

T R A N S C R I P T

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into the Redevelopment of Melbourne's Public Housing Towers

Melbourne – Wednesday 6 August 2025

MEMBERS

Joe McCracken – Chair

Michael Galea – Deputy Chair

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WITNESSES

Peta McCammon, Secretary,

Simon Newport, Chief Executive Officer, Homes Victoria,

Dannii de Kretser, Deputy Chief Executive Officer, Homes Victoria, and

Martin McCurry, Executive Director, Asset Management, Department of Families, Fairness and Housing.

The CHAIR: Welcome back to the next session of the Legal and Social Issues Committee Inquiry into the Redevelopment of Melbourne's Public Housing Towers. I am Joe McCracken, Chair of the inquiry. We are going to go through and introduce the rest of our committee members.

Renee HEATH: My name is Renee Heath, and I am a Member for Eastern Victoria Region.

Ann-Marie HERMANS: I am Ann-Marie Hermans, Member for South-Eastern Metropolitan Region.

Anasina GRAY-BARBERIO: Good afternoon. Anasina Gray-Barberio, Northern Metro Region.

Aiv PUGLIELLI: Hi. Aiv Puglielli, North-Eastern Metro.

Michael GALEA: G'day. Michael Galea, Member for South-Eastern Metropolitan Region.

Ryan BATCHELOR: Ryan Batchelor, Member for Southern Metropolitan Region.

The CHAIR: And we have got Ms Ermacora online as well.

Jacinta ERMACORA: Jacinta Ermacora here online. Hello. I am a Member for Western Victoria Region.

The CHAIR: Thanks, Jacinta.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during the hearing, but if you go elsewhere and say the same things, those comments may not be protected by that same privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and put on the website.

Just for the Hansard record – and I will go from Martin right across – can you say your name, title and organisation you are appearing on behalf of, please.

Martin McCURRY: Martin McCurry, Executive Director of Asset Management, Homes Victoria, Department of Families, Fairness and Housing.

Simon NEWPORT: Simon Newport, Chief Executive Officer of Homes Victoria.

Dannii de KRETSE: Dannii de Kretser, Deputy Chief Executive Officer, Homes Victoria, Department of Families, Fairness and Housing.

Peta McCAMMON: Peta McCammon, Secretary, Department of Families, Fairness and Housing.

The CHAIR: Thanks very much. Now, I understand you have got a PowerPoint ready to go as well, so I will hand it over to you guys for 5 to 10 minutes or thereabouts, and then we will go to questions from there. Thanks very much, and welcome.

Peta McCAMMON: Thank you for the opportunity to come and talk to you today. I am joined by the Homes Victoria executive team, which includes the CEO Simon Newport, the Deputy CEO Danii de Kretser and Executive Director of Asset Management Martin McCurry.

Visual presentation.

Peta McCAMMON: I would like to acknowledge that we are meeting on Aboriginal land and pay my respects to elders past and present and to any Aboriginal people listening today.

Before I get into my opening comments, I want to acknowledge the issues that a number of social housing tenants have raised with the committee. On behalf of the department, we are committed to listening to Victorians who need our services and responding to their concerns. Over the course of the project we have received both complaints and compliments, and they all assist us to do a better job delivering our critical services. Listening and acting on these issues is a particular focus for us. Whilst we are unable to address people's individual issues in this hearing, I would be pleased to offer the committee an avenue to understand those circumstances. I will return to my presentation now.

The Victorian government's housing statement outlined an ambitious plan to address housing supply by constructing 800,000 homes in Victoria over the next decade. As part of that, the high-rise redevelopment program will retire and redevelop Melbourne's 44 ageing high-rise public housing estates by 2051, unlocking the delivery of thousands of new and improved homes. The redevelopment will not only provide modern homes but also increase the number of social, affordable and market homes across the sites, benefiting around 30,000 people. This project is in addition to the broader Big Housing Build. Since its commencement in November 2020 there have been 11,575 new homes added to Victoria's social housing stock. During the same period there has been a net increase of 5859 homes.

Since the program was announced in September 2023 Homes Victoria has progressed the redevelopment in five estates. In Carlton the vacant towers are being demolished and plans for 248 social homes to replace 196 have been approved. In Flemington the relocation program is well underway, with well over 70 per cent of households relocated in accordance with their preferences and departmental policies. We are developing plans to replace the 360 social homes with a mixed-tenure development of 700 homes, including 400 social homes and 300 affordable homes. The redevelopment of Flemington is also well underway. I know the committee has seen this firsthand with the new homes on Victoria Street and the Holland Court redevelopment, which are in construction. In North Melbourne the relocation program is again well underway, with over 60 per cent of households relocated in accordance with their preferences and departmental policies. We are developing plans to replace the 143 social homes with a mixed-tenure development of 800 homes, including 300 social homes. In each of these projects we have been able to utilise newly built local homes to provide many renters with local options for their relocations. In Richmond and South Yarra the relocation program is underway, with over 25 per cent of households having moved in line with their preferences and our policies.

The towers are passing their use-by date and need to be replaced with more and better homes. I am sure we will expand on this through the question phase, but it is worth outlining the reasons why this program is a critical policy. The towers fail against noise, sustainability, waste and recycling, room depth, ventilation, fire, resistance to extreme heat events, seismic, access to private open space, accessibility and minimum amenity standards. The design and structural concrete panels used in the buildings also prevent significant modifications that would be needed for wheelchair access and other accessibility requirements. Even with modifications, many tower buildings would never be able to meet contemporary codes, nationwide energy-rating schemes or accessibility needs for many households. A good example is that the main switchboards are original and unable to handle peak loads. This causes a range of issues given the increase in the need for electricity since they were constructed and the specific needs of renters. For example, we needed to use load shedding in North Melbourne and Flemington during Ramadan. It may well be possible to address many of these issues, but the cost would far exceed the benefit. It would deliver no new homes, and the residents would still need to relocate. We support residents every step of the way, from relocating them in consideration of their preferences to providing a right of return based on their ongoing eligibility and needs and the suitability of new homes. We know from experience that many renters prefer to stay in their local community.

Finally, we are working with residents, councils and the community to inform the redevelopment. Our staff work with renters to find out what they would like to see in the new homes. In the Elgin towers this led to more

larger homes – for example, four- and five-bedroom ones. The input of renters will continue to have a direct and beneficial impact on the delivery of this project. Thank you, and we look forward to answering the committee's questions.

The CHAIR: Perfect. Thanks very much. We will go straight into questions. I will kick off. Each person will have around 10 minutes or thereabouts. We might even get another round of questions too depending on where we go with time and that sort of thing, but we will do an initial round of 10 minutes of questions first up.

I will start off. One of the big questions that have been in this inquiry is the justification of the demolition as opposed to refurbishment. What has the department used to justify the demolition as opposed to refurbishment options?

Simon NEWPORT: That would be for me. Homes Victoria, as you know, is the asset owner and manager of all 44 towers, and a core part of our role is to make sure that we have deep knowledge of the current building conditions and to make sure we plan for their maintenance. This means we constantly consider, right across the portfolio, strategies for asset management.

In terms of the towers and planning or cost–benefit analysis, it is the case that specific work was undertaken. On 29 June 2024 the Attorney-General tabled 12 documents in response to the Legislative Council's resolution of 15 November 2023. These documents include reports from Approval Systems, Ernst & Young, Hayball, Urbis and Super Housing Partnerships. They are some of the many reports that were procured and considered. At the same time the Attorney-General made a claim of executive privilege in relation to 146 documents in full. The committee may well have seen this document list. I am not able to discuss with you the nature of or contents of these documents. In a related event, on 10 February 2025 Justice Keogh ruled that the 29 cabinet submission documents are immune from disclosure. He noted that the immunity of the cabinet submission documents should be maintained pursuant to sections 130 and 131A of the *Evidence Act*. Sorry, I am sure you understand that I had to actually read that.

The CHAIR: So what is the justification for it, then?

Simon NEWPORT: Well, I will certainly go through the justification, and Mr McCurry, who looks after our asset management, I am sure can go into more detail. As the presentation outlined, there are a number of issues with the properties. Not only are there inherent design and construction flaws; they have reached the end of their designed life. They were designed to run for about 50 years.

The CHAIR: So if that is the case, can you provide this committee with evidence of that?

Simon NEWPORT: I think that statement that I just read to you is my response to that question.

The CHAIR: So that is a no?

Simon NEWPORT: I can add no further but what I just read in response to that question.

The CHAIR: Part of the problem we have is that we have not been given any evidence by anyone from government as to why these towers should have been demolished as opposed to refurbished or various other sorts of options. Basically you are saying that cannot be provided from you. Who can it be provided by, then?

Simon NEWPORT: My understanding is the Attorney-General is the only one empowered to make that decision.

The CHAIR: The Attorney-General – not even the housing minister can provide it?

Simon NEWPORT: The advice I have got is no.

The CHAIR: You alluded to some documents from Ernst & Young and PwC, is that correct?

Simon NEWPORT: I did not say PwC, but Ernst & Young, yes.

The CHAIR: Ernst & Young, and they undertook a business case – is that correct?

Simon NEWPORT: Most of those were done before I joined Homes Vic two years ago, but my understanding is that one looked at whatever commercial opportunities were available at the bottom of the towers.

The CHAIR: Sorry, can you just repeat that? I missed that.

Simon NEWPORT: Supermarkets, commercial leasing opportunities, how you would best utilise those sites. My understanding is that the Ernst & Young report focused on that.

The CHAIR: Are you able to provide the committee with a copy of that report?

Simon NEWPORT: I think those reports I listed have already been provided.

Aiv PUGLIELLI: Joe, I have got it here if you want it.

The CHAIR: Oh, good, thanks. Sorry, I must have missed that one.

Simon NEWPORT: That is okay.

The CHAIR: In terms of what the plan is for the towers then, the green space around the towers is obviously incredibly important to the local community. Is it the intent through these processes that a lot of the green space is going to be, for want of a better term, commercialised?

Simon NEWPORT: No, I do not think so, and that is why I wanted to deal with that Ernst & Young report. That was certainly commissioned some time ago. We are responsible for delivering housing. My primary responsibility is not about trying to commercialise sites. Any amenities that we would provide on those sites would be in consultation with council and the community. We have had a lot of calls particularly in Flemington. We are hearing already that people would like an Aldi supermarket at the bottom of whatever is redeveloped. But our intent is not to commercialise the sites, no.

The CHAIR: Do you know to what degree there will be an increase in commercialised premises on the sites compared to what is there now?

Simon NEWPORT: Look, I could not comment other than to say it would be minimal. It is not by any means the intent of the redevelopment.

The CHAIR: So we are not going to see, for example, two or three storeys of shops like – jeez, I do not know – Supercheap Autos or Big Ws, Subways, and then towers above that for residents?

Simon NEWPORT: Again, I have got no way of answering that question explicitly, because it is a 30-year program and governments ultimately make those decisions. But I can say that it is not the intent in any way, shape or form to turn these into what is colloquially known in the building industry as shop-top housing. That is not the intent. Any amenity that would be provided as part of redevelopment would have to be complementary and really as part of the community consultation and working with councils.

The CHAIR: Okay. Have you personally sighted the cost-benefit analysis of the redevelopment versus the demolition of the towers – what I am trying to say is, have you personally seen the document that justifies the demolition of the towers versus retrofitting or other options?

Simon NEWPORT: Yes. And again, I have got to be very careful that I do not allude to documents which the Attorney-General has claimed privilege on. But yes, I think I have demonstrated that a variety of reports were developed that formed part of the decision-making process by government.

The CHAIR: Okay, so you have seen the reports. Apart from demolition, other options that could have been explored may have included things like retrofitting the towers or various versions of that. Is that fair to say?

Martin McCURRY: That would have been considered as one of the options you put against. The holding of the towers and retrofitting was one of the options we considered, yes.

The CHAIR: It would have been?

Martin McCURRY: Yes.

The CHAIR: What made it so that it was not the preferred option?

Martin McCURRY: Well, if I go back to when we took you around the towers, these towers have got a number of issues that are a function of their age and their inherent building characteristics and design that they went through. What we have over time is not only an escalating maintenance regime, because we have got concrete spalling which we cannot reverse or arrest and we have got plant life cycles that we need to go through in terms of replacing. We have got 20 kilometres of sewers that would need to be replaced as we go through those stacks in order to retain them, and if we are to retain them and do a deep retrofit, then we will need to bring them I cannot say up 'to' the National Construction Code but 'closer' to it. That would involve installing additional lifts and additional paths of egress because we have got issues in these buildings around fire safety, and we have talked to those, around paths of egress, lack of fire-isolated stairwells and low ceilings and smoke build-up. So there are a combination of factors that you can partially overcome. But all of that comes at a cost, and the question is: if you have got a structure which has got durability issues, then is it prudent to continue to invest in a structure that has got a remaining life of a limited number of years?

The CHAIR: If that is the case then, and the evidence that you have seen in front of you on the report justifies that, why won't the department release that to the public so we can all see it for ourselves?

Simon NEWPORT: I can add no further than the statement that I read earlier. I think that is the answer to the question.

The CHAIR: As you would know, there have been a plethora of witnesses come forward and say, 'We can retrofit this, do this for a fraction of the price and get a similar outcome if not better.' Wouldn't it just be prudent to say, 'Look, here's our evidence base. This is the decision we have come to because of what we have been presented in the reports we have received.' That would completely take away the perception that exists in the community at the moment that these towers can be retrofitted. That would be a fair thing to say, surely.

Simon NEWPORT: I think the statement that I have said stands to answer that question. We can certainly go into some of the questions you have asked. I will give you one clear example. There have been a number of organisations that have recommended that we put balconies or verandahs – private open spaces – onto the towers. That had been tried some years ago. The cost to do one of those verandahs of around 4.5 square metres works out to be about \$100,000 a square metre – 10 times the cost of a rebuild – and that is assuming that the actual concrete structures can support those, and there is a big question mark about that. That is just one clear example as to why that wouldn't –

The CHAIR: Look, with the greatest of respect, I am not asking about balconies. I am just asking about retrofitting the current building, as many people have spoken about.

Members interjecting.

The CHAIR: Hold on. It is my question. The fact of the matter is that that information is not being released publicly, so no-one can verify one way or another if the claims being made are actually standing up or not. They are not subject to scrutiny.

Simon NEWPORT: I can add no more to that specific question other than the statement that I have read. We are very happy to answer specific questions about some of the elements, which we can go through in detail, but on the actual response and what can be provided I have read that statement from the department.

The CHAIR: My time is up, so I will hand it over to Mr Batchelor first.

Ryan BATCHELOR: Thanks, Chair. Thanks, all of you, for coming along. I might just start, Ms McCammon, with you. In your opening statement you said that you had been looking at and listening to and watching some of the evidence that we have had. We have heard some concerning stories of people's experiences with the relocation process, particularly yesterday – someone had had two offers that they could not take up because of intervention orders. Just a request from the committee, as a matter of policy, that you listen to those stories and look at where the department can seek to ensure that things like intervention orders

that might exist do not act as a barrier to people getting relocation options. I said I would raise it yesterday, and I wanted to make sure I did that today.

I want to go to either Mr Newport or Mr McCurry, to Elgin Street and what happened in Elgin Street in the two towers there in late 2022 that required the buildings to be evacuated – if you could take the committee through what happened, the evacuation that was required, and take us through what happened in those first two towers.

Simon NEWPORT: Given that it happened shortly before I joined Homes Victoria, I think Martin is probably best poised to answer that question.

Martin McCURRY: At Elgin Street the copper sewer stacks, which were contained inside three risers in the buildings, were failing and leaking raw sewage down the walls of the apartments, down into the electrical substation at the base. That building has got three risers which share electricity and water, and those are not a good combination. The only way to access those risers – unlike when we showed you around the other high-rise towers, we were able to open access panels and see the pipes. At the Red Brick Towers, those pipes were contained internally at the back of bathrooms. The only way to actually access those to repair those pipes is to partially demolish the bathrooms. Doing so would incur a cost of about \$8 million per tower to break in and replace those.

Retrofitting those towers back to ensure that we have that separation around risers and make them closer to being code compliant – because under national construction regulation we would try to bring this up to standards, and we know we cannot. The question is: can we get reasonable dispensations? Well, we could not necessarily get the dispensation. But when you go through the economics of retrofitting those towers versus that of a new build, the economics for those work out that it is line ball and you may as well invest in a new build with 60, 70 years of life rather than a remaining tower with 20 years left in the structure. So it is a prudent economic decision.

Ryan BATCHELOR: The cost to fix the particular problem that existed there –

Martin McCURRY: The cost to fix and get it closer to code compliant, because those two towers are unique –

Ryan BATCHELOR: But not fully code compliant.

Martin McCURRY: Well, we could not get them fully code compliant because they have got issues around ceiling heights, thin floor slabs and noise and fire; the ventilation systems were poor, and the fire stairwells are narrow and not code compliant. The question we asked in one of the approval systems reports was: could we get those to a level of compliance where we could get a certificate of occupancy? The answer was we would struggle to do that.

Ryan BATCHELOR: So you would struggle to get a certificate of occupancy because of noncompliance with current codes?

Martin McCURRY: Because of the noncompliance we would have to work around the current structure to do that. While we could reconfigure rooms and get the risers correct, that comes at a cost. But certain things around ceiling heights and noise issues we would not be able to overcome.

Ryan BATCHELOR: And what happened to the residents who were living there? Presumably they had to be moved. How long did that take?

Martin McCURRY: Again, that was just before my time. When I arrived I think there were two residents in place. That had been a program that had happened over a long period of time, over a number of months.

Ryan BATCHELOR: Right, okay. Obviously the committee had the benefit of visiting those towers and the towers at Alfred Street and at 12 Holland Court. When we were there – and you mentioned it in your opening statement – what was shown to us were some of the concerns about the condition of the concrete.

Martin McCURRY: Yes.

Ryan BATCHELOR: Obviously, these buildings are constructed entirely of concrete and steel reinforcement, but it is a concrete self-reinforcing structure. The Approval Systems report, which the committee has seen through the provision of documents to the Legislative Council, particularly for Elgin Street, highlighted that there was corrosion in that concrete. What is the condition of the concrete in these buildings, and what is it that we know about therefore the strength and the capacity of those panels to withstand significant works?

Martin McCURRY: The towers are a different typology. Elgin Street is a separate type of tower. It is an in situ reinforced concrete frame. If you are dealing with the large panels – and we go back to the unique type construction – then I do have advice that these towers are structurally sound as they stand today. The issue is that they will continue to deteriorate. The concrete panel I showed you, where the concrete had basically popped off the wall the week before you visited, that had been inherent in that concrete since the day it was cast 60 years before. It had only basically come to the point of locally failing the week before you visited. What we have found in the question around the durability of that concrete is generally within the apartments in the very benign environment that concrete is in pretty good condition. Where we look along the corridor wall, the corridor slab and in some of the wet areas in the apartments, what we are finding is we have been going through a series of repairs in those and that that concrete durability will continue to decline just in exposure to environmental conditions as the chlorines that were there from the day they were originally cast continue to permeate into that concrete and de-bond the reinforcement and cause it to rust. So we can break back and repair, but as I said before, we cannot arrest or reverse that process.

Ryan BATCHELOR: And as I recall, what you told the committee members who were on the visit is that some of these issues are inherent to the way that the concrete slabs were cast originally.

Martin McCURRY: Right.

Ryan BATCHELOR: Can you take the committee through that process?

Martin McCURRY: If we first look at the large panel, which is 40 of the towers that we have, they are reasonably unique in their design, certainly within Australia, and we have pushed techniques in Australia to make these towers taller than they did in the UK and in Denmark, where they first originated. So they used low cement content, thin walls, low cover to the reinforcement and lightweight aggregate, which is really porous, like a scoria. That was done, and then in order to accelerate the removal of those panels from the moulds, they put a chloride on that, which speeds up the initial hardening of the concrete and allows them to strike the mould and lift it.

Ryan BATCHELOR: They painted something on the outside?

Martin McCURRY: It is a spray on. What that does is it means that from the day that was cast, that starts to permeate into the concrete, and over time the protective zone that you have around the reinforcement, that chlorine slowly works its way through and is accelerated by atmospheric conditions, which is why we are finding it more in the corridors and the corridor slabs which are open, rather than in the apartments. That just works its way through. The apartments were all built with a 50-year design life, and we are now at 50 to 60 years, so it should come as no surprise that those concrete panels are starting to fail. Whilst they are serviceable today, we will continue to have a maintenance cost with those should we retain those into the future. What we are finding is when it is in there and we break back and do those repairs, 15 to 20 years later that same piece of concrete is falling off again. We have in place a program to make sure the facades are safe. We monitor those every 5 years and we have people who go down in the baskets and break back that concrete to make sure that those are safe, but that problem will continue to accelerate as more of that chloride gets into where the reinforcement is. And we showed it was variable. When you asked me, Mr Batchelor, 'Where is it?' and I go, 'Well, it's everywhere,' it is just a question around which parts will be exposed when – it is the variability which is a problem for us as well.

Ryan BATCHELOR: So there is no predictability about where, other than the panels that are more exposed to the outside.

Martin McCURRY: Having them more exposed to the outside creates more of an issue.

Ryan BATCHELOR: So it would make sense then that if people are walking around the inside of someone's apartment, the concrete walls look fine?

Martin McCURRY: Generally.

Ryan BATCHELOR: But you are more likely to have problems with the conditions being on the external facades and in the corridors?

Martin McCURRY: In the corridors and in the wet areas, yes.

Ryan BATCHELOR: Thank you. I could go on all day. I have learned about megapascals for the first time in my life during this thing, which is about the density of concrete – I love learning new things – and it is important because these panels, apparently, are half the strength of what we would have today.

The other thing I wanted to get to is questions of the electricals. In the presentation, there was a question about – is my time up?

The CHAIR: It is, but continue.

Ryan BATCHELOR: No. I will come back later. It is fine.

The CHAIR: Are you sure?

Ryan BATCHELOR: Yes. I do not want to take up too much time.

The CHAIR: Okay. All right. Thanks. I will now hand over to Ms Gray-Barberio.

Anasina GRAY-BARBERIO: Thanks very much, Chair. Mr Newport, you mentioned two of the 12 documents that were released from Approval Systems. One of them, relating to Malvern Road in South Yarra, does not conclude that demolition is the only option; in fact it recommends that a cost-benefit analysis be undertaken to assess the feasibility of upgrading the building. So my question to you is: did that cost analysis ever take place?

Simon NEWPORT: I might bow to Martin on that particular instance, but we have already attested to the fact that that work was done. But Martin, you might want to add something on that.

Anasina GRAY-BARBERIO: Sorry, did you say yes, that cost analysis did take place?

Simon NEWPORT: Yes, but subject to being corrected by Martin on that particular tower.

Martin McCURRY: We would have done costs for that tower. We have done costs based on a set of towers by typology, by sampling, but with individual towers we understand the life cycle of the lifts, the condition of –

Anasina GRAY-BARBERIO: I just need an answer, yes or no: with regard to Malvern Road, South Yarra, did you conduct a cost-benefit analysis? Did it ever take place?

Martin McCURRY: Yes.

Anasina GRAY-BARBERIO: Yes?

Martin McCURRY: Yes.

Anasina GRAY-BARBERIO: If so, will you release it? Are you going to make that publicly available to the committee and to the Victorian public?

Simon NEWPORT: I have got a statement that I have already read that I think addresses that question.

Anasina GRAY-BARBERIO: So are you saying this cost-benefit analysis falls under executive privilege?

Simon NEWPORT: I am saying that I have read a statement that explains the position of the government. That is all I can add.

Anasina GRAY-BARBERIO: Can I ask: why did the government continue with this demolition without doing the cost–benefit analysis?

Simon NEWPORT: We have just said that we have done the cost–benefit analysis.

Anasina GRAY-BARBERIO: So you cannot tell us what the results of that cost–benefit analysis were in relation to South Yarra?

Simon NEWPORT: I am unable to comment upon any reports that led to the decision.

Anasina GRAY-BARBERIO: Okay, I will move on. Has Homes Victoria conducted any feasibility or cost analysis on retrofitting all the 44 towers instead of demolishing them?

Simon NEWPORT: I think it is the same response, unfortunately. I know that is not what you are looking for, but my scope is very limited.

Anasina GRAY-BARBERIO: I can see that Mr McCurry would like to say something. Would you like to add anything, Mr McCurry?

Martin McCURRY: It is the same response. We told you that a cost–benefit analysis had been done. Clearly there has to be a comparison between what is there to hold the building versus what it is to replace the building.

Anasina GRAY-BARBERIO: Part of the committee’s responsibility is to look into this, so if you are not going to be forthcoming with information, how are we supposed to make a well-balanced decision-making process if you are going to stand by your statement that you made earlier? How do you expect us to do our due diligence in our job?

Peta McCAMMON: I think, to be fair, we do not have the legal authority to disclose the information that you are asking, and Simon has been pretty up-front about that. So we have come to answer questions of the committee, but we are not in a position where we would be breaching executive privilege.

Anasina GRAY-BARBERIO: I will move on. Under the ground lease model, quarterly service payments made to the consortium by the government are not fixed. Has Homes Victoria modelled the long-term fiscal risks associated with CPI escalation, inflation, volatility or other cost blowouts across the operating period?

Simon NEWPORT: The financial impact of those contracts – yes, they are modelled before a decision is made.

Anasina GRAY-BARBERIO: Are there any caps, ceilings or safeguards in place to protect taxpayers from ballooning quarterly service payments over the life of the contract?

Simon NEWPORT: The contracts themselves and the information – I checked today – are on the government website for people to peruse. I am happy to take that question on notice.

Anasina GRAY-BARBERIO: Thank you. I appreciate that. Is Homes Victoria aware that under ground lease model 1 Community Housing Limited and Tetris Capital have provided mezzanine loans to the consortium itself, Building Communities, at an 8.75 per cent interest rate? Are you aware of that?

Simon NEWPORT: We would have to respond in terms of what the capital stack is, but yes, there are a number of lenders, including the predecessor to Housing Australia, NHFIC. So there are a variety of capital sources, depending upon who is making a contribution. So we will have to check on that, and the reason why I would have to check on that is just to do with the commerciality and protections, because we are currently in the procurement for the next set of the projects. I hope you do not mind – I think we would just have to check on that one.

Anasina GRAY-BARBERIO: And you are happy to come back to the committee on that?

Simon NEWPORT: I will check what we can release under those conditions, yes.

Anasina GRAY-BARBERIO: Thank you. These loans are paid back through rents, income and public funding. Is it appropriate that consortium members profit from lending to themselves at this objectively very high rate?

Simon NEWPORT: I had probably best explain the ground lease model and the quarterly service payments in such a way. Victoria, to my knowledge, is the only state and the only state government that has been able to get GLMs – ground lease models – to stack up. In really basic terms, for those old enough to remember what they were, they are effectively a glorified hire purchase scheme; for those that are younger, consider them like Afterpay. We get to have these buildings. The social, affordable and market houses are all available to be used for 40 years, and ownership stays, in terms of the land, with Homes Victoria. And ultimately all three, especially private and affordable as well as the social, come back to Homes Victoria for use, and they have to maintain those. The vehicle that administers those buildings is a not-for-profit organisation.

Anasina GRAY-BARBERIO: Our understanding is that the senior debt, which is backed by super funds, is repaid first, then general operational costs and then after that the mezzanine loans are paid, so there would be an incentive for Community Housing Limited to cut operational costs on things like maintenance and tenant services because they are only paid back on that mezzanine loan if there is surplus revenue. What safeguards are in place to ensure that tenant support services and maintenance are not deprioritised in order to meet these high-interest mezzanine loan repayments?

Simon NEWPORT: There are a number of contract protections, and I am sure that I will forget one or two, but I can talk about a few that I am aware of off the top of my head. There are strict asset requirements in place, including asset condition and particularly making sure that those properties are maintained at a certain standard and returned at a certain standard. That is probably one of the most important ones to make sure that renters enjoy good quality properties, so that will speak basically to the repairs and maintenance. In terms of other services, there are even services such as providing access to employment and training services and even things like cooking classes that are actually embedded in the wraparound services protection in the contract. To answer your question ‘What happens if they don’t do it?’, there is an abatement scheme. I cannot use the word ‘fine’, because we are not an organisation that can issue fines, but there are legal and financial consequences as a result for those organisations if they do not do what they are supposed to do in the contract.

Anasina GRAY-BARBERIO: The contract for the redevelopment of the first two towers at Flemington was essentially an expansion of the ground lease model 1 contract to Building Communities, who hold both other ground lease model contracts in Victoria. We understand that there was no open tender. Can you confirm that – yes or no?

Simon NEWPORT: I can confirm that, yes, Building Communities – I have got to be very careful what I say here; we are currently in negotiations with Building Communities about extending that existing contract.

Anasina GRAY-BARBERIO: Are you saying there was no tender or there was an open tender?

Simon NEWPORT: I am saying that we are looking to extend the existing contract.

Anasina GRAY-BARBERIO: What probity checks were undertaken to ensure this decision met procurement and value-for-money standards?

Simon NEWPORT: On the specifics, we would have to respond, but I am assured – in fact I know that I am assured that we had all relevant probity and procurement checks performed.

Anasina GRAY-BARBERIO: Just months before announcing the demolition plan in 2023, Homes Victoria commissioned that study into commercial and retail opportunities at the estates, recommending, for example, 5000 square metres of commercial offices and shopfronts along Gertrude and Brunswick streets at the Atherton Gardens estate in Fitzroy. Can you tell me why the government commissioned detailed commercial real estate analysis for an estate across eight public housing sites but no studies or cost analysis on feasibility of other viable options like retrofitting?

Simon NEWPORT: I am pretty certain that I have addressed that – in fact I have addressed that – in terms of the refurbishment. We have categorically said here today – and I am under oath as well in a court case – yes, of course that work was done, and explained why we were not at liberty to share that. In terms of the

commercial work, that was commissioned some years ago, and I have spoken to the intent now. What work was commissioned a number of years ago – I cannot speak to the mind of previous leadership; all I can say is that I am imagining they were having a look and seeing what were the feasibilities for each site.

Anasina GRAY-BARBERIO: Okay. And just lastly, because I think my time is just about to run out, why has Homes Victoria evidently conducted more investigation into the commercial potential of these towers than the impact on the people who live in them?

Simon NEWPORT: I am sorry; I categorically reject that that is the case.

Anasina GRAY-BARBERIO: That is my time. Thanks, Chair.

The CHAIR: Thank you very much, Ms Gray-Barberio. I will now hand over to Dr Heath.

Renee HEATH: Thank you all very much for coming in today. Just following on from Ms Gray-Barberio's questioning, when she spoke about the open tender, you answered, 'We're extending the current contract,' when the truth is, the fact is, that there was no open tender.

Simon NEWPORT: Obviously the original ground lease model procurement was before my time. But it is certainly deemed the most commercially viable and sensible way would be to continue under the current agreement. We are in construction right now on the next phase of the ground lease model, and it –

Renee HEATH: Was there an open tender? That is the question. It is a yes or no.

Simon NEWPORT: For the original contract, absolutely.

Renee HEATH: Original contract. Okay. In terms of the EY business case and the reasons it is not being released, is it because there is advice within that report that the government is ignoring and not following?

Simon NEWPORT: My understanding is the Ernst & Young work was one of the documents that were tabled.

Renee HEATH: Are there costs in the reports that you are withholding that have not been disclosed?

Simon NEWPORT: I would have to check on some of the specifics of that before I categorically answer that, but to the best of my knowledge, no, I think that report was released in full. But we can check on that one.

Renee HEATH: One of the reasons is that the government's advisers believe that the towers are an earthquake risk, and this is one of the reasons that you are taking the steps that you are taking. However, it is going to be 26 years before the project is finished. If that is the truth and that is factual, how do you justify having Victorian residents in an earthquake risk for 26 years?

Simon NEWPORT: I think whether you see our submission, the Secretary's presentation today –

Renee HEATH: That is all right, you can answer it now.

Simon NEWPORT: I beg your pardon?

Renee HEATH: You can answer it now.

Simon NEWPORT: Well, sorry, what I was about to say was, whether it is in that presentation or in our submission, we have been extremely clear about all of the factors that were taken into account in terms of the decision, and the lack of compliance with today's seismic standards is certainly one of the factors that we have needed to take into account. I would say, just to avoid any sort of panic for anybody, because we really do not want to do that, that the homes, the apartments – notwithstanding what Martin talked about in terms of spalling or what have you – are as safe today as the day they were built. So we do not want to unnecessarily panic people about anything like that. We have talked about the unique way that these buildings were designed and built in terms of structural self-supporting panels, and that certainly adds to one of those issues. But it is a wide range of factors that have determined the government's decision, not just one single factor.

Renee HEATH: Does the government have a list of all the towers and why they need to be knocked down in the stated timeframes?

Simon NEWPORT: The timeframes right across the 28-year program in terms of each tower have not yet been developed. As you can imagine, this is a generational renewal program. Some of the main reasons why the order is determined – there is no question asset condition is one of those elements. One of the other elements and a major element is that we are determined to keep communities close together, so when readily available, newly built stock like Flemington is being delivered within 100 metres of the existing site. That is one of the main reasons why we will determine the order for which these are redeveloped. The same could be said for Richmond, the same could be said for South Yarra, and we will talk about North Melbourne in terms of Abbotsford Street as well. And of course the last one is the viability of each site, because each site is different.

Renee HEATH: So the answer to that question is yes, or no?

Simon NEWPORT: You will have to repeat the question.

Renee HEATH: Does the government have a list of all the towers and why they need to be knocked down in the stated timeframes?

Simon NEWPORT: Of course we have a list of the towers. The order in which we will do the redevelopment, the government has announced the first two tranches.

Renee HEATH: It is a yes or no, sorry.

Simon NEWPORT: So the answer to your question is: the entire program has not been developed over the 28 years in terms of exactly which towers. That is being developed as each tranche is announced.

Renee HEATH: You mentioned the importance of keeping communities together.

Simon NEWPORT: Yes.

Renee HEATH: How many private rental properties have been secured to house the displaced residents?

Simon NEWPORT: I do not have it specifically for the program. Dannii has probably got the complete statistics in terms of how many total homes last year Homes Victoria acquired and leased.

Dannii de KRETZER: I can advise across the program the majority of people have moved into existing homes – so public or community housing – and people get to choose whether it is public or community or both. We look based on their preferences. Of the households that have moved, a very small proportion have been purchased or leased homes. Let me just get this data for you.

Renee HEATH: Thanks. Just to refresh your memory, it is how many private rentals have been –

Dannii de KRETZER: Yes, of course.

Simon NEWPORT: Can I just point out that – when you say private rentals – once we sign a headlease agreement with an owner, obviously they then become public housing.

Renee HEATH: We are in the middle of a housing crisis, just to pick up on your interjection.

Simon NEWPORT: We understand, and we will provide the information. But I just wanted to make sure people understand that they become public housing under our responsibility once we sign the lease.

Renee HEATH: Of course. The reason I am asking is Victoria is in the midst of a housing crisis. It does not matter who has it after the contract is signed. In order to move people, you have to take a property out of the private market. What I am asking is: how many?

Dannii de KRETZER: I advise as of the 24 July, 408 households had moved – and this is namely in tranche 1; 213 of those households had moved to nearby housing at Victoria Street or Abbotsford Street, six households had moved to other community housing and 189 households had moved to public housing. To get to your particular question, 117 had moved to existing what we call rental general stock or public housing, and

then 72 had moved to purchased or leased homes, which is 17 per cent of all households moved. I can also advise you that Homes Victoria has always purchased homes out of the private market, but we do it very sparingly. Across our acquisitions last year or our additions last year it was less than 7 per cent.

Renee HEATH: Less than seven.

Dannii de KRETZER: Less than 7 per cent. We do it for a particular reason. People have particular needs and preferences, and sometimes we need to purchase that home to get it to meet their needs. Often when there is a disability need, we will purchase a home or we will lease a home. We do it often in the transitional housing management program, which is a program that supports people experiencing homelessness. These people are really struggling to access private rental housing, so by assuming the role of landlord we are able to headlease the property and then that person gets access. We do it very sparingly and very carefully, and we have been doing it for a long time.

Renee HEATH: Thank you. What has been the cost of those purchases?

Dannii de KRETZER: We can absolutely share that information with you. We buy things at valuer-general value, so we are very, very careful about how we purchase. We follow purchasing guidelines from the valuer-general, and we test value before we are able to purchase anything, including at auction.

Renee HEATH: Thank you. In terms of the documents that are not being released, we have been ordered to do this by the Parliament. It is the use of public land. It is publicly owned. We are using public money. Do you believe that the public have a right to transparency from the government with this?

Simon NEWPORT: I think the best way that I can answer that question is that it is not our place as public servants to comment on the policy of the government or the actions of the government. It is my job there to read that statement today. I could not have been any clearer in terms of the role and flexibility that we have.

Renee HEATH: One of the reasons that you brought up before is that there is a need for larger homes. However, there are going to be less bedrooms, aren't there?

Simon NEWPORT: No, that is not the case – bearing in mind that bedroom configuration has only been decided for the very first Elgin towers, the replacement of the red bricks. Without at all trying to sound like a clairvoyant, I did anticipate that we would get this question. In Carlton the existing bedroom count is 392. The new bedroom count will be 430.

Renee HEATH: In what timeframe?

Simon NEWPORT: That is the first tower being redeveloped, so that will be finished in about three years.

Renee HEATH: I think that is okay from me potentially. Thank you.

The CHAIR: Are you happy to move on?

Renee HEATH: I think so. Thanks so much.

The CHAIR: I am going to go to Mr Galea now.

Michael GALEA: Thank you, Chair. Thank you, Secretary and officials, for joining us today. The maintenance cost of these 44 towers: can you give us an indication of what that is on an annual basis?

Simon NEWPORT: I will start, but then I will gladly hand it over to Mr McCurry here. In previous inquiries and in PAEC briefings we have stated that over the next 20 years the projection just to keep the properties in approximately the same condition is about \$2.3 billion. Mr McCurry can talk more about that, particularly with regard to the sharp escalation in average maintenance cost per property that we would see ramp up over time.

Martin MCCURRY: Last year we spent in the order of about \$100 million to \$110 million on the high-rise towers.

Michael GALEA: Across all 44?

Martin McCURRY: Across all 42 because we are not spending on the Carlton red bricks – \$80 million of that was opex; the other \$29 million of that was related to capital projects which we would have undertaken, including upgrades to our CCTV system, our lifts, some apartment upgrades, foyer upgrades, fire services projects and the high-rise cooling project that we will undertake. Those costs will vary because obviously we have got capital programs, and the high-rise cooling project will kick in and have more spend next year. As Mr Newport said, what we will see based on the condition of the building is an escalation of that cost. That \$100 million equates to around about \$10,600 per apartment per annum. Simon quoted the \$2.3 billion over 20 years; that means that per apartment that comes out at about \$17,300 before I add a security cost into that. So if I keep the current security regime, that is \$22,200 per apartment per year. For the 20 years after that, because we are seeing then the continued deterioration and the life cycle renewal – we will need to evolve the plant and equipment – the estimates we have are that that will increase to \$7.3 billion for the 40 years, which is \$4.7 billion for that 20 plus 20, that subsequent 20, which is about \$35,000 per annum per apartment and that cost escalates as we go through.

Ryan BATCHELOR: Did you say \$35,000?

Martin McCURRY: Correct. So it goes from about \$10,600 today; in 20 years time, averaging about \$17,300, and then you go forward again and it averages about \$35,000. So these apartments, if I compare that to the rule of thumb – I am going to call it a rule of thumb – we have around our normal housing stock or our distributed housing stock, for new stock we generally would spend about \$2000 in maintenance a year and about \$4000 on mid-life-cycle stock. This housing stock, in terms of our high-rise towers, is a disproportionately more expensive type of housing to maintain in comparison to distributed housing stock – the 33,000 brick veneers that we have out there and the other housing types that we have.

Michael GALEA: Thank you. So around \$2000 for a new build, but \$17,300 over the next 20 years on average, increasing to \$35,000 as an average for the 25 years after that.

Martin McCURRY: And again those numbers, if I kept the security regime, would be \$22,000 rather than the \$17,000, rising to \$40,000.

Michael GALEA: And the \$85 million – was that the last financial year that you referred to – is the opex?

Martin McCURRY: That was in the last financial year. It was about \$81 million on opex and about \$30 million on capex.

Michael GALEA: \$110 million total?

Simon NEWPORT: Yes.

Michael GALEA: How has that increased over recent years?

Martin McCURRY: I would have to come back and bring that up, because the capex will vary as we go through the lift replacement program and the number of facades we do spalling replacement on. But what we see is over the forward period we are increasing the amount of money we are putting into spalling and into the replacement of sewer stacks, so that is already starting to escalate. There is variability within it, but the maintenance costs in the planned maintenance cycles are reasonably consistent around that \$80 million. The capex will come up and down. The only thing we will get is we will have CPI increases because we are doing the same maintenance regime. We still do the fortnightly checks on all the essential – on the lifts monthly and all the fire services we have a planned maintenance regime in place. It is basically the escalation that rolls through on that, except for those capital replacements that we are seeing.

Michael GALEA: Sure. Talking about the concrete as one example, previously, Mr Newport, you said it is checked every five years as a whole-scale procedure. Is that something that will have to increase in frequency, given the age of the towers?

Martin McCURRY: The projections I have are showing an increase in frequency where I will be recommending we are checking that every two to three years to ensure that I have got adequate funding to make sure that we can address the public safety issues of concrete spalling off the facades. So yes, we know it will increase, and we will have to increase our frequency of inspection.

Michael GALEA: So if I hear correctly, what you are saying is it is possible to continue these as they are with dramatically increasing cost, but that increased cost has no concurrent benefit in terms of better accessibility or cooling upgrades, for example?

Martin McCURRY: Correct. These are just to maintain and carry out the critical works. We are not addressing some of the fundamental issues other than the public safety issues we have around spalling.

Michael GALEA: Thank you. Your presentation talks about a number of the ongoing issues that you are facing, including lifts, and the checking of the lifts is done fortnightly.

Martin McCURRY: Correct.

Michael GALEA: And despite this, there are an average of 80 callouts a month as reactive. Why is that so high?

Martin McCURRY: A large percentage of that is to do with human interaction with the lift and vandalism. The lifts have all been replaced since 2013, a lot of them in the last few years. They are actually relatively new, the lift cars and the motors. What we are finding is that there will still be potentially some breakdowns on those because of just the high reliance the cohort has upon them, because we only have two lifts per tower – apart from Park Towers and 12 Holland Court, which have got three. But it is the cost of servicing those, and there will be some reliability issues, but a percentage of it is vandalism as well.

Michael GALEA: I know on our visit to Flemington a number of these lifts are also not stretcher-compliant.

Martin McCURRY: Correct. Only about 5 per cent of our lifts are actually stretcher-compliant in particular, and I think we have got about 68 that are actually space-compliant in terms of getting in. In particular the older persons lifts have got very narrow lift openings, down to 740 millimetres, and I have seen instances of people taking a fridge up to an apartment where they have had to take the doors off it. We cannot widen those lifts because they are built inside the existing structure. You saw at 12 Holland Court you have to go and physically add lifts into these buildings if you want to do that deep retrofit. Sorry, elevators – for you, Simon.

Simon NEWPORT: That is right – I used to work for an elevator company, sorry.

Michael GALEA: I see.

Simon NEWPORT: But I would also point out the stretcher compliance is, particularly in the older persons towers, something that we are particularly mindful of. We hope everybody lives for a long, long time, but I think it is fair to say when you are in an older persons tower there is probably a greater need for the use of stretchers, and we literally in some cases cannot get the stretchers in and out.

Michael GALEA: I can obviously appreciate how frustrating it must be to deconstruct your fridge to take it upstairs or to remove it. But to your point, Mr Newport, that is a very serious risk in terms of emergency access, is it not?

Martin McCURRY: Well, the emergency services work around that. It is an issue around, as we said: in emergency conditions, how do these buildings operate? We talked you through how you should not be using a lift in emergency conditions but you have got long paths of egress; you have got low ceiling heights. In normal conditions around the lifts, the lack of step-over showers – those are issues around just general livability and normal conditions that we have, particularly the inability to really effectively age in place. Then you have the emergency conditions, which we are seeking to mitigate by having more sprinkler systems through that building. But we cannot get fire-isolated stairwells in those buildings in a ready fashion.

Michael GALEA: I do want to ask about stairwells. We had some evidence this morning – so the committee did have the opportunity to go to, as you are probably aware, the red brick towers, the Elgin estate, and with the very, very narrow staircases that were going up and down, I could appreciate how it would be difficult for fire escape. Now, it was put to us that with the new regulations it is only about a matchbox wider. Is that correct?

Martin McCURRY: Sorry, can you repeat the question?

Michael GALEA: It was put to us this morning by an architect that the new regulation for stairwell minimum width is only about a matchbox wider than what we experienced in Elgin Street. Is that correct?

Martin McCURRY: I think when we look at it, the stairwell width at Elgin Towers is only one of the factors. It is not the primary factor. You have got a low ceiling height, and you have got a narrow stairwell – it is only under 100 mil width. You have got much larger issues in that building around the ceiling heights and the smoke build-up, and before you get into those stairwells there is no shelter in place. The ventilation system that works through that building: as I said, pulling from the bottom floor up through that very narrow riser means that you really cannot empty the air out – the fact that everybody’s kitchens, showers and bathrooms are going into that shaft, it just has moisture all the way through it, and that has got issues around mould within that riser and within the laundry. One of the main issues we had around Elgin Towers was not just the cost of remediating all that, but the question is: will you be able to actually address the underlying mould issues?

Simon NEWPORT: Do you want to talk about the rest of the towers in terms of the encasement of stairwells?

Martin McCURRY: Well, we have a number of towers which have open stairwells, which are just the way in which they were designed. We recognise that is not ideal, but we have introduced – if I just check inside our high-rise towers, we have put in place fire safety measures. We have gone and put it through 33 of the towers. We have put sprinkler systems into the corridors and into the stairwells to overcome that lack of fire isolation issue. So we are seeking to overcome this – we have worked in conjunction with Fire Rescue Victoria around having a fire engineering brief which we comply to and then are comfortable around: ‘This is how these towers operate, and this is how they carry out their rescues in those areas.’ So it is not ideal, but we have an operating arrangement around how these things work.

Michael GALEA: My time has expired, but even 100 mil sounds like a very large matchbox to me. Thank you.

Martin McCURRY: I will have to check that one, Mr Galea –

Michael GALEA: If you could come back, it would be terrific.

Martin McCURRY: because there are many more issues with the Carlton red-bricks than the width of a matchbox, in trying to get down the stairs.

The CHAIR: Thanks. I will go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good afternoon. I understand the contracts for the redevelopment of the first site at Flemington have already been signed, engaging Icon Construction. Given Icon is at the centre of a \$122 million cost blowout and legal dispute over the North Sydney Olympic Pool redevelopment, what safeguards are in place to protect Victorian taxpayers from similar blowouts?

Simon NEWPORT: I think you might be alluding to the contract with Icon, with the consortia. That would be for the buildings that are currently under construction, not the announced towers. That was part of the original ground lease model work. The contracts, in my understanding – in fact they cannot possibly have been signed for the first tranche of the towers, because the negotiations on the extension of the contract have not taken place yet.

Aiv PUGLIELLI: I understand they have been announced in a media release by the housing minister.

Simon NEWPORT: That is the current tower that is under construction; it is not the future towers.

Aiv PUGLIELLI: Right. Anyway, my question related to what safeguards are in place to protect taxpayers from similar blowouts. Can you answer the question?

Simon NEWPORT: With the exception of some rise and fall and escalations with regard to some building costs, they are effectively a fixed-term contract, to the best of my knowledge, so the best protection that can be had there is that cost blowouts by builders are the builder’s responsibility, certainly not the responsibility of the taxpayer.

Aiv PUGLIELLI: So you would categorically say Victorian taxpayers are protected from blowouts like that which we are seeing in North Sydney?

Simon NEWPORT: Where, sorry?

Aiv PUGLIELLI: In North Sydney.

Simon NEWPORT: I cannot comment on – I mean, I probably could, given where I have originally come from, but I am not able to comment on a project delivered in another state.

Aiv PUGLIELLI: But it is a company engaged for Victoria, so I would expect some commentary to be available.

Simon NEWPORT: I think the best way for me to answer the question – I am not able to comment on another project in another state. What I can say is whether it is a Homes Victoria direct contract or whether it is through a consortia and a ground lease model, those contracting arrangements, with the exception of rise and fall with particular building indices over time – the costs of materials and labour – any blowouts associated with anything that is, if you like, in other ways the fault of the builder, there is protection in place in the contract for that.

Aiv PUGLIELLI: In that case, then, has Homes Victoria locked in contracts before properly understanding the risks?

Simon NEWPORT: For any contract that we have locked in we have absolutely made sure of that, as I have just outlined. Again, I would restate that the contracts for the announced towers to replace 120 Racecourse and 12 Holland Court have not been signed.

Aiv PUGLIELLI: Thank you. I might move on. Building Communities, which we have been speaking about earlier, is structured as a not-for-profit charity, therefore not paying GST, land or income tax, yet its consortium members include for-profit ASX-listed companies that stand to profit from the project. Is it misleading for this consortium to present as not-for-profit while delivering private benefit to corporate members and investors?

Simon NEWPORT: No, I would not regard it as so. I mean, they are a not-for-profit organisation delivering in that case social and affordable, in other cases social, affordable and market, housing.

Aiv PUGLIELLI: A not-for-profit delivering private benefit to investors and corporate members – does that make sense to you?

Simon NEWPORT: The financing costs are provided by private organisations and also the Australian government.

Aiv PUGLIELLI: So it is not misleading to characterise them in that way, as not-for-profit?

Simon NEWPORT: No, I do not believe it is misleading at all. I mean, they are partnering with a not-for-profit, one of the largest community housing providers in the country.

Aiv PUGLIELLI: Just coming back to my previous query regarding Icon, the media release that I was referring to by Minister Shing says:

The Flemington development will be led by the Building Communities consortium. The consortium is already helping deliver new homes on the site, along with the 359 social and affordable homes recently completed on Victoria Street – allowing residents in the Flemington precinct the option to stay nearby.

We touched on this before with Building Communities getting the contract for the new build at Flemington. It has been confirmed and announced in the release from Shing early this year. As we know this is confirmed, can you tell us why there was no open process?

Simon NEWPORT: I hope you do not mind, because obviously I have got people listening in the office, and I just want to make sure I have got my facts right, not that there is any change, but the full tender process was conducted as per Treasury policy and probity, including any augmentations or extensions.

Aiv PUGLIELLI: Was it a direct negotiation with Building Communities?

Simon NEWPORT: The consortia, yes.

Aiv PUGLIELLI: You mentioned earlier there is another contract being negotiated. We would imagine that is obviously not for Flemington, given that has been announced now, so there is another. Is that in regard to North Melbourne?

Simon NEWPORT: Yes. North Melbourne – I imagine the request for proposal is imminent, yes.

Aiv PUGLIELLI: Okay. Just on to another point. Before expanding ground lease model 1 to cover Racecourse Road and Holland Court towers at Flemington estate, what evaluation was done to prove it delivered better outcomes for tenants, the public or the budget?

Simon NEWPORT: Sorry, can you just repeat that question, please?

Aiv PUGLIELLI: Yes. What evaluation was done to prove it delivered better outcomes for tenants, the public or the budget? This is, before expanding ground lease model 1 to cover Racecourse Road and Holland Court towers at Flemington estate.

Simon NEWPORT: I think I would take that on notice in terms of the specifics. There is no question in my mind about the augmentation or extension of that existing contract, given the fact that they are already delivering a number of houses on that site. Ultimately, I would prefer not to have multiple community housing providers operating on the same estate. It is just not efficient, cost effective and, quite frankly, good for the tenants. My understanding as well, and I may be corrected, is that the consortia will partner with Community Housing Victoria Limited, CHVL. Whether or not they sign up to the same builder for the future work, that is not my purview at this stage, and so I would not guarantee that it is necessarily the same builder, but it will be the same operator. We are the owner.

Aiv PUGLIELLI: Okay. Can I ask: can this committee see those evaluations?

Simon NEWPORT: I really am not sure, considering we are in the middle of procurement right now. I would imagine they would be protected from some sort of commercial –

Aiv PUGLIELLI: Can you take that on notice?

Simon NEWPORT: We can check on that, yes.

Aiv PUGLIELLI: Thank you. Was there a new or revised public sector comparator report or any other evaluation?

Simon NEWPORT: I would check on that. I think the answer would be yes. Sorry, I am getting texts here – just making sure I am not saying anything that I should not. The builder will be tendered, that is correct. I believe all contracts of this size would have to be subject to the public sector comparator.

Aiv PUGLIELLI: Okay. Contrary to what you have told us today, government lawyers told the Supreme Court that ‘A decision was made and there are no documents’ – end quote – relating to the decision to demolish the towers in North Melbourne and Flemington. So I will ask again: do you maintain your claim that you have documents that look at a cost-benefit analysis of retrofitting all of the towers?

Simon NEWPORT: I maintain the statement that I read, and the answer is yes, that work was done, and yes, I have read the very limited purview that I have in terms of being able to share that work.

Aiv PUGLIELLI: So were the government lawyers lying?

Simon NEWPORT: Sorry, can you repeat that?

Aiv PUGLIELLI: Were the government lawyers lying, based on what they have said?

Simon NEWPORT: No, I think you will probably find they were referring to the human rights charter court case in terms of whether there was a separate documentation of the decision made versus what was encased in the cabinet process. I think that might be the decision that they are referring to.

Aiv PUGLIELLI: Right. Do I still have time?

The CHAIR: You have got about 2 minutes.

Aiv PUGLIELLI: Great, thank you. I understand Homes Victoria is actively purchasing private dwellings to relocate tower residents, and we understand you have hired new employees to undertake this work. With a citywide vacancy rate sitting at, I understand, just 1.4 per cent, has Homes Victoria done any modelling to calculate the impact that this will have on the rental market?

Simon NEWPORT: As the deputy CEO just alluded to, the numbers are very, very small in terms of what we are acquiring. We have a lot of work in Homes Victoria. We delivered nearly 2500 homes last year, and a small part of that is acquisition. I was on annual leave recently, by the way, and I just happened to see – I think it might have been yours – your post on social media about us placing that ad out for that particular person. We have a very, very busy acquisitions team. They not only have to acquire properties but they want to make sure we maintain our level of leased properties that are out there. They have been coming off the last couple of years, which has been hurting our stock count a bit, and I have made a deliberate decision to make sure we maintain that stock level as it is. Part of their job is to make sure that they maintain our stock levels, both in leased and acquired, and that is why they were hired.

Aiv PUGLIELLI: Can I just query, though: was that modelling done?

Dannii de KRETZER: I think the point I would just reiterate is: when we lease, we lease very, very sparingly. Acquisitions from the market were 7 per cent of all acquisitions last year. But the main reason for doing it is to house people experiencing homelessness. It is a longstanding –

Aiv PUGLIELLI: I am just asking about modelling. Was there modelling done?

Dannii de KRETZER: The way we do the modelling is we buy based on valuer-general valuations. We follow purchasing guidelines and we do not overpay in a market to drive the market up.

Aiv PUGLIELLI: So there was modelling?

Dannii de KRETZER: We do it consistently to test value and to check that we are operating in line with the market.

Aiv PUGLIELLI: Okay. Can you make that modelling public to the committee?

Dannii de KRETZER: It is the valuer-general. I was not saying there was modelling. We use the valuer-general to test value, if that makes sense, and we do it very sparingly.

Aiv PUGLIELLI: Okay. Just to make sure I have understood, though: a busy growing acquisition team, but a very sparing purchasing approach. How does that work?

Dannii de KRETZER: It was 7 per cent. It was 7 per cent of our additions last year, so it was about 170 homes, from memory. We need someone to purchase those homes. They have to operate in line with valuer-general guidelines, and it is a process to find the right homes for people. It is matched to people's needs as well. There is an intersect between the work of relocations officers and the people that purchase those homes when it comes to the high-rise redevelopment.

Aiv PUGLIELLI: Thank you.

The CHAIR: Thank you. I am going to hand over now to Mrs Hermans.

Ann-Marie HERMANS: Thank you. Thank you for coming in. In your modelling – and I may have got these figures a little bit skew-whiff, so perhaps I should just double-check. With the modelling that has been around per square metre, apartment costs were modelled at what per square metre in the business case?

Simon NEWPORT: What I can tell you is the prevailing per square metre rate for apartments typically averages between \$9000 and \$10,000 a square metre.

Ann-Marie HERMANS: Yes, that is right. That is what I have got here. But we have heard that despite the modelling being around \$9000 per square metre, this is increasing, even almost doubling, to around \$15,000. With the increase in cost, does the business case actually stack up?

Simon NEWPORT: I have got to be very careful at the moment because we are in procurement for Carlton, which is probably the best indicator of what the current rates are. All I can say at this stage is we are not seeing any deviation from that current rate. I am not Nostradamus; I do not know what the rates will be in years to come. But we have gone through a very unusual spike. I have been working in construction for nearly 30 years, and I think it is fair to say the last three or four years have been extremely abnormal. We would not anticipate nor does any of the work we have done anticipate an increase of 35 per cent over the last three to four years. We are assuming a more normal increase. But again, I have got to be very careful because we are out there in procurement at the moment and I do not want to be tipping my hand in terms of what budgets are to builders. But that \$10,000 a square metre is around about the mark.

Ann-Marie HERMANS: Okay. But given that we are a state where the costs of building materials are significant and not easy to access, doesn't that provide a better case for refurbishment over a rebuild at this point in time?

Simon NEWPORT: No. Typically, refurbishment costs and renovation costs – and anybody who has done any renovation work themselves will know – can be two to three times the cost per square metre.

Ann-Marie HERMANS: Sorry to interrupt you, Mr Newport, but I am a person that has had to do renovations many times, and I would not agree with you at all, and if we look at some of the transactions that have taken place in other nations that is not what the data is showing around the world. For instance, we have heard about Switzerland, Belgium, France – all of them doing refurbishments in their buildings.

I know that, Mr McCurry, you mentioned that the pipeline area for sewerage and water was hard to access because it was behind the bathroom. We have visited the towers, and we have seen that the way that is accessed was actually thought through by the architects. There is actually a cupboard that allows access to these pipes, so it is not that they are not accessible.

Martin McCURRY: Mrs Hermans, I think I was there when I showed you around. We access the sewer stacks through that little cupboard. You have to then replace 2.7 metres high, and that was only applied to the bathroom. There also is a sewer stack for the kitchen. When you talk about international precedents around similar technologies, the large-panel constructions, what you are seeing is people demonstrating to you, 'Here's a reinforced concrete frame from the 1950s,' which is of a different construction, which has got a durable structure on it, and you are able to retrofit. What we are seeing with these large-panel constructions in places like Broadwater Farm in London and Somerstown in Portsmouth – we have just seen, in Glasgow, North Lanarkshire council commit to demolishing all 48 of its high-rise towers; Northern Ireland Housing Executive are taking down all 33 – is that the precedent is not to retain. The precedent is to demolish these types of towers. They are 50 to 60 years old with a design life of 50 years. The debate around retaining these, when they have got durability issues, is an issue.

Ann-Marie HERMANS: With all due respect, there are plenty of Australians living in much older homes –

Martin McCURRY: Correct.

Ann-Marie HERMANS: and it is all to do with maintenance.

Members interjecting.

Ann-Marie HERMANS: I am sorry; it is my turn, and you have had your turn. The government has been negligent. This is the Department of Families, Fairness and Housing. In terms of fairness, how fair is it to actually neglect these buildings, to not repair them and to not have the maintenance so that we can justify a rebuild? To me that does not sound like it is actually fairness, it does not sound like it is looking after families and it certainly is very difficult to understand the perspective of housing when we have talked about vandalism

on lifts as being one of the reasons why we need to have a new building with new lifts. Vandalism is going to occur in new builds as well, so this is not a cost that you can actually ignore.

Martin McCURRY: If I can answer your questions – I will ignore the part about vandalism in lifts, because that was a question about opex, not about capital – under the maintenance regime that we have, we service our lifts fortnightly. We do our annual checks in line with our manufacturer recommendations on all our gas boiler systems. Our automatic doors are done two-monthly. Our fire services are done monthly in line with Australian standards. The fire pumps are done monthly and annually. Our public lighting is done three-monthly; our exit lighting is done two-monthly. We go through and we check our sewer stacks six-weekly. The issue that you face is not an issue of maintenance. You face an issue with these towers around age and the fact that they have been in use for 50 years. When I showed you, in the high-rise towers, the corridor and I took the steel and it crumpled into my fingers, that was not an issue of maintenance. That is an issue inherent in that construction since the day it was built. That was a wall rendered with acrylic and it still popped out. That is not an issue of maintenance. We are maintaining the centralised plant. We have updated all lifts; we have updated all the equipment. To say this is a function of maintenance I think is a sophism.

Ann-Marie HERMANS: I do not think so. I think that it is really unreasonable to think that you cannot build an extra lift somewhere –

Martin McCURRY: We can.

Ann-Marie HERMANS: because you need to have something that is big enough to have a stretcher on. It could be an external lift.

Martin McCURRY: We showed you.

Ann-Marie HERMANS: There are plenty of buildings around the world with external lifts – to say that we need to look at the costs and one of the costs is because of vandalism on the lifts.

Simon NEWPORT: That is nuts. Sorry, that is not what we have said.

Ann-Marie HERMANS: The thing is you are not providing the transparency of the documents, so all we can go on is that you are saying it is more cost effective for us to rebuild than it is to refurbish. We are not seeing this, and we are certainly not hearing that from people in the industry. Building and construction and architects are saying it is possible. The thing that gets me is you are the Department of Families, Fairness and Housing, and we are putting a whole lot of people at risk. Has the government thought about the increase of migration into this state and taken that into consideration with the development of these houses, given that you are relocating people? Without a substantial increase in housing being built at a rapid rate, we are going to have an increase in homelessness. How is this department preparing to help the people of Victoria with homes when it is not building them rapidly and is at the moment taking people out of their homes and relocating them? There are people that do not want to leave. How are you actually taking into consideration our current homeless situation in Victoria? Who would like to answer that?

Simon NEWPORT: I will address that. In terms of the specific claims in terms of the number of properties, again we can only speak about tranche 1. They are the only decisions that have been made in detail by the government. The next tranche has been announced.

Ann-Marie HERMANS: Does that mean that there is a possibility for a change, that there may be a decision to not demolish?

Simon NEWPORT: No. The government has made a policy decision, and we are implementing that decision. In terms of the number of properties, what I can speak to categorically is the first tranche. The first tranche of properties at the moment has 699 homes, all of them social. When the first tranche is finished we will have 962 social and another 400 affordable. That is a 63 per cent increase in social and affordable and 38 per cent just social to social. The total number of properties when you roll market into there as well will be 1748. That is a 150 per cent increase on the amount of people that are currently living just on those sites. So yes, we are taking into account the increased demand. Certainly my remit is social. To an extent it is affordable. But whether it is a 63 per cent increase in social and affordable or 150 per cent of the total number of homes, that is significant in tranche 1.

Ann-Marie HERMANS: It sounds significant, but in reality the construction is not keeping up with the need. We have the lowest public housing in the whole of Australia in terms of what we can access for people. I have here that Homes Victoria have been going directly to real estate agents and builders, and they have been prepared to pay a 10 per cent increase on the rent year on year. How many houses have you secured this way, and have you modelled what impact this is going to have on private sector rentals and on affordable housing per se?

The CHAIR: That is your time, Ann-Marie. You can finish the point, Simon.

Simon NEWPORT: I will address some of those. Look, those claims being made that somehow we are paying overs, I think my deputy CEO has absolutely addressed those: we are not making those sorts of promises; we are not able to make those sorts of promises. We can only pay the prevailing market rate, which is ultimately checked and decided by the Valuer-General of Victoria.

Dannii de KRETZER: I think the only other thing I would add is just about homelessness. What you raise is something that is very, very dear to what we are trying to achieve at the same time as the high-rise redevelopment. And the way we are trying to address homelessness in this state – I am happy to outline how we are trying to balance those objectives while also dealing with the condition of the towers. If that would be helpful for the committee, I am very happy to talk through that.

Ann-Marie HERMANS: Yes. Statistically, we would love to have the statistics –

Dannii de KRETZER: I am very happy to share those.

Ann-Marie HERMANS: given the increase that we can see with our eyes.

The CHAIR: If you are happy to take that on notice, that is fine.

Dannii de KRETZER: Very happy to. I can outline it to any committee member during the hearing or afterwards, and where we are at, if that is helpful.

Ann-Marie HERMANS: Thank you.

The CHAIR: Sure. I am going to hand it over to Ms Ermacora, who is online. Jacinta, over to you.

Jacinta ERMACORA: Hello, and thank you for appearing. It looks like I am the biggest person in the room on-screen. I just want to start by thanking the four of you for coming along today, but also for the information that you are sharing. I have learned a lot about the complexities of the project and just how many moving parts there are to what you are doing from a housing supply and affordability perspective, through tendering and marketplace, through to structural building, engineering and business cases. I really appreciate all of the work that you are doing, all the while with anybody who cares in Victoria, including all of us, expressing opinions about what you are doing, so thank you.

I want to start by just asking about mixed tenure. I note that the high-rise redevelopment program also proposes to deliver mixed tenure housing outcomes, including affordable housing. Can you just give a bit of a background on what the rationale is for that?

Simon NEWPORT: Certainly our lead is very much the government's policy as stated in the housing statement. In terms of our particular role with regard to these towers' redevelopment, it was to significantly increase the amount of people that could live on these sites, which enjoy very good amenity. As a broadbrush rule we are tripling the amount of people who will be able to live on those sites.

In terms of mixed tenure, in fact I understand – and I certainly was not around at the time – that it was a recommendation of a previous inquiry I think on the public housing renewal program. One of the recommendations from that inquiry was to adopt mixed tenure. There are plenty of examples where people widely accept that potentially a perceived social disadvantage of significant concentrations of social housing alone can be barriers for people to live a good and wholesome life. What we are trying to do here is strike that balance. To give you an idea of what has been announced so far, you are talking roughly about a 50–50 between social and affordable and market. Each site will vary. As an example, Flemington is entirely social and affordable at this stage – and again I have to go to be careful because North Melbourne I believe is about to go

into procurement very shortly. There is a minimum amount of social and a minimum amount of affordable that is being mandated. Then we will be asking the private sector, the market sector and the community sector to come back to us and see how many they can deliver of each, but we are obviously setting the minimums. So you are talking about at least a 50–50 – in some instances significantly more. Each site mix will depend upon the community and the amenities at those sites.

There has been work done historically over the years from Homes Victoria, I understand – even things like removing fences and really stopping the separation of those estates so they are really part of the community. Now, I know they are part of the community, but physical barriers make a difference. This is now the next step in making sure that the communities and the people that live there and the people that want to live there in the future are all part of the same community. There are plenty of studies that show that mixed tenure done in the right way is the best way to deliver social cohesion and the best way to deliver good outcomes for everybody.

Jacinta ERMACORA: Fantastic. I am just drawing on some comments made earlier. Any homes bought by Homes Victoria in the area – for instance, in the inner city, or anywhere – all become a part of the overall housing stock. Is that correct?

Simon NEWPORT: Yes, they do.

Jacinta ERMACORA: Just to clarify: I do not know if there are any economists there or people with economic analysis in relation to housing, but my understanding is increasing supply of housing and in particular increasing supply of public housing will eventually reduce the cost of housing and make it more affordable. Is that a reasonable premise?

Simon NEWPORT: Every home helps, in simple terms.

Jacinta ERMACORA: Yes, it is supply, supply, supply. I was just interested to note that the RAHU – I think it is the Renters and Housing Union – commented yesterday that more social homes drive down rents as well. Is that another reality?

Simon NEWPORT: Whilst I originally probably trained as an economist, I am not going to wade into that debate other than – more homes anywhere along the continuum are welcome. I am obviously incredibly biased, and I would like to see as many social homes and affordable homes as we can get. But any home anywhere in the continuum takes pressure off the public and community housing system.

Jacinta ERMACORA: Just on to some specifics I am interested in: are you aware of how many transfer applications there have been from renters wishing to move out of the towers?

Simon NEWPORT: I am going to defer to my deputy for this one. I am pretty sure she has got the stats for that.

Jacinta ERMACORA: Can you comment on what the main reasons were for applications? This is maybe before the redevelopment process began.

Dannii de KRETZER: Of course. Thank you. At the time of the redevelopment, so in September 2023, across 61,143 public housing tenancies – that is the entire group of tenants in public housing – 11 per cent of tenants or households had a transfer application. Across the high-rise, which was about 5800 tenancies, 14 per cent had a transfer application, so it was higher on average and different for each estate and, to be frank, each building on each estate as well. So there was a variance really from around the highest at 24 per cent in Williamstown and 21 per cent in Collingwood. What we really saw was high concentrations of people that were interested in leaving the building or leaving the estate in certain locations as well. For the tranche 1 site, which is North Melbourne and Flemington – noting that Carlton was already empty and there were no residents left in it – 16 per cent had a transfer application, so again it was higher than the average in public housing and higher than those in other high-rise buildings as well, or slightly higher. I have got the same information for the tranche 2 locations, and what I can tell you is 15 per cent of the households in tranche 2 had a transfer application. When you delve into the reasons for those applications, they sit between people that want to relocate for a range of reasons. The main one, though, was about space – so overcrowding. At the end of the COVID period, I understand there were also high-rise transfer applications initiated on the basis of overcrowding, some of those at 33 Alfred Street as well, and some of those applications carried across. So there

were a significant number. There are also people that want to relocate by way of safety reasons, and we need to support their transfer application in a timely way.

Jacinta ERMACORA: Thank you. Are you aware of the OFFICE report proposing an approach to retrofitting the towers and the five-floors-at-a-time scenario? I am not sure if you can make a comment on that, but can you provide a comment on what your thoughts are on this?

Simon NEWPORT: I can provide one. I am not here at all to be passing or making comment on the other witnesses and their testimony. I did have to appear in court about this and I read some time ago the OFFICE report, so I will just offer a couple of comments. I think the most noticeable one is that it did not allow for relocations, in terms of it assumed that people could stay in the building – and I am sure Mr McCurry will talk about the specific examples of how we currently relocate people when we are doing half as significant refurbishments as what are being considered. Not only did it not allow for the physical relocation of residents, it did not allow for the costs of those relocations, which we know can add up. So there is an issue there. People are entitled to their own opinions and own assumptions, but obviously we beg to differ. In terms of the need – and I know the judgement is public and I understand that the court case is under appeal, so I have got to be a little bit careful – even the judge acknowledged in her judgement that it was not viable. It was not – well, ‘viable’ is probably the right word – viable to do the extent of the work that is being considered, or could even be considered, for a refurbishment and leave people in those buildings. Whether it is just the noise, the dust, the dislocation, the elevator access – I know that they are a hot topic here today, but the fact is when you have got limited elevators and they are small, you cannot be shutting those down so the tradies can get up and down. How are people going to get in and out of their building? Martin will talk about it far more eloquently than that, but the reality is the court decided and we have decided that it is not practical to have any extent of refurbishment works while people are living in those apartments.

The CHAIR: Ms Ermacora, that is your time, by the way, but we will let you finish off the question.

Martin MCCURRY: Over the last 20 years we have been renovating apartments across 40 towers. We have done that in terms of installing new kitchens, wet areas, flooring, painting. In all cases we relocate renters. When the most recent towers were renovated, at Richmond, we rotated renters out five floors at a time, and that was for works which were not as intrusive as the ones which are envisaged in the report that OFFICE has put forward, which includes coring floor slabs and bolting steel plates and installing balcony structures. So we know we have to relocate. Their works would require a lot more intervention, and I would say that you actually have to look at how you would do that across the entire building if you are to give people quiet enjoyment of their residence.

Jacinta ERMACORA: Thank you very much.

The CHAIR: We have probably got time for about 2½ minutes per person, so I will do another round again, and I will start off. I will probably be a bit more tight with these times.

In response to a question I think from my colleague Dr Heath, I think it might have been you, Mr Newport, that said that you have got a list of the towers, and I think it was said that the first tranche has been organised and the rollout and all that sort of thing but the rest is not sorted and not known in the order.

Simon NEWPORT: What I am being very particular about is: is there one document which exists which says ‘Here’s the order of everything from one to 44’? The answer is no, that does not exist to the best of my knowledge. I have certainly not seen it.

The CHAIR: You do not have a work plan, though, of the –

Simon NEWPORT: Well, we are developing a program. It is a 30-year program. I have indicated very strongly what the factors are that are taken into account into what happens next. Two tranches have been announced. I would be very surprised if another tranche is not announced in the next while; I cannot indicate when that will be announced. Those factors are taken into account when future tranches are announced. I have very strongly indicated that one of the biggest things that we focus on is making sure that when stock is available, we are relocating people to keep them close, like Flemington, like we are doing at North Richmond, like we have done at South Yarra. That is one of the driving factors.

The CHAIR: My question is: if that is the case, how do you know how long this whole process will take? If it is 30 years, 40 years – how do you know that? You said you are going to do it tranche by tranche. How do you know how long it is going to take all up?

Simon NEWPORT: We know how long it takes to do relocations, we know how long it takes to do deconstruction or demolition and we know how long it takes to build them. This is not the first time we have done this. Obviously, the ground lease model is a classic example. We have got many years of experience of doing this, not on these particular sites, but the ground lease models are great examples of stuff that we have already done. We do know that it is typically seven to eight years from the very first announcement to doors being opened.

The CHAIR: Thank you. My last little bit: Tetris Capital – who are they?

Simon NEWPORT: They are a financier.

The CHAIR: And they are partnering with –

Simon NEWPORT: They are partnering on the ground lease model.

The CHAIR: Do they have many other public housing projects they are involved in, to your understanding, or not?

Simon NEWPORT: I would have to get back to you on that. I know that they were involved in ground lease models 1 and 2.

The CHAIR: So to your understanding, are you aware that they are involved in any others or not?

Simon NEWPORT: I would have to check with my transactions team before I answer that question. I would hate to misspeak.

The CHAIR: Are you happy to take that on notice at all?

Simon NEWPORT: I can provide what information we have got from Homes Victoria. I cannot, obviously, comment on the rest of the country.

The CHAIR: Okay. My time is up. I am going to go to Mr Batchelor.

Ryan BATCHELOR: Thanks, Chair. I want to just go quickly to showers, which may not seem significant to some but came up yesterday. The Housing for the Aged Action Group were talking about the problems that older people particularly have in accessing bathrooms where there are step-over showers and people have got to step over a structure to get into the shower. That is a real problem for people with mobility issues, not just those with disability, but potentially ageing. My recollection when we went through the bathrooms of the towers was that they were a pretty common feature of the design of the 44 and that there are difficulties in removing that feature from the bathrooms. Anyone might comment on that.

Simon NEWPORT: I will quickly comment, and then I will pass to Mr McCurry. Hobless showers, as they are known, and disability access in general are one of the most significant reasons why the towers are not suitable to the client cohort for now and into the future. Whether we talk about the amount of offers that we make sometimes, special accommodation requests and disability needs are one of the biggest reasons why people cannot use the towers in terms of the specifics –

Ryan BATCHELOR: And that is because it is a trip hazard every time you try and use the shower, right?

Simon NEWPORT: It is. Mr McCurry will refer to the exact details. I could talk to them, but when I have got an expert sitting next to me, I would be crazy not to use him.

Martin MCCURRY: We did demonstrate to you when we visited, I think, 33 Alfred that we had retrofitted in what is a small-step shower. The issue you have got when you have got a 2.6-metre floor to soffit height is getting sufficient space for pipes to drop through into the room below and make their way across to the riser –

we just have not got the space. So we put in place the next best thing, which is a one-step shower. It is still a trip hazard, if you like, but we are not able to get the stepless showers you would have in new buildings.

Ryan BATCHELOR: And that is a feature of the design of the buildings –

Martin McCURRY: That is a feature of the low ceiling heights.

Ryan BATCHELOR: and of the height of the ceilings, and there is nothing we can do about that. We cannot change the ceiling height, so we cannot put stepless –

Martin McCURRY: You just make the ceiling in the bathroom below lower –

Ryan BATCHELOR: Really low, even lower than it is now.

Martin McCURRY: Yes.

Dannii de KRETZER: I would add across tranche 1 at the moment in North Melbourne and Flemington we have got about 204 older residents, and as we have gathered the needs of people in terms of relocations, there are currently 307 property requirements which include disability modifications that the relocations team are working on.

Ryan BATCHELOR: As you are talking to residents throughout this process, it has become a significant issue?

The CHAIR: That is time. I am going to hand over to Ms Gray-Barberio.

Anasina GRAY-BARBERIO: Thank you, Chair. Mr Newport, in 2023 Homes Victoria commissioned land valuations by Ernst & Young for multiple public housing estates. Their report listed the value of the land parcels in the year 2000, drastically undervaluing by 25 years the public asset that is being handed to private consortiums. What was the reason for valuing the land at 2000 levels, and would the undervaluing of this land skew any outcome of any cost analysis of this project?

Simon NEWPORT: Look, I did not commission that work, so I am not really the best person to answer that question as to the purpose behind it. Land value –

Anasina GRAY-BARBERIO: Who would the best person be, Mr Newport?

Simon NEWPORT: The gentleman no longer works for the Victorian government, to my knowledge. That would be the prior CEO, my predecessor. Valuations are requested on feasibilities for projects all the time. I do not think that is an uncommon practice. I cannot comment on – you were saying that it was done back to the year 2000? Is that what you were talking about?

Anasina GRAY-BARBERIO: Parcels in the year 2000.

Simon NEWPORT: Yes. Really, I am not able to answer that question.

Dannii de KRETZER: What we can say though is we revalue the portfolio and the land regularly as part of our financial management, so we would not be stuck to a position from a long time ago.

Anasina GRAY-BARBERIO: Sorry, just to clarify: the valuation was done in 2023. That was before your time, Mr Newport?

Simon NEWPORT: Only just. I joined two years ago last week.

Anasina GRAY-BARBERIO: Okay. I will keep moving along. Has Community Housing Limited requested any additional government funding for the delivery of ground lease model 1 – not including the extension at the Flemington towers, just the current finished homes delivered under ground lease model 1?

Simon NEWPORT: I am not aware of any, but I would have to take that on notice just to make sure.

Anasina GRAY-BARBERIO: That would be good. Thank you.

Simon NEWPORT: Do you mind if I answer the question for you on the public sector comparator? I have got the information here now. Do you mind if I quickly answer that for you? I can just confirm –

Anasina GRAY-BARBERIO: I just want to finish this line of inquiry –

Simon NEWPORT: I will confirm that it has been done.

Anasina GRAY-BARBERIO: and then we can come back to that depending on time from the Chair. That would be great.

Simon NEWPORT: Sure.

Anasina GRAY-BARBERIO: Sorry, what was the answer to the question around the ground lease model?

Simon NEWPORT: I can confirm that the public sector comparator has been done for Flemington, and it is informing the negotiations right now.

Anasina GRAY-BARBERIO: Was that the answer to my question that I just asked or a previous question?

Simon NEWPORT: Sorry, that was your previous question. Can you just repeat that question?

Anasina GRAY-BARBERIO: Can I just claim back a bit of time?

The CHAIR: Yes, sure.

Anasina GRAY-BARBERIO: Just a few seconds, if I may.

The CHAIR: Just finish this one off. That is fine.

Anasina GRAY-BARBERIO: Has Community Housing Limited requested any additional government funding for the delivery of ground lease model 1 – not including the extension at the Flemington towers, just the current finished homes delivered under ground lease model 1?

Simon NEWPORT: I have just received a text from the senior director who is doing that, and the answer is no.

Anasina GRAY-BARBERIO: Thank you. We understand that Community Housing Limited cannot stand up on its own and is going to require more money from the government to prop it up. Can you rule out Homes Victoria giving Community Housing Limited more top-ups?

Simon NEWPORT: I am sorry, I cannot speak to that. That is probably a question that should be directed towards the registrar, but we are not aware of any of that.

Anasina GRAY-BARBERIO: Ms de Kretser?

Dannii de KRETSE: I can – yes, sure. The performance of Community Housing is published regularly by the housing registrar. My understanding of Community Housing Limited's finances is that they are okay. It is publicly available information, and we can supply the website link to the committee if that is helpful. The Registrar looks after the prudentials of Community Housing and makes sure of their liquidity and their ability to operate. It is a very regulated system.

Anasina GRAY-BARBERIO: So the answer is no?

Dannii de KRETSE: They are not. To any of our knowledge, they are not. They are operating with their finances strong.

Simon NEWPORT: I would say they are one of the largest and most respected community housing organisations – in fact they are the largest across the entire country.

The CHAIR: I am going to hand over to Dr Heath now.

Renee HEATH: Thank you. There is a question I think we have sort of been skirting around the edges of, which I just want to come back to clarify. Mr Puglielli asked a little bit about it and I did too. The original tower project was an open tender project?

Simon NEWPORT: Yes.

Renee HEATH: But the next one, to my knowledge, was not?

Simon NEWPORT: Contract, yes.

Renee HEATH: Why?

Simon NEWPORT: Sorry, I just want to make sure, because I have got the other director texting me as well – just to answer that question, I did respond by saying the full tender process was conducted as per Treasury policy and probity, including the scope for augmentations and extensions. The public sector comparator, which ultimately guides what we believe would be paid in a fair and open market, is the one that is being used to guide the negotiations now. That is your protection in terms of making sure that there is a value-for-money proposition.

Dannii de KRETZER: I think one of the major reasons is about tenants themselves and the workability of the site. If you think about Flemington, the Victoria Street model and the ground lease model are pretty much built on the Flemington estate, so as you translate and move to rebuild, do you want different providers in the mix on one estate? So provided value is proven, and that is what the public sector comparator is for. An augmentation to that agreement is being sought because of the outcomes that we will get on that site by having a provider who is currently doing a good job in the way they are managing the contract. That is the rationale.

Renee HEATH: So that is why there was not an open tender.

Dannii de KRETZER: The open tender occurred in order to procure the provider in the first place. The public sector comparator is used to retest value.

Renee HEATH: There are going to be 44 of these projects.

Simon NEWPORT: This is particular to Flemington.

Renee HEATH: So will there be an open tender project for all of the others?

Dannii de KRETZER: North Melbourne and Carlton are currently having processes underway.

Simon NEWPORT: North Melbourne is I think going to launch in the next little while. I cannot talk about – and we have done an expression-of-interest process.

Renee HEATH: It is so frustrating that you can barely talk about anything, because we are here, and I am just putting it out there that we are trying to get answers.

Dannii de KRETZER: To clarify, Carlton is an open tender process, and North Melbourne will be an open tender. The issue about Flemington is the augmentation of the site and to keep the site curtailed to one provider, because it is working for that site.

Renee HEATH: That is what Mr Newport said that he cannot answer, and I just am acknowledging that it is very frustrating that there is very little information that we can get.

Simon NEWPORT: All I am saying is that when you are in a live procurement mode, there is no way in the world that we can be talking about something that is out there in the market right now. Carlton has closed, and obviously I have not seen the tender box with that. North Melbourne we expect the request for proposal to be started in the next couple of weeks, I would have thought.

Renee HEATH: Thank you.

The CHAIR: Mr Galea.

Michael GALEA: Thank you. It is now approaching two years since the first tranche was announced, and there have been a number of relocations that have either taken place or that are underway. What lessons has Homes Victoria learned from these relocations, particularly in relation to how it can better support tenants and provide more surety to them, and have any of them been implemented?

Simon NEWPORT: Do you want to take that one, Dannii?

Dannii de KRETZER: Yes, sure. I think we have learned a lot, and we are going to keep learning a lot every day. One of the things we did early on was we had what we call ‘a review-and-improve panel’, which is where we get residents together to come and tell us what we are doing wrong and what we are doing right, and we get really good information about what we can do better. If I think about one of the things they fundamentally said to us, the residents, it was that they were uncertain. It is really hard to move; it is not easy. The objective of the relocation team, who do get compliments, is to be out there trying to actually find the best outcome for people every day, and I have to say thankyou to them. What residents told us is, ‘The more certainty you can give us, the better.’ What they asked for was a timeline. They actually wanted us to tell them how long we thought this would take. Now, we are obviously not going to demolish a single home until everyone has moved. But residents themselves actually said a timeline would be the preference, because the nature of not knowing made it harder to plan, so that is something we have been working towards. They asked us to clearly set out the journey of what it looked like as well, and we are trying to get better at communicating that. I think we learn every day about better ways to do it, to be honest. What we have published overnight, one of the other things, was about communication in language. We carefully think about the languages of residents on each estate, and each estate is slightly different as well. Last night we finally have been able to publish – or into today – a relocations explainer which sort of sits over the top of the relocation form and the policies to summarise what that looks like and get better at that.

What are other things we have learned? We have learned about I guess the importance of that early engagement, getting that first meeting and making it clear to residents as well, ‘We’ve got time. We can spend the time to understand your needs. Your needs can change, and that’s okay. Just keep talking to us, and we’ll work through that.’ I think that is stuff we are learning every day. I am trying to think what else is important. Communities want to live together. It is the fundamental way we approach this. We know the strength of the high-rise communities. We know there are people in the high-rises that want to leave, there are people that want to stay there and die there because they love living there and then there are people that are more agnostic, and we have to work with others to help engage them. I think this is where community connection matters, that matters in the way that we look to relocate and find homes for people as well. They are my lessons.

Michael GALEA: I would have loved to dive deeper, but I am out of time. Thank you.

The CHAIR: Unfortunately, time has expired on this question. I am going to hand over to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Hi again. Can I ask: will all 44 public housing tower estates be delivered under the ground lease model?

Simon NEWPORT: I think it is very clear for me to say at this stage that those are decisions to be made by government. I would only indicate that the first two have been public at Carlton, the next three announced have been ground lease model and after that those are decisions to be made by government at the appropriate time.

Aiv PUGLIELLI: Okay, so you are not in a position today to indicate yes or no to that question?

Simon NEWPORT: No; that is a question for government.

Aiv PUGLIELLI: Can I ask: are Building Communities, whom we have talked about earlier, uniquely qualified to deliver these ground lease model projects?

Simon NEWPORT: I do not think you can use the word ‘uniquely’; they are they are a strong deliverer and a strong proponent, but they are not the only organisation out there.

Aiv PUGLIELLI: I ask just because between Building Communities and Building Better Communities they are delivering all of the ground lease model projects. They have signed at Flemington, and now you have just told us they are about to sign on in North Melbourne too.

Simon NEWPORT: No, I did not.

Aiv PUGLIELLI: Are you happy to address that at the end of the question? Could this present a consumer competition issue?

Simon NEWPORT: I can categorically state for the record now – and if I have said it, I have misspoken – that North Melbourne is a completely open tender process. I have got to be careful what I say here, but I think I would say that the capacity of anybody with a full plate, which you have just alluded to, would have to be taken into account if they were to be awarded any more work. I will probably leave it at that, but at no stage have I said that they have got any inside running or have been appointed to do North Melbourne – in fact the contrary.

Aiv PUGLIELLI: And you cannot identify in any way a consumer competition issue at this stage in relation to this organisation?

Simon NEWPORT: No, not at all. The procurement process for any future stages will be open.

Aiv PUGLIELLI: I will ask, just in relation to the Carlton red bricks, it has been promised as public housing: is that due to be managed by the government or by a community housing organisation?

Simon NEWPORT: Homes Victoria.

Aiv PUGLIELLI: Homes Victoria. Okay, thank you. With the remaining time that I have left, can I ask: was there an open tender process for demolition contracts for the first tranche buildings?

Simon NEWPORT: Yes.

Aiv PUGLIELLI: So that is before the \$100 million contract with John Holland being signed?

Simon NEWPORT: That was through a procurement process, yes.

Aiv PUGLIELLI: When did that occur?

Simon NEWPORT: I would have to get the exact details, but probably the demolition contract was signed about 12 months ago. We could provide the exact dates, but it has been in place for some time.

Aiv PUGLIELLI: If you could come back to me on notice, that would be appreciated. Now, multiple witnesses at this inquiry have described, in terms of the relocation process, pretty coercive, otherwise opaque or even traumatic experiences and residents being pressured to accept offers without proper support, without interpreters, without appropriate documentation – some told to pick their home off realestate.com.au, others given ultimatums. We have had this come up numerous times through the process. It sounds quite widespread, not just one or two bad actors – it has been quite prevalent in this inquiry. Is this behaviour appropriate?

Simon NEWPORT: Dannii, our deputy CEO, has direct responsibility for relocation, so I will let her answer most of that. What I would just say, and she did make a comment about it earlier, is that our relocations team are professional, dedicated and incredibly compassionate and they do a very good job in sometimes challenging circumstances. I am not aware of any of those circumstances that you have raised. We have taken note of every one of those comments made by witnesses, and we will run any of those claims to ground. I can assure you that is not a consistent approach, a directed approach, and everybody is treated as an individual with compassion. What I can say is that every family or household that has moved so far has done so in accordance with their needs listed in the relocation form and the policy of the government.

Dannii de KRETZER: I would also add there are complaints mechanisms that we really encourage people to utilise. We would take those complaints extremely seriously. I have not seen complaints of those nature, but of course we encourage people that they can appeal decisions and they can complain; we want their feedback. We also get a lot of compliments, and I have got a wall back in the office of people thanking the relocations team for the home that they have moved to – that it has suited their family, that it has alleviated overcrowding. I do have that, and I think the team take pride in that as well.

The CHAIR: Thank you. Mrs Hermans.

Ann-Marie HERMANS: Thank you. I did want to ask that question regarding people getting the right to choose and that level of coercion, because it has certainly come up, and there was somebody that actually reported basically a ‘get these people out of this building’ sort of mentality – whatever you have to do to get them to sign, to move out – that there was that sort of attitude and that sort of pressure that was being put on to people that were perhaps having to be the go-between, where the relocation for these particular individuals and families would be. You are saying, from what I am hearing, that you have not heard a single instance or situation or not heard from any of these organisations that have given evidence over the period of the hearing anything of that nature – of people feeling regret, that they felt that they had been coerced, that they had signed something that they do not feel comfortable with?

Dannii de KRETZER: I am hearing the evidence, and I am really taking account of it and trying to delve under it. I absolutely take that evidence really seriously and need make sure I take account of it, of how we are operating. What I do is oversight the cases myself as well and understand where residents’ needs are at. I think about it with the team, and we think about: ‘Is that right? Is that going to suit the school? Is that a bit too far?’ We look at people’s needs and preferences and really try to meet their needs, so I think that is the care and attention we are absolutely trying to take. If there are any issues, we will address them.

Ann-Marie HERMANS: Just be aware that that is certainly not the feedback that we have been getting. In terms of the cost versus benefit of demolishing the towers versus retrofit and renovation, have you been directed, any of you, to hide any cost–benefit analysis?

Simon NEWPORT: No, absolutely not. I think my statement, the department’s statement, stands for itself.

Ann-Marie HERMANS: Do you think that the public have a right to know the cost–benefit analysis? Because this is public land. It has been public land. It belongs to the people, not just to the individuals from the departments who make the decisions and to the executive directors, with all due respect. It is public land. Do you think that people are entitled to know the cost–benefit of refurbishing versus a complete demolition and reconstruction?

Peta McCAMMON: I would just reiterate that we have come to the committee to answer the questions within the parameters in which we work in the public service, and we are not able to provide the information. We need to be bound by the rules, just like you do on the other side of the table as well.

Ann-Marie HERMANS: I appreciate that. This is the last thing. These towers are actually the largest assets that this state owns. They are the last of our large assets in the state of Victoria. We do not have a lot left. When this is sold off, there is not a lot left in Victoria. We understand there is a lot of debt, but do you think the taxpayer deserves to know this information, given that this is our largest asset or one of our largest assets left in the state of Victoria? I understand you are being told you cannot, but do you think they should have that right?

Simon NEWPORT: Let me probably address the premise of that question. The first premise is that land is being sold. Again I would just caution that I am only able to comment upon government decisions that have already been made. But out of the five towers that are being delivered, in all instances they will remain in the ownership of Homes Victoria – two run as public, three run as ground lease model, but all will be owned. I am not able to comment on anything else. I would also point out that they represent about 10 per cent – a not insignificant number but about 10 per cent – of the asset base of Homes Victoria. I do not necessarily accept that it is the largest asset base that we have. We have \$37 billion in assets.

The CHAIR: We do have to move on to Ms Ermacora, I am afraid. I am sorry. Ms Ermacora, I will hand over to you.

Jacinta ERMACORA: Thank you. I just want to follow on from Mr Galea’s questions. I think you were about to answer around the question of people relocating according to their wishes – you know, their ability to return, the number of requests for returns and whether that is changing over time with the projects that are already started.

Simon NEWPORT: Before we start with that, I just want to reassure people – and I have got a letter here, and I know it has been submitted to the committee – I wrote to each of the residents of tranche 1, and in it is a very clear statement about their right of return. There is the relocation policy as well. I know there have been repeated calls for it to be in writing. It has been done in writing. I wrote that letter personally in I think it was

November 2023. We can provide a copy if it has not already been done. We take that very seriously. The right to return is very clearly stated in that letter and in our policies.

Dannii de KRETZER: Just to go to the preferences and what people can choose, the first question really in the form asks whether you would like public housing or community housing or both. Across the Victorian housing register, at the moment that is sitting at about 81 per cent saying they would like either. In the relocation sites in tranches 1 and 2 it is sitting at about 65 to 67 per cent who are saying they would like community housing or public housing. The first thing I would say is we then work to source the home that they have asked for – public or community or both. That is our first operating mandate about meeting needs. So far to date we have aligned to all of those preferences.

The next way to really talk about people's preferences is the location where they want to live. Across the sites right now, around 78 per cent of residents in tranche 1 want to remain pretty much within North Melbourne or the Flemington broadband, or are being housed within the Flemington and North Melbourne broadband, which is in line with their needs and preferences. We are making sure we are housing people where they want to live as well. We work in broadbanded areas, which are clusters of suburbs, and you may be familiar with that in the way we run public housing allocations more broadly or community housing allocations more broadly. If a person needs a particular suburb for a particular reason, we absolutely accommodate that in the way we deal with people's needs and preferences. I can assure the committee that to date 100 per cent of people that have had a locational requirement have had that met in where they have been housed.

In terms of other information I can give you, we clearly also operate based on older people's needs, for example. If you are over the age of 55 in Victoria and in public housing, you can be allocated older-person's stock. That might not be for everyone, but you are eligible to live in older-person's stock. We do try and take into account that often older people prefer to live in older-person's stock – sometimes they do not, and that is okay too. But we do make those offers in line with older-person's stock as well. We do try and meet every single disability need and every locational requirement. If a child needs a special school, we will absolutely be taking that into account. The relocations team are also trying to balance moving times around school terms and other things, and I really encourage people to talk to us. We want to make this as seamless as possible for families. We know how stressful it is, but you want to time the move with your school year and other things. They are just some of the ways we try and do our work.

The CHAIR: That is time, I am afraid.

Jacinta ERMACORA: And the return –

The CHAIR: Sorry, Ms Ermacora, that is time. Apologies. Thanks, everyone, for your appearance today and your evidence – much appreciated. You will be given a proof version of the transcript. We will leave it there because we are a little bit behind time. Apologies and thanks very much.

Witnesses withdrew.