you can argue about the essence of it, but on the fundamental principle we have to both agree, because otherwise we will never solve this problem.

The CHAIR: Thank you for that answer. Deputy Chair, would you like to ask a question?

Martin CAMERON: Just elaborating on that a little bit, Robert, obviously you are talking to the federal government and you are talking to regional Victorians. Is it the same right around regional Australia, or are

there different pockets? Who is in front? Who is leading the pack? Who is doing it the best? Or are we all at that same level and at that tipping point?

Robert PRADOLIN: We are all at that same level. We are still sitting inside the box. Everyone's affordable housing strategy is very, very similar. We talk about supply. Yes, all that stuff is important, but we need to push ourselves outside the box a bit to try, a little bit, different solutions. Some of these things that have been brought home – tourism south-east, which represents the tourism industry in the alpine regions, did a survey looking for key workers. The survey resulted in something that I thought was extraordinary, and this is really a trend that has been developing. To attract key workers in alpine areas, and I think this applies across the whole country: 91 per cent of the survey respondents said they will take a job if it comes with a house. Otherwise, they are not going to come. These things take a long lead time to get to that position, and it is going to take a long lead time to come out. There is no short-term fix.

One of the things that we are advocating for as a separate part of the policy, which is across the country, is that while we build these houses our country needs, there are so many empty buildings that are sitting, waiting for their next development life. We should use them as short-term shelter while we build the houses our country needs. We are doing this across the country; we started off in WA, and we have done about five projects in Victoria with Mirvac, Metricon and Henley. We are now doing it in Queensland with Queensland Rail. They have got empty houses there during a housing crisis. We are now refurbishing them for Churches of Christ. We have done it in Tasmania and we are now doing it in New South Wales, all through compassionate capitalism.

We will never solve this problem as a pro bono exercise, but it shows that the private sector cares. This issue is so big. This is not an issue for government to solve alone. This is a community problem, and that includes business. So yes, this is across the country, and I do not see a short-term solution, so let us not pretend there is one. Let us get together and work out a long-term solution on behalf of our grandchildren.

The CHAIR: Wayne, did you have a question?

Wayne FARNHAM: Sure. Thank you for coming in today. How has the response been from local government at a local government level, because through our journey on this inquiry we have heard some councils are good, some councils are bad. How are you finding local councils at the moment?

Robert PRADOLIN: I have the view – and I have been doing this for a long time, and obviously we have now got Dan as a CEO, so I am trying to hand over – that Australians, when they understand the issue and they are brought along on the journey, they actually understand it. I recall a presentation I did to a group of councils in the south-east of Melbourne. I sat down and explained how the developer's process actually works and the time it takes. And I recall this distinct moment when a council said, 'Oh, the penny's just dropped. I didn't understand that.' Yet we are making decisions based on our conditioning, our background et cetera, et cetera.

Everyone lives in a house – or generally – so they think they are an expert in housing. It is a very complicated ecosystem, and unless you get right the levers, it gets confusing. But getting back to your question, the Municipal Association of Victoria support the model and the register, and we are still in discussions. We met with them maybe two months ago just to bring them up to speed. So look, I think it is a matter of bringing people on the journey with us. And generally I think people understand that this is not an issue for us; it is an issue for our grandkids, so what are we going to do about it? Collaboration. The councils that we have been talking to were very responsive once they were actually brought on that journey. Our task is to share that information.

The CHAIR: Can I just follow up. We have got three councils coming in this afternoon. We were with Castlemaine yesterday and we were with Horsham on Monday. What types of questions should we be asking of our local councils as a committee? Are there questions that you could help us with in terms of –

Robert PRADOLIN: Funny you should ask that, because we are working with Macedon council. I live in Macedon, and we have been working with them, going through the general issues. There are businesses in Macedon that had to buy apartments for their workers to reside in so they can actually service community.

The CHAIR: And we have heard that in Ararat as well.

Robert PRADOLIN: Well, you know the Daylesford cafe bought the old aged care facility there to house workers. A Sorrento hotel had to buy an aged care facility to build low-cost accommodation for workers. This is a business problem. In terms of Macedon you can ask Rob Ball, because I asked him the other day. I said, 'Look, we're appearing at the same hearing. Can we say that we are talking together?' He said yes. We are in discussions, because we think every local government area should understand its business, the economic needs of that business and the income profile that they need to attract workers, because using technology, every local government area can have an income band specific to the workforce that it needs. We do not need to have two income bands, one for the cities and one for region specific, but you need to understand the demographics and all the data. It is all about data. And the lack of data across the country in this area is really appalling, which is another reason why the federal government is interested in starting something, because it starts to capture that data. We are doing this in the national interest because we have to step outside the box. So the question is, 'Tell me about your future work with Housing All Australians and the register.' Lenka Thompson, who was involved with Macedon Ranges, is here for one of the other councils – I have given her a bit of a heads-up, so you can ask her as well. It is a matter of collaboration. And I think – Dan, you may have a view here, because I do not want to hog the microphone like you – it is all about collaboration, learning together and doing this journey together. That is the key part of it, I think. Do you want to add something, Dan?

Dan McKENNA: No. Rob has been doing this for a bit longer than I have so has a bit more context. But I come from a property development background as well. I have delivered projects in Ballarat. I understand the differing needs of the regions and the cities. Also, painting the brush of regional Australia and regional Victoria – it is very, very different and there are very, very different needs. So that is what is exciting for us: the specificity that we can build into the technology. Different councils have different needs, and different industries are in different parts of the world. You know, dairy industries and things like that have different needs at different times. So I think that is probably our biggest message: the power of building this in such a way that it can continue to grow and service what we all understand we need to do.

Robert PRADOLIN: And you prompted me about something which you may or may not be aware of. Have you heard of the Gardiner Foundation?

The CHAIR: No. I do not know the Gardiner Foundation.

Robert PRADOLIN: They look after the dairy industry. They have only just recently gone out with an expression of interest for innovation around providing key worker housing for the entire dairy industry in Victoria, because they cannot get workers without a house. That has only just gone out in the last couple of weeks. Again, sometimes all these initiatives are done in a sort of separate silo, and sometimes you need to actually bring them together and say, 'How do you collaborate?' The state government is involved, but just because the state government is involved does not mean that you know about it, because the state government is quite big. But this is a collective problem that has taken them outside, saying, 'We have to do something for our dairy industry, otherwise we're going to be stuffed.' And you could put that across every industry.

The CHAIR: Excellent. Jordan.

Jordan CRUGNALE: Just further on from the council – and thank you so much for coming along today – I am keen on the feedback that the model has with financial institutions as well and potentially also the superannuation industry coming into the fold.

Robert PRADOLIN: I will let Dan start that, and then I will fill in the background.

Jordan CRUGNALE: All right. Thank you.

Dan McKENNA: We have engaged heavily with the banking industry as well to bring them on the journey, help them understand this and get buy-in. I think, as Rob was alluding to, we understand that this is not something government can solve financially – it is just too big a scale – so we need them to understand that. And then, turning to the mum-and-dad investors or more institutional investors, building it in such a way that there is still that self-interest for people to want to invest in the model – we cannot just expect goodwill and good intentions to get us out of this. I think we need to frame it in such a way that it is still a good investment for people to back, whilst there is still social good coming out of it. I think that is probably the feedback that we have been trying to pull and build out.

Robert PRADOLIN: And getting to more specifics, you would have seen a letter from Commonwealth Bank in that pack. They support the register. We have had discussion with National Australia Bank, and we have also had recent discussion with Bendigo and Adelaide Bank private, which is the franchise of Bendigo and Adelaide Bank. They are financially supporting us to actually pursue our mission. It is all about getting the banking system in a situation where they support these sorts of initiatives and a new asset class. We also had a meeting with Anna Bligh on behalf of the Australian Banking Association. We are now coming back to her because she wants us to present to the broader banking group – again, key stakeholder. When you get all the key stakeholders online and get them to understand what we are trying to do, mitigate their risks, then you get everyone on board. This is why it has taken a long time to get all the stakeholders that you have probably seen in those letters. It takes a long time to bring people on the journey. And we have got broad industry support, as you would have seen. National Shelter is also on board with the principle because this is a collective problem.

Jordan CRUGNALE: And are there examples of similar PRADS models or developments in the world, you know, outside of Australia?

Robert PRADOLIN: From what PEXA tell us, this is a global first. So how about we get out and try and do something? Yes, they said they do not think there is anything like this around from their investigations.

Martha HAYLETT: Can I ask you both what your opinions are on more mandated inclusionary zoning? Because obviously you are talking about good-faith negotiations and you obviously hope that developers of all kinds will be operating in good faith in that way, but that is not always the case, as we know. The Victorian government explored inclusionary zoning in the past, and it was knocked back. Both of you, what are your thoughts on it? Is that possibly something that may work in rural and regional areas to really bake it into developments?

Robert PRADOLIN: I will let Dan come after me on this one here, because I was involved in those discussions 13 years ago. Some of my industry members may disagree with me, but I support the principle of inclusionary zoning – but you need to do it where it actually gets the value uplift, not further down the track, otherwise prices go up. And just that last time, 13 years ago, when it was discussed, when I think the Bracks and Brumby government would come in, I was one of the developers around the table when they said, ‘We’re going to bring in inclusionary zoning’, and there was the usual fist-banging on the table. Half an hour after that I said, ‘Stop. What happens if the government said they’ll introduce inclusionary zoning today but it will not take effect until 10 years from today? Who’s going to object?’ Not one, because they had not bought it yet.

It needs to come off the farm value and stay in the local government area that granted the rezoning. The windfall gains tax in principle makes sense based on that premise I have just discussed. One major flaw: it goes into consolidated revenue. It must stay in the local government area which granted that rezoning. If you are a councillor on that council, why would you rezone a piece of land to help the housing crisis when all the developers were going to say, ‘I’ll provide you a school or a road,’ but now it goes into consolidated revenue: ‘Sorry, I can’t do any of that.’ Understand where the money flows and where it needs to be held. So I support it, but give the industry time to buy it and factor it into what they purchase – otherwise upward pressure on price. Do you want to add something?

Dan McKENNA: Yes. I agree with Rob’s sentiment. I think in my experience – prior to this role I was the CEO of Nightingale Housing and so we did Nightingale Ballarat out here –

The CHAIR: We were there yesterday.

Dan McKENNA: Fantastic. Great. I should go and say hi.

The CHAIR: Joe is coming in later today.

Dan McKENNA: Yes. I texted him when I was here. But yes, we imposed on ourselves a 20 per cent inclusionary zoning, 20 per cent CHP allocation. We started that in 2015, 2016. We wanted to show what was possible, and we did that in Nightingale Ballarat. But as economic conditions changed in 2021, 2022, 2023 it became more and more impossible to make that stack up, because essentially the 80 per cent of to-market sales were cross-subsidising the 20 per cent. That was it. There was no government involvement other than the operational costs through the housing providers, and so it was more and more difficult to justify the 80 per cent,

just pushing that up and up and up. I think if there is time for the whole industry to respond to that – but my lived experience is, yes, it just pushes up everybody else's prices to justify that.

Martha HAYLETT: Thank you.

The CHAIR: Drawing on the experience you have had over many decades or more recently, what advice do you have for the Victorian government? What are the priority initiatives that you would really like to see in place in the short term to solve this long-term problem?

Robert PRADOLIN: Okay, I am going to put my little bit of a wish list –

The CHAIR: Yes, please do.

Robert PRADOLIN: I think part of being a developer is you have to read the market. My read of the market here is Australians, not only Victorians, are looking for what I call true leadership in this area. The first thing is: encourage the opposition, whoever that opposition is, to come in and talk together about the long-term issues that we are facing – and realise it is a long-term problem to solve. If the register has got merit – as Dan said, he is in discussion with Tasmania, and the reason why Dan is is because I am on the board of Homes Tasmania, so I have got to stay one step removed. But we are about to discuss this with a whole range of state governments. Come on board and support the register's development. In my discussion with the federal government they say, 'Yes, we like the register, but where are the states in this? Because they're the ones with the planning powers.' This is why you do not want to make it a chicken and egg; you want to make it a collective solution. If we think it has merits, it means everyone has to play their part collectively.

Part of the reason for one national register is that the industry wants one set of rules across the country. Let us not pretend, like politics does – 'If Queensland does this, we're going to do it better in Victoria.' Why don't we do it, say, as a country? Let us demonstrate what we can do to the world instead, collectively do it and start supporting it. Now, that in itself is not a solution, but as every government is finding, funding is a problem; how do you unlock it? The mum-and-dad investor that could be unlocked through this – as well as the super funds, because it is, again, two different classes – is a very important source of funding. My hope, if you think of it, is let us assume the register is available and it actually works, because I think Australians are very generous when it comes to helping others. If you go one step lower and fractionalise the ownership of key worker housing across the country, I think people will start donating to make these things happen – then it becomes a collective spirit.

I will touch on the election that we have just had. The thing that stuck in my mind is how civil both leaders were, how respectful they were, and that to me ingrains our values of compassion on both sides of politics. Use it to do something good for our grandkids is what I keep on referring back to. Step outside the comfort zone, and if an idea is worthy of exploration, do not die wondering. We had a strategy day yesterday, and as I said to the group, you need to push people slightly outside their comfort zone and make them feel slightly uncomfortable, because if you are not uncomfortable, nothing ever changes.

The CHAIR: Do you want to add anything to that, Dan?

Dan McKENNA: I do not think I can. I do not think I can top that.

The CHAIR: Daniela, we have got the last couple of minutes left. Is there anything that you would really like to ask?

Daniela DE MARTINO: I want to say thank you for coming in, because I launched straight into my question beforehand without doing so. This has been incredibly enlightening, I have got to say, and it has been great listening to you. I do not know if I have got a question which could flesh out more than you have already contributed, to be quite honest. There is a lot of food for thought, so thank you very much.

The CHAIR: Terrific. MPs in the room, anything further?

Wayne FARNHAM: Just in closing, it is interesting – in this inquiry we have heard a lot about windfall gains tax. We have heard a lot of developers and people say it is such a negative to unlock development. But you have taken a different approach – you are probably the first person that has actually said 'Yay' to windfall

gains tax. Because when we talk about affordability, we know that tax will get passed on down the line. So I am wondering why you have a different approach pretty well to anyone else we have heard.

Robert PRADOLIN: As I said, some people in my industry will not like what I am saying, but we need to look at it as the bigger picture. Maybe just to explain a little bit of the process: you have got the farmland, then you start to talk about rezoning it. Speculators start to come in and take gambles as to which property, and all of a sudden you have got a property that is worth a lot more than what it is actually worth as farmland. As a former developer, we never wanted to take the risk on speculation, so we always bought it subject to offer speculators – and be careful, speculators are not true developers like an Australand or Mirvac; they are manufacturers. We bought it subject to it being rezoned. But the pure speculator adds no value. So if someone is looking at rezoning, you need to say it up-front: ‘We’re looking at rezoning these lands’ – like Dan is discussing with Tasmania – ‘and when we do rezone, wherever we are rezoning, we are going to capture value capture, not tax.’ Different semantics – half of the value uplift on behalf of the community for affordable housing, not to go into consolidated revenue. It is over a period of time, because again, this will not solve it straight away; this is a long-term effect. If they had listened to my discussion 13 years ago, where no developer actually objected on the table, we would have had windfall gain tax. The unfortunate part about politics is: ‘I want it in my term,’ That does not help the future.

If I can just leave with one little point, because I presented some of these things to the homeless inquiry in both Victoria, which Fiona Patten chaired, and the federal government homeless inquiry that Andrew Wallace chaired for the Nationals. Maybe I was a little bit arrogant at the time, but I think it still reflects the reality: I said to them at the time, ‘As well-meaning as you are on the other side of the table, I don’t think anything will be implemented from your report. It will just be another group of people wanting to say their things, and then nothing will actually happen.’ And that report is still gathering dust. So my only last conclusion is: make sure that shit happens out of what you recommend in the interest of all of us.

The CHAIR: What an important way to end our first our first witnesses in Ballarat. Thank you very much to Robert and to Dan for making the time to participate in this inquiry. I think you have really added value and got the day off to a great start. If you would like to provide any additional information or responses to questions or expand on anything, please speak to our secretariat.

Witnesses withdrew.