

TRANSCRIPT

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into Homelessness in Victoria

Melbourne—Wednesday, 12 February 2020

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WITNESSES

Mr Robert Pradolin, Founding Board Member, and

Ms Louise Rutten, Chair, Housing All Australians;

Mr Brad Paddon, Director, APD Projects;

Mr David Mansfield, Chief Operations Officer, Quest Apartment Hotels;

Mr Ross Hamilton, Partner, PwC Australia;

Mr Sam Gribble, General Manager, Alternative Housing, Metricon;

Mr Jim Hardy, Senior Manager, Community Sector Banking; and

Mr Kelvin Ryan, Managing Director, Simonds Group.

The CHAIR: Thank you all for coming today. This is really remarkable. I have never seen so many people fit on the table before, so thank you for all being slim, taut and terrific. This is going to be an interesting challenge for us, for everyone to have their say and for the conversation to flow freely. We do have an hour and a half to do this, so we have got time for it. Rob, you were suggesting that we make this free-flowing. I think I would prefer that we start on this side and then we will start to try and ensure that all of the Committee members get an opportunity to comment or to ask questions. We will try and make it as free-flowing as possible, but just handling the numbers of people around this table might prove a bit more of a challenge.

Welcome all of you, and I very much appreciate it. Just a little bit of housekeeping prior to beginning. As you know, we are hearing evidence today for our Inquiry into Homelessness in Victoria. Now, the evidence taken at this hearing is protected by our parliamentary privilege, and that privilege is provided under our Constitution Act but also the standing orders of the Legislative Council, so the information you give today is protected by law. However, any comment repeated outside does not receive the same protection. Also, any deliberately false evidence or misleading of the Committee may be considered a contempt of Parliament. As you can see, Hansard is recording us. We are also being broadcast today—so you look great and the World Wide Web is watching. It is going; it is actually going very well.

We will open it up to you, and I think Rob is going to start and then we are going to hear from everyone and then I will open it up to the politicians to speak, so we will let the experts speak first.

Mr PRADOLIN: Sure. Thank you, Fiona. Thank you for the opportunity. If there are pending questions, I am comfortable for them to come in as part of the discussion. I am Rob Pradolin, founder of Housing All Australians, and my Chair is Louise Rutten, so we are going to be here representing HAA, and I want to give a bit of an overview of what we are doing. Once I do that—and that will be about 20-odd minutes—then I will go through each party here, who will introduce themselves and tell the panel why they are here to support us. I assume that everybody has read it, but I know that some people may not. But I am conscious that this is being lived and I want to make sure that people understand the context of what we are doing and why.

Before I start with our presentation, I want to give you a bit of background on me, because I think that is quite relevant to the conclusion of why we have come here today. I have always been in residential. Ever since I was five and I built my first cubbyhouse, I have always been in residential development. But through my career, though, I have done large land subdivisions. As former general manager of Frasers Property Australia—large subdivisions. I have done medium-density housing on scale, and I have done large apartment projects. I have covered the whole housing continuum.

When I was general manager of Frasers I also got involved with social and affordable housing, first of all with the Commonwealth Games village. I was the builder for the Commonwealth Games village, and it is still going today. It is a 13- to 15-year project. I was general manager of the Carlton housing estate, which again is 1000-plus dwellings—and the Westmeadows one. So I have got some experience in that housing side, both from a private sector point of view but more understanding the social and affordable housing sector. So it is with

experience that we have evolved Housing All Australians to what it is today, and it is that experience across the whole continuum that I bring as part of this panel.

I should also state that I am on Summer Housing's board. Summer Housing is purely for the disabled sector. Di Winkler—it is her foundation. It is all about getting young people out of nursing homes. And I am also on the boards of Salvation Army Housing nationally. So it is the whole cross-sectoral housing continuum that has bought into what Housing All Australians is today.

Now, the purpose of doing that is to provide the context, but it is the experience that also leads me to the conclusion, and this does not reflect on anybody here today, that I am not expecting much to be implemented from the report that will come out of this panel. Why? Well, over my career I have attended so many round tables, with so many ministers, talking about the same issues, and nothing ever happens. That is why one of our fundamental principles is we are not waiting for anybody; we are doing what the private sector does best, and that is to make things happen. I hope that does not offend anyone, but I think that is the state of reality and politics.

Now, let me start our formal presentation by making a few statements. If we do not house all Australians, rich or poor, we are leaving an intergenerational economic time bomb. We are looking at homelessness through an economic lens, not a social lens. There are so many fantastic organisations—and some we heard this morning—that talk about all the social aspects of it, but the same problem exists from the communication point of view with the right side of politics, and that is the business case. So we are really looking at this with our commercial lens and trying to reframe the discussion to one that is understood by both sides of politics, even though it is the same issue.

I would also like to clarify some of the aspects that some people are saying that housing is a human right. We do not want to partake in that part of the discussion because that always polarises society. But no-one can deny or tell me that housing is not a fundamental human need, and without that human need being satisfied we have unintended consequences in mental and physical health, family violence, justice, policing and long-term welfare dependency, and it all gets back to the fundamental human needs.

I saw a presentation last week by the Demographics Group, which showed where the incomes of society are splitting. You are going to have the wealthy jobs and the poor jobs, and the middle class is actually disappearing. If we extrapolate the current dislocation in society that is happening today, extrapolate it in a linear fashion, we are heading for civil unrest at a point in time in the future, like it is happening overseas, and I do not think that is in anyone's interest. This is why one of our, again, fundamental premises is we see housing of this type as economic infrastructure for a successful and prosperous country. If we cannot house our people, how are they going to be productive to society? This is really an economic question, not necessarily a social question, and there are enough people that have presented and are presenting that will focus on that side.

So as the private sector, when we see a problem we develop a strategy, and we keep the strategy very, very simple. So we have developed our strategy; that is actually one page. I want to bring you through that strategy and bring the audience through that strategy as part of setting the framework of what we are actually doing. But we need to do this at scale, because if you look inside the box and stay within the box you will get the same answers. We have to have a paradigm shift of quantum of housing numbers. Unless we pick a number that we want to target, we will never solve this issue of homelessness. And I have a view that homelessness will never be solved unless we solve the upstream supply of non-market housing. It is all about supply but it is the right sort of supply.

What I would like to do for the listeners—and again this will all be up on the website; our submission is up on the website—is to just bring you through just a couple of key principles with regard to our vision, our mission and our values, because I think it is important that people actually understand that. Our vision is an Australia where everyone has a stable place to call home, no matter if they are rich or poor. Our mission is to harness the ability of the private sector and collaborate to address the chronic shortage of low-income and affordable housing. But the most important part for me is our values. We must think with an intergenerational perspective, we must deliver long-term value to Australian taxpayers and it must be bipartisan.

We then have four pillars as part of our strategy—short-term, medium-term, long-term goals—and they are the pillars that I would just like to go through with you to set up the framework for our discussion with our supporters.

The first thing is our pop-up shelter concept. I know others have spoken about this, and it is not a solution for homelessness but it is a private sector response now to a crisis. We have so many empty buildings out there that we can repurpose with the goodwill of the private sector, and Sam is here to say what Metricon did with our first proof of concept in South Melbourne. There is so much goodwill in the private sector to do this, and we always do it because we focus on shelter only. We always do it with a not-for-profit because the services are probably more important. So we always collaborate; that is part of the way we actually do things.

It is not surprising to you that there are so many roadblocks and people saying, ‘You can’t do that because we haven’t done that before’. Three years ago we were on the TV with the idea, and there was a flood of people contacting me, from very wealthy families all the way through to a homeless guy that found me on LinkedIn and said, ‘I’m one of the great unwashed. Thank you for trying’, and everyone in between. They all said, ‘We know we’ve got a problem. Just tell us what you want us to do’. So the support here today is to show that the private sector is willing, is able and is wanting to do things.

We announced last year with the Lord Mayor of Melbourne, and again this is a program that is actually ongoing, a group of individual consultants—Kane Constructions, Cox Architecture, Rider Levett Bucknall, Umow Lai, a whole range of consultants—to say, ‘We’ll do this for free—3.5 million of pro bono. We’ll do it at cost—no profit, no margin. Why? Because we’ve got a crisis’. And the staff want them to do it. From a commercial perspective, one of the things we bring is that we look at it from a commercial lens and from a self-interest lens, because everyone has got a self-interest. For them, they want to do the right thing by community, but it is also good for their staff because the millennials want to work for a company that is purposeful as well as profitable. And I think you will find that some of these things will actually come more to fruition, I think.

So with the pop-ups, we have done the proof of concept in South Melbourne, we have done a case study which is in the papers. In an empty building that was empty for two years, the YWCA now over 12 months have managed to put in 30 rooms through which 51 women have been housed—in a building that was empty for two years. In discussions just this week they said, ‘Rob, the owner is now comfortable with us. They’re going to give us another 20 rooms’—because it is a 50-room complex—‘and we’re looking to sign a longer term lease’, because they have not started their development process. This is in a building that was empty.

I know the Salvation Army presented to you last year, and they mentioned the properties in New South Wales that they are now repurposing. They are doing it with us, because I am on the board and we have opened their eyes. Properties that were there for a development purpose are now being repurposed for short-term shelter for a period of at least five years. We are doing one in Box Hill, again with Metricon, and three in New South Wales. I have been around the country with them talking to every lord mayor and every commissioner in Perth, and everyone wants to help because everyone has got a problem. I get so many phone calls from people saying, ‘Can you give us some housing?’. It is good to hear about the jobs and the purpose that people need, because that is what you need in life—there is no housing. So there are so many buildings out there that are empty that are going through a three- to five-year development cycle that can be repurposed with the goodwill of the property sector.

A recommendation for the government—two recommendations: one, it does not cost you a cent. Stand next to us and say, ‘What a great private sector initiative’. Look at the players that are actually helping us to achieve this. Private sector—support these guys. It costs you nothing. If you want to really incentivise some of these reluctant building owners, you can also say, ‘For buildings that are available to be repurposed’—and they must be repurposed—‘we will forgo land tax for the period they are occupied’. The people that own the buildings have all sort of got the right intention, but the biggest concern is, ‘How do we get people out? Our brand risk’. We have mitigating strategies, but you can never mitigate 100 per cent if someone wants to be recalcitrant and go to the papers because papers sell from sensationalism. But if we can put in some incentive, just purely a land tax incentive, to say that if this is used and it is for free and private sector refurbish it, we can unlock buildings. And I tell you: they are all around the country. So they are two simple recommendations that are in our papers on the pop-up shelter concept.

There is another thing I would like to also suggest. With the example I mentioned about Cox Architecture, Kane Constructions, Rider Levett Bucknall and all those consultants, they are doing it pro bono. I am not sure which government it was, whether Bracks or Brumby; I know Rob Hulls introduced pro bono for the legal service. In fact Norton Rose Fulbright, MinterEllison and Corrs are all doing pro bono for us as part of that. Wouldn't it be great if the government said, 'Well, in the next five years all you big builders, all you architects, why don't you do some pro bono work?', and that becomes part of our selection criteria? One, they want to do it for their staff retention. Secondly, it puts them on the list. A great financial incentive for the private sector. So they are some recommendations I am suggesting as part of the pop-up concept.

Our second pillar is an economic study for the country on the long-term costs to our society of not providing sufficient social affordable housing. We have AHURI that has prepared a brief for us, and it is going to cost us \$200 000 to assemble all the existing reports that have been done—because they have all been done before, but we are going to market them very, very differently. So I am approaching 20 corporates as a minimum for \$10 000 each, which is a lunch at a property council, to underwrite the study. I sent letters out two days before Christmas, and I have not sent my second bunch out. Already Metricon, Simonds, Assemble, Plenary, Stockland, ISPT, APD Projects, Frasers, Mona—the art gallery—Monash Uni, Melbourne Uni and Tract have all said, 'We're in'. This is engaging the private sector in an economic repositioning of housing as economic infrastructure, because we have heard before about the 2.7 to 1 cost-benefit ratio. I was part of that group with Melbourne University. It is a no-brainer business decision, but—being quite blunt—it is outside of an electoral cycle.

The private sector looks at long-term strategies as much as the people around this table thinking long term, and I agree, but politics is: they spin wheels. We are going backwards. When I was in Perth two weeks ago speaking with the commissioners, I had just come back from Los Angeles, and they said—this is the Los Angeles mayor—'Once upon a time we did not have any homeless people. Then we saw them appear on our streets and did not really think too much about it. Now the problem is so big we cannot solve it'. We become desensitised to what we see on the street, and they become invisible.

If you were preparing the framework for a successful country, shelter and feed your people and you will have a productive society. You need to think back into a long-term strategy. If we started today, it will take five years before we go through planning, building, contracts, et cetera. It is a long lead time. This is a 30- to 40-year strategy at scale, but you need to pick a number. So the economic study which will be commissioned this year, it will be freely accessible. It will not be launched at a—as much as I love them—not-for-profit gathering, because we all talk to ourselves; it will be launched at a property council event, a business council event, a CEDA event, because the target market is the private sector to understand long-term implications. That is the second pillar.

The third pillar is build to rent, and again we need to acknowledge the scale of the problem. Yes, build to rent is topical, and yes, we have players playing at the top end of the market at \$800 a week. That does not satisfy at least middle Australia. We have to start thinking very differently about how we leverage our assets, and, having been involved in the last three government projects on purely commercial deals where we built social housing for government—and this is both sides, both Labor and Liberal, so it has straddled both—we built the social housing for government and then we built 800 or 900 private sector housing, flogged them off and gave government a land payment, which again, we are responding to the government brief. Having been through all this and having seen the cost-benefit ratios of investing in infrastructure called housing, the third pillar says: 'Government, you do not need to sell public land anymore'. You want it to work and leverage itself: lease it for \$1 for 40 years. You will get it back, and you will get all the build-to-rent numbers to work at a far lower rental space—and you do not sell the farm. That is another thing that I believe we are very close in Victoria to doing, and it is not rocket science.

The fourth pillar is our affordable housing model. Now, I know there are discussions, and we have submitted to the ministerial advisory committee on affordable housing and they have formed of view which will be made public shortly. My personal view is that we need to have affordable housing as part of our property sector because we have to have key workers in a whole range of demographics. The biggest issue for the property sector is enough lead time so we can factor that cost into our purchase price, because ultimately if you condense that too short, costs will go up. If you put it out on the table and then we buy a property and take it off the land

price, costs are under less pressure to go up. I had this discussion 13 years ago, and this is part of my issue about not waiting for government: if they had taken my recommendations 13 years ago and said—the Brumby or Bracks government; I cannot remember which one it was—‘We will implement exclusionary zoning today, but it will not take effect until 10 years from today’, all the fist-banging at the table stopped, because no-one had bought a property. You have to understand how the feasibility studies work, because these things cost something. The money is not made out of thin air; there needs to be a payment of something—a subsidy, a planning concession. Something has to pay for it. As much as the private sector wants to do it, we are not a charity. The super funds are not a charity and they have told us that many, many times.

On the build-to-rent and super funds, I will give you a little bit of a story. I spoke at a Melbourne Rotary Club function about 14 months ago, and Melbourne Rotary Club is the oldest Rotary club in Australia. You can imagine this demographic profile—it is successful businesspeople—and I asked my standard *Herald-Sun* question: how many people here know that our super funds have several billion dollars invested in housing Americans and just about not much at all in this country? Three. They were outraged and could not believe, and I said, ‘It’s not the super funds’ faults; they have to maximise their return to their members. It’s our financial system that doesn’t allow them to make the return in this country, and funds are fluid and will go overseas’. Everyone I have spoken to wants to invest billions in this new infrastructure asset class called ‘housing’, but they cannot unless the numbers work.

We need to unlock the numbers, and every person I speak to says, ‘I can’t believe we’re helping Donald Trump house Americans, and our homelessness is increasing at a dramatic rate’. Unfortunately, that is politics, and we have to sort it through to make sure that things do become economically viable and that we do create jobs in this country, and the building sector is one of the biggest inputters of jobs.

So that is my bit of the build to rent and also the affordable housing model, which I did get distracted on. But the affordable house model is based off NRAS. I think that NRAS in principle was a reasonable instrument, but it had some flaws, and the flaws that I thought NRAS had were that you had to buy it—not the initial licenses but many parties came around and initially when I was approached said, ‘Rob, do you want to buy some licenses for NRAS? It’s going to cost you \$15 000 a dwelling’, I said no. I said, ‘That’s against the principle of making housing affordable. You are adding another \$15 000 cost’. Later I ended up paying \$15 000 because that provided an income stream for people to buy housing with cash flow. But I did it only on one condition—that I was the marketing face, because rightly or wrongly there was a perception that it might be public housing, and as a developer you are always concerned about risk mitigation, and the biggest risk mitigation is sales risk.

Again, rightly or wrongly—and I do not have this view, but the market has this view—if they have the perception that there might be public housing, your sales price lowers. So the private sector generally says, ‘Don’t want anything to do with it’. But if you become the marketing agent and you market—because these people for affordable housing are normal people; they just happen to be on low incomes—then you control and manage that risk, and that is part of the reason why some of these people are here today, to talk about how we can incentivise—not even incentivise—or align private sector interests and concerns with public policy outcomes and let the private sector drive the housing. I think it is going to become more prevalent with the affordable housing or the inclusion rezoning, because whatever the percentage that they are working on now through this model you can leverage it and more than double the outcome if we are concerned about numbers and supply, and we are all about leveraging funds.

In summary, that is all I have to say about setting the scene, but I would like now to go down the line, first with Sam. What I would like Sam to do is talk a bit about why Metricon got involved in our first pop-up housing and then the second one, and then go sequentially down the list as to why they are here, what their personal interest is in homelessness and why they have come to show very strong private sector support for what we are doing as Housing All Australians.

Mr GRIBBLE: Thanks, Rob; it sets the scene very well. Thanks for the opportunity to talk a little bit about what Metricon does—and the private sector more generally. Briefly my role is General Manager of a business unit at Metricon which we call alternative housing, which focuses purely on social, affordable and accessible housing. So we have actually taken the step of putting people and investment and focus around that area, which is a bit unusual. I will come back to what we do in that space a little bit later on.

In terms of where we sit in this area, we genuinely believe, I think in line with Housing All Australians, that Australians do deserve to live in a safe and affordable dwelling, and we spend a lot of time working on affordability, not just at the bottom of the pyramid, if you like, but across the pyramid. We sell houses from \$150 000 to \$1.5 million, and we would argue they are all affordable at that point. We are able to do that because we build something like 4000 or 5000 homes a year, so we get the economies of scale, and we believe that that delivers a really good outcome in terms of affordability. So we are mindful of that responsibility, we are mindful that we need to look after the communities in which we offer our product for sale so that they look after us. It is not a short-term product; it is one where bad news travels fast, and we want to be around for a long time in building, so you make sure that what you are delivering is good for the customer. So we take all our responsibility seriously.

The private sector is not the whole solution to this problem by any stretch, nor is Housing All Australians, I might add. It is going to be a solution that comes from a whole lot of different players in this market. I think Rob has identified that Housing All Australians will have an issue at some point where the dwellings need to be given back. Other not-for-profits focus on more permanent, sustainable housing. The corporate sector plays its role as well, but it all needs to work for this to be successful.

I want to just talk about two aspects that Metricon has been involved in. One is the pop-up in South Melbourne and the other is more around the day-to-day business. The pop-up in South Melbourne came up—I think we might have met at a conference or something along those lines—and Rob put the idea out there. It seemed so obvious that we should be able to do that. The building was sitting vacant. It is beautifully built, it is beautifully located and it was a waste sitting the way it was. It would be fair to say it took us a lot longer than we thought to do something so obvious, as there were a lot of things to break through, many of which Metricon were not involved in. But there is a lot of bureaucracy, I guess, to get through, and that is not our specialty, but to enable Housing All Australians to achieve the scalability that Rob is talking about, breaking down that bureaucracy into steps that can be visible and easily achieved would be a great step forward.

What did we do? I guess we project managed the rejuvenation and restoration of a building that had plants growing through the windows and had not been looked after for a while, but the bones were good. We landscaped it, we cleaned it up inside, we put a new kitchen in and we put a new laundry in. We were able with ease to get our suppliers to contribute to this. Virtually without exception when we asked them to put something forward that we needed, they came to the party, and it was at virtually no cost. I think it might have cost \$5000 for 30-odd rooms, so it was at virtually no cost.

That just shows you the willingness of the corporate sector to be involved in this space. We had 20 or 30 staff involved in there over two weeks—mainly over one week—and there was a queue to be involved. It was not hard getting our staff involved either, and in some ways we are looking after our own interests in this space. You have younger staff who are very keen to work for purpose as well as for profit, and when you are able to offer these opportunities it brings them closer to your organisation as well. So it is a good thing all round for us to be able to offer those opportunities. So in the corporate sector Metricon is not alone here; Simonds are here. There are other builders that I am sure would step up to the plate in the same way if we had the opportunity.

The other sort of theme here, I think, both in what we do in our normal business and with these opportunities, is having some structure—visible hoops to jump through in a pipeline that you can see coming forward. We all have resource constraints, but if we have got visibility of what is coming up and when it is coming up, that is a really helpful thing for us to be able to plan our way of helping achieve these things. I think that is an insight into the pilot. How long ago was that, Rob?

Mr PRADOLIN: It was about 14 months ago that it was actually opened.

Mr GRIBBLE: You have done one separately since, but there have not been a lot.

Mr PRADOLIN: It is hard to get the buildings to come forward because of the reluctance of the owners to say, 'How do we get people out?'. That is why the incentive is quite important and also the endorsement by Government to say, 'What a great idea; let's get behind this private sector initiative'.

Mr GRIBBLE: It was a great example of what can be done, but it was small. It is a drop in the ocean of the number of people that need help in that way, particularly in that cohort of women over the age of 55 who are facing homelessness.

Mr BARTON: Sorry, can I just jump in with a question? In terms of buildings available, are we talking about hundreds of buildings out there that would fall into that category?

Mr PRADOLIN: I think there are thousands. I do not want to name them here, but there are buildings in Melbourne I walk past that I did not know were empty until someone said, 'Have you looked at that? That has 80 rooms that have been empty for three to four years'.

Mr ONDARCHIE: Rob, does the same rationale apply to regional Australia as well?

Mr PRADOLIN: Yes. It is all about distribution outlets, right? We are really a startup, but already we have got people in Tasmania, Canberra, Sydney and Perth, and we are talking to people in Queensland and South Australia, because they all want to do stuff. All we are providing is the vehicle and the framework to actually go out there and get like-minded corporates. As Sam said, you want to feel good about the employer, and they will do it for nothing. So yes, it applies everywhere. Every local community will have a Rotary club. Wouldn't it be great for all the Rotary clubs? I had the Freemasons approach me yesterday: 'We want to get engaged because we have got people—we have got project managers, carpenters. We want to get engaged to help you. We've got people all around Victoria'. It is just unlocking it.

The only thing I do want to say is that you have to make it easy. You need to tell them exactly what you want it to do. It needs to be aligned to their skill base so they can do it with their eyes closed. As someone said to me, 'Put it up in a ribbon. I've got no time to think about it, but I'm happy to instruct people to do it'.

Mr GRIBBLE: Housing All Australians is innovative, but we would love to see more scale—and there are other innovative solutions out there. I do want to talk about what we do in our normal business and what the Victorian Government is doing, because sometimes in looking at innovation we look past the obvious. The obvious solution to homelessness and affordability is to build more houses.

The Victorian Government owns a lot of land, and it is already doing some good things. There is a project called Building New Homes to Fight Homelessness, which was part of the election promises of the Labor Government leading into the last election. In essence what that is doing is taking everything that you really need if you are facing social issues or homelessness. You need well-located land; you need dwellings that are low cost to live in, low cost from an energy efficiency point of view, easy to maintain and so on. The program involves taking essentially houses built in the 1960s on a 700-square metre block and knocking them down, because they have got massive maintenance costs, they are inappropriate, with often one or two people living in a four-bedroom home, and they have got asbestos and huge gardens to maintain et cetera but they are well located, and replacing them with two or three townhouses that are two-bedroom generally, suitable for the number of occupants. They are 7-star energy rated, higher than you would get in the normal 6-star world of a retail customer. They have very minimal costs to maintain the outside of the home.

So that program of 1000 homes is a lot more than has been done in past years by the Victorian Government and should be really applauded. However, when you look at the numbers of people that are queued up, 1000 does not actually—

Dr CUMMING: It sounds good, but it is not as many as required.

Mr GRIBBLE: Yes. The program is over the next three years, which is the term of government. Picking up on Rob's point about bipartisan initiatives, wouldn't it be great if we could look at more than one term of government? Wouldn't it be great if we could look at numbers that are bigger than that? And that is not just about being bigger and helping with the problem; it really enables the industry to gear up behind that. So once we know with predictability what the demand is likely to be for homes to be built in this way—we hire people, we hire trades; by the way, they are all local trades—it enables us to do that. Doing it over a term of government, obviously you hire people and then you are not sure whether they are going to have a role when it comes to the change of government. It is a fantastic program. It really makes use, in the same way that Housing All Australians does, of a latent asset, which is this well-located land, in a very efficient way, but it would be

great to be able to do a bit more, and this structure and predictability would be a great thing for us to see from the industry side so we can invest and put our resources behind it.

That is probably enough from me. One is on the philanthropic side and one is on the day-to-day business side, and they can both have their impact.

Mr MANSFIELD: Hello. It is a privilege to be in front of you today. I wish it was for another topic, but this is critical obviously.

I would like to share my journey. I am David Mansfield, Chief Operating Officer of Quest Apartment Hotels. Just a little bit about Quest so I can set the scene for you: Quest is a 32-year-old company. It was founded by Paul Constantinou, who acts as chairman. It was founded out of Melbourne. It is a family-orientated business geared as a franchisee-franchisor world. Usually it is a husband and wife managing those businesses, and they engage in the community. The company has been built on its set of family values traditionally, as it operates today and moving forward, so there is a strong foundation there of community engagement and what makes families tick or not tick. The opportunity for myself: I have had the privilege to work in six different countries for various international hotel brands, and obviously I will not name them, and I have spent at least six years in India—two years in Delhi and four years most recently in Mumbai.

Mr ONDARCHIE: You must love Melbourne traffic then, do you?

Mr MANSFIELD: Well, you know, certainly the traffic is getting worse—much worse here. It is certainly not to the level of Mumbai, but it is probably not far away.

I have had a broad experience overseas, and obviously, being a proud Australian, I loved coming back to the country. I have a family: I have got two kids. I had made a decision to relocate back to my home town Melbourne and brought everyone back.

I guess my journey from that point on is one day I was having a discussion with my daughter. We were driving down Collins Street and we noticed some homeless people sleeping rough, and she said to me, 'Daddy, why is that person doing that?'—her name is Sienna—and I said, 'Sienna, well, unfortunately some people do not have housing and they unfortunately do not have a way to live life the way you live life'. She said to me, 'But Daddy, we're not in India', and I said, 'Yes, I know'. I said to her, 'Sienna, that could be your reality one day'. That was quite a confronting discussion.

So that led to another conversation. Going back to my engagement with Robert, in a previous role I had in Melbourne, looking after a 5-star hotel, we had an opportunity to renovate that property, and Robert Pradolin's association came to my mind. The team and I suggested that perhaps those 60 rooms that we needed to renovate, that bedding and that furniture needed to be reassigned to someone who could use it. So we sent that furniture to Robert. I honestly did not think much of it because I thought, 'Just get it off my hands. I don't need to worry about it. It's fine, we're good. It's going to the right cause. That's great'. Then Robert sent me a very lovely letter—and I had not met him before that—appreciative, explaining his cause and really, 'Thank you for what you've done'. I thought, 'Great'. I had another opportunity to deep dive into Robert's life and his mission, and I will not embarrass him for why that was, but I had a real opportunity to read a lot about Robert, post that letter, to the point where I said, 'I need to meet him'. We had a coffee in Collins Street, and I heard exactly what you have just heard, so I am not going to regurgitate that, and I was extremely moved. I was moved to the point where I thought to myself, 'Wow. How do we help this gentleman achieve what he is meant to achieve?'. It was almost like, and I think I mentioned this to him, 'Clearly this is your calling'.

I left that engagement, I joined Quest and I then had another conversation with Robert, and I said, 'Listen, Rob, I've left my old employer. I'm now with Quest, and I think I'm now in a position where we can help'. Having a conversation with my chairman, explaining to him the opportunity and what our conversations had been, he just looked at me and said, 'David, do what you need to do'. I said, 'Okay. It's autonomous'; I said, 'Great'. So I called Robert and I said, 'Come in'. We had a chat. We obviously then forged a commitment that we would fund in longevity, sustain certain elements of resourcing for Robert, so that we can help him and his team start to do the work that is needed.

But more importantly, how do we as an accommodation provider help? Obviously with furniture. With Quest Apartment Hotels, for example, we have 10 000 hotel rooms across the nation. We are represented in every single capital city in Australia, every single state. Forty-two per cent of our properties—and we have 140 in Australia—are in regional centres. The rest are in the CBD or on the fringe. Every four to five years every property needs to renovate to maintain the standards. Where does that go, that furniture? It goes to landfill. As Quest Apartment Hotels, we were having this chat with Robert: that is just crazy. The craziness of it was when Robert was sharing with me the amount of buildings that are dormant in the city, which most people would not know because you drive past, it looks nice, it is fine. But the reality is very different. Then I said to Robert, ‘That’s even worse. It’s even crazier’. So we ensued from there, and from that point on made a steadfast commitment to support Housing All Australians, in assisting them.

As a secondary conduit, Robert called me then after that and said, ‘I need further help from an industry point of view. How can industry support us nationally?’. I said, ‘Well, Robert, Quest Apartment Hotels, we’re a member of Accommodation Association of Australia’. They are the largest representative of all hotel rooms in Australia accommodation-wise. Their membership base is over 80 per cent. In Australia we have approximately 140 000 hotel bedrooms across the nation. Of that, their membership base spreads from Accor to IHG to Star City hotels to Mantra right through to Quest Apartment Hotels, just to name a few. What we have got now as an industry, through the chief executive officer of the Accommodation Association of Australia, is a cause to activation should Quest or anyone else not have the ability to provide beds to a project or a building that is dormant. We have 140 000 potential beds available to us during the renovation cycle through the association of this membership base. So as an industry within Australia we have Robert’s back. We have it firmly in place. If he picks up the phone and says, ‘I need 200 beds’. ‘Tell us when and where, and we will get them’. And that is basically the certainty he needed. So we have committed to that, and we have that.

When I had to take this opportunity back to my team—we have 100 people in our corporate office—I shared with them the business case, the amazing amount of overwhelming support and interest surprised me. I realised it would be a good thing and they would probably think it was fine, but actually it was quite the opposite. I had so many people coming to me, saying, ‘I want to get involved. How do I get involved? How do I get involved to help?’. And I said, ‘Just hold on. This is what we’re doing as a business. We’re supporting Housing All Australians in this way. Hold on’.

As we went through the whole piece, I had the opportunity to present at our gala night with our franchisees. We had 400 franchisees in Melbourne at a dinner. We presented a video piece, which most of us represented at that audience. This was the first opportunity I had to actually put the case forward to our network. It was my opportunity to say, ‘When I send you a note out across 140 properties, I need you to tell me when you’re going to renovate and how many beds you’re going to have. I don’t want to wait. I want you to tell me straightaway’. So we presented it to them, and I got up on stage and ran the video and the silence in the room was palpable. The feedback post that really resonated because the reality is that we all recognise homelessness is not just what you see on the street. It is a far bigger concern. If I look at it from my personal journey being in India, the level of exploitation that the homeless are subjected to is scary. Going back to my conversation with my daughter, yes, it is a worry.

From Quest’s point of view we know it is right, and Robert and Louise—it is a no-brainer. We are not going to stand by and wait for someone to say, ‘Yes, you can do it’. We have already done it, and we are waiting for Robert to be assisted. I guess I am harassing Robert and Louise saying, ‘When’s the first building? When, when, when?’, because I have got the beds and everything ready to go. And if I cannot get them, I can get them through the other hotel providers in Australia. He has yet to be able to give me a building that I can put furniture into. That is from my point of view.

The CHAIR: Thanks, David. Ross, thanks for coming.

Mr HAMILTON: Good morning, everyone. Ross Hamilton. I am a partner at PwC. I lead our real estate practice and our urban renewal business here in Melbourne. I sit on the board of Whitelion. I sit on the homelessness committee for the City of Melbourne. I have also been an active volunteer with the Salvation Army on the streets for many years, so I get it, I understand it and I totally agree with everyone’s comments that it is unacceptable.

In my role at PwC I was approached to review a housing model or a potential solution that Housing All Australians put together called PRADS. Essentially the PRADS model is quite simplistic in its construct and it leverages some of the elements of the old NRAS scheme. But in principle, whereas NRAS was designed around providing a subsidy for a period of 10 years and 10 years only, the PRADS model is quite different. It is about providing a subsidy or a below-rent component in perpetuity. So we are not trying to kick the can down the road for 10 years, we are trying to sort the problem out.

When you look at the various elements of the model essentially it revolves around the private sector entering into voluntary planning agreements with council. It is not reliant on government funding or support like previous models and discussion we have had this morning and the discussion about saying, 'Well, somebody has to pay'. All the model really tries to do is leverage elements, whether it is approval processes or controls that are within the control of government, to enhance the return and pass that on.

What that means in a practical sense is, if you think about it from a developer's perspective, a developer will approach undertaking a development project, they will think about the revenues they are going to get, they will think about their costs and they will think about the risk they are taking. But one of the biggest burdens that they carry which impacts them is time. So what we did as part of our work was model a couple of different scenarios, and this is really, really important because it just shows how something like the PRADS model could bite and make a tangible difference. We looked at a particular project in Fishermans Bend. It is soon to be constructed—a 300-apartment development. We had actual costs. We had actual revenues. They were not made-up numbers; they were very accurate. We looked at the time frames that were associated with that development and the two-year window that that particular developer had assumed it would take for that project to get approved, whether it was through council and the journey through that pathway or through VCAT et cetera and third party appeal.

What we then did simplistically was say, 'Just imagine if we lived in a different world and we could compress that time frame and be really smart about how we did it and compress it to three months'. The implication of compressing that time frame from two years to three months is profound. In essence what we were able to show through modelling is that I could leave the developer whole—completely not disadvantaged at all—and there was the ability to provide in that particular project 10 per cent of those dwellings at 80 per cent of market rent in perpetuity. So just to be clear on that—

Mr ONDARCHIE: Say that again.

Mr HAMILTON: In a 280-apartment development project, Craig, 10 per cent of those dwellings could be offered to the market and sold but with an encumbrance on them that the rental could only ever be charged at 80 per cent of the market rent in perpetuity. We could do that and the developer could still get the return that they are after.

The CHAIR: What sort of discounted rate would those properties be sold at, given the limited rental income available to them?

Mr HAMILTON: What is interesting, Fiona, is that the value itself just commensurately drops down because the rental drops down. What is consistent, I think, is that the yield would be the same. So I could go and buy a residential apartment today and the rent would be x , the yield would be y and the value would be z . It is exactly the same with this PRADS model, it is just that we have got lower rental in perpetuity, the same yield—because I am getting the same sort of return—

Dr CUMMING: That is right. Virtually. You are paying for the cost of the development, you are not actually making a profit, but in perpetuity you are actually holding onto your land as well as those assets. So yes, of course, you are not getting your profit immediately—it is there for the long term and you get to hold the land.

Mr HAMILTON: In some ways it is even more than that because what we are doing is trying to use the arsenal and the tools that council has in a smarter way to make sure that if we can compress and streamline, we can still leave the developer whole—the developer is still happy, the developer still gets the return they want to motivate the behaviours that they need to get the outcomes—but we get this fantastic outcome over here. So

then as we work through our work, you look at that and go, ‘That’s fine in theory, but in practice how does it work?’. There are certainly some implementation things that need to be worked through, but the question that kept coming up in my mind was scalability. So that is one project. That is 30 apartments out of 300. If you multiply that out, not just within Fishermans Bend but nationally, all of a sudden you have got volume. Now, if you accept the premise that a supply-led solution is in fact a viable sort of solution, or a possible solution, what then opens up—and I think this is probably the most interesting element of the work that has been done—is we need to get out of the mindset of attracting retail investors, so mum and dad investors, because it is just one apartment at a time, at a time. It was mentioned earlier today about institutional investment. As a property professional, what I would say is that getting institutional investment into residential property has been, for as long as I have been practising, really, the Holy Grail. But I think we are so close to getting it, and the real irony of that conundrum is that if you talk to superannuation they will say, ‘Absolutely—if you can cover off risk A, B, C, D and E, we are keen to really get involved’, but they do not want \$100 million of stock.

The CHAIR: No.

Mr HAMILTON: They want tranches of hundreds and hundreds and hundreds of millions of dollars of stock. So the comment about product being bought offshore—absolutely it is, but we have got the same opportunity to do it.

The CHAIR: Just got to have that scale.

Mr HAMILTON: Absolutely—got to have the scale. So this is a model that could be used to help create scale.

The other thing I would just like to point out—it is a bit of a sidestep from the PRADS model itself—is that there are other things, other levers, that could be used, some within the control of the State Government and some definitely within the control of the Federal Government, that could really be brought to bear. The ones that could absolutely turbocharge something like this are looking at rezonings and windfall gains around rezoning. It is probably not going to be too popular for those landowners that are sitting on valuable land, but we go through a process as a government. We rezone land, and some of the uplifts in value are almost staggering.

The CHAIR: They are.

Mr HAMILTON: And to think if we could perhaps share in that by the value that we have created as a government, that creates a pool. The other element, in closing, is probably the role that Government can play, State and Federal—I probably look more towards Federal than State—to say, ‘Let’s look at the land banks that Government sits on’. I am acutely aware of both. I look at it, and I think if you can do something to introduce that land into that calculation by not burdening it as a cost—and a ground lease is a great way to do that—all of a sudden you reduce the cost and you can therefore have the ability to reduce the rent.

The flexibility with this model too, last point, is that it gives you great scope. You can set rents at 80 per cent of market. You can actually cut deeper. If you want to go to 40 per cent of market for different cohorts—we mentioned before older single women who are really struggling—you can cut deeper. It just impacts on supply.

Mr BARTON: Ross, could you just tell me: are you aware how many properties were built in the last 12 months, for instance—in Victoria, just to narrow it down?

Mr HAMILTON: Look, probably my colleagues would be better placed to talk about the total volume of housing that has been developed. I could not answer that.

The CHAIR: We will put that question on notice for now. Thank you, Ross. Thank you, Brad. I am just conscious of our timing.

Mr PADDON: Thanks, and thank you for the opportunity to address you. Always the risk in going halfway down a panel like this is that everything you want to say has already been said.

Mr RYAN: That is the upside.

Mr PADDON: I am a Director of APD Projects. We are a small private development firm. I have personally had a 24-year career in new community development, and I am pretty much Ross's developer. I am working with Rob and Housing All Australians on a project I cannot talk about for reasons of confidentiality, but it is a real project on land that we own and control, and we are looking at ways to implement the PRADS model. We are going through the very real calculations about how we can do this while still ensuring that we get an adequate return, or a market-based return, on the capital that is being deployed. We are looking at all the ways in which the planning system can help us achieve these objectives, and I wholeheartedly agree with the endorsement that there is an enormous asset class and an enormous weight of money, institutional, looking to get into permanent rental affordability or permanent rental housing.

To be clear, the project that we are looking at is very much at the key worker end of the spectrum, the market-based spectrum. We are not attempting to solve some of the more acute housing requirements or social housing requirements, but I think the model has tremendous advantages. It is the right thing for the community and the development industry to be doing. I think it is also fair to say that we have not solved all of the implementation issues that we know we are going to confront, but the bones of a model through NRAS exists and I am completely sure that with my builder colleagues Kelvin and Sam at Metricon and Simonds, among others, there will be a way through this. As one developer looking at a project that is several thousands of lots in its entirety, we will be working towards doing our bit to help create an asset class that does not really exist in perpetuity at the moment. I think that is the opportunity in front of the State.

Mr PRADOLIN: But would it be fair to say at no cost to Government?

Mr PADDON: Yes, and that is a key part of it.

The CHAIR: Does perpetuity require legislation? Does it require some changes to—

Mr PRADOLIN: You can lock it in on title in Victoria through the section 173 agreement, but the section 173 has not got teeth to penalise someone if they breach it. So there is probably an omnibus bill required to give it some teeth. Other than that, the answer is yes. If not, let us create new legislation.

The CHAIR: Absolutely.

Mr HARDY: Members of the Committee, thanks for the opportunity to be here today. My name is Jim Hardy, and I come from Community Sector Banking, which is part of the Bendigo and Adelaide Bank Group. My association with Robert came about through one of his endless round tables that he participated in. From the start I was very interested in what he had to say. As I got to know him a little bit more and about what he had to say, there was actually a lot more to it. Rather than sounding like an evangelist, he actually had a lot of great ideas. Robert engaged us to examine a PRADS model in the context of: is it a bankable proposition? Because at the heart of it, whilst it is a real estate investment play but at the same time it would have a specific target audience, if you like, of the responsible investor. I was a past board member of the Responsible Investment Association Australasia, so it actually resonated with me as there is an increasing number of Australians who want to responsibly invest and this, to me, appeared like an asset class that would be something that would fit into that category, because as we know, there are not a lot of asset classes, apart from equities and green, that would be called responsible investing.

So with that in mind we set about critically analysing the product to see whether or not it would pass the banking and risk test, what would be the impacts of some of the overlays that might sit behind the model on the assets, looking at the longevity, what would happen in default situations and how the banking sector would respond to some of those restrictions that might be sitting in there.

For the sake of brevity I will just touch on that, I guess, at a higher level as to what our involvement has been, and this continues. It definitely fits and aligns with our group's perspective in terms of sustainable communities and the importance of innovation in that space.

Dr KIEU: And it is physical?

Mr HARDY: Yes, it is physical, correct.

The CHAIR: Thank you, Jim. Kelvin?

Mr RYAN: Kelvin Ryan, Managing Director of the Simonds Group. In the interests of time perhaps I can just endorse all the sentiment and constructs expressed by my colleagues. Earlier we were outside and we were talking about roles, and at the risk of engaging in some self-disparagement I said, ‘Our role is, we’re not very bright but we lift heavy things’. I think for any initiative of this construction—

The CHAIR: You need those people.

Mr RYAN: We need people to deliver. Can I just put a shout-out to our colleagues at Metricon. I think we are very committed at Simonds to the housing affordability continuum. We are experts at home ownership; we really do not know what we are doing too much down the bottom end. Like Metricon we are a large residential builder, with Metricon the largest, and we fiercely compete in the retail world, but we fiercely collaborate on initiatives like this. I think that is something that is a real testament to the capability of this group that wants to deliver something.

In short, we are very interested and very excited to be part of the team. We bring two things: we bring capability and desire; capability to deliver and a desire to do so.

The CHAIR: Hear, hear. So we will—

Mr PRADOLIN: Can I just quickly sum up a little bit, because I think it is important to finish and then open for questions, if that is okay.

I am slowly getting dragged into the fires, because what we do applies to fire zones as well as homelessness, and the point I wanted to make is that because of the condensed nature of the fire crisis, the generosity of Australians has come out, and they are so generous it is unbelievable. There are more people sleeping rough than are going to be made homeless by the fires, but because it has happened over two generations, it is invisible. My discussion with people within the industry, BCA et cetera: ‘Wouldn’t it be great to take a step back in what we’re doing with the temporary accommodation and say, what could that be used for after the fires?’. Because the selection may be slightly different, but the impact to taxpayer dollars is huge. Let us use this as a strategy to not only house the fire victims but the homeless side—but for the country. I know this is Victorian, and you can only do Victoria, but we are looking at this as a national platform because it is a national issue.

People want to be purposeful. There is a need to align interests, to understand what drives the private sector, because it is not rocket science. We are very simple people, all right?

Mr ONDARCHIE: So are we.

Mr PRADOLIN: The amount of generosity—

Members interjecting.

Mr PRADOLIN: Sorry, I am a very simple person, but the amount of generosity in the private sector is really unlimited. The private sector is here to help, but we just do not want to waste time because there is no time to waste.

Dr CUMMING: Time is money.

The CHAIR: Thank you, Robert, and I acknowledge that we have some people from Gippsland in here today listening to this with probably great optimism. The Committee was up there just before Christmas, and we were hearing about the absolute dire straits of housing then, and now with the fires, so this is a time to act and it is that opportunity that you mention.

Mr PRADOLIN: And strategically. There is one thing that I just wanted to mention. It only just happened—because I have been looking at my emails while others have been speaking but maybe—

The CHAIR: We haven’t. We have been listening.

Mr PRADOLIN: No, of course not; you have been listening. But I am slightly encouraged now because the economic study that I mentioned earlier, with all those participants—the Director of Housing this morning has agreed to be part of it, which means the outcome is they are buying in. That is Ben. Ben Rimmer has agreed. We had a chat yesterday, and he said, ‘We’re interested in the study. Can we be part of it?’. He just confirmed this morning that the department of housing are now part of the economic study with us. So it is great engagement, and hopefully something will come from it.

The CHAIR: Just to start things off, I think the question on notice from Rod about getting that picture of what you were talking about, Ross—how many residences were built in 2019?

Mr PRADOLIN: Maybe if I was to give a bit of a picture, there are about 50 000-odd in Victoria, but there again, the value capture is at the planning stage, which is probably two or three years earlier.

The CHAIR: Sure.

Mr PRADOLIN: But as a volume, there is about 50 000-odd.

The CHAIR: To give a picture of what 10 per cent might look like—

Mr PRADOLIN: If you say 50 000, let us say divided by two, but let us say when we are talking about several thousand dwellings, if we get it early enough to be allowable to factor it in per year—I repeat—at no cost to government—

Mr BARTON: That will make the Treasurer are very happy.

Mr PRADOLIN: Correct.

Dr KIEU: It is not only encouraging but also very heartening to see the responses from the private and corporate sector, and the persistence and the commitment that people have. This is a very good model. I would just like to go into the practicalities—the empty buildings. The location and distribution may be more in the metropolitan area, and we have been to Bairnsdale, Morwell just before the fires and also to Shepparton, and also the Aboriginal people and in rural areas. So how practical it is, number one, and number two: providing the supply of houses is very important because physically we need that, but what about the cost of running and also the maintenance? And also in the longer term, who is—

Mr PRADOLIN: Responsible?

Dr KIEU: I heard that some of the renovation and refurbishment would be free, or at no cost or at minimal cost for the government and agencies, but what about the longer term administering of those buildings?

Mr PRADOLIN: Let me just rephrase that. Pop-up shelters are not a solution; they are a short-term response to a crisis. Our model is purely pro bono, and we have a balance sheet. We fundraise, and any hard costs we pay for because the objective is we give the key to the not-for-profit and they run it at zero cost to them. They then charge the individuals with the CRA set at about 30 per cent of the income. That 30 per cent of income in South Melbourne pays for the ongoing running costs. When it is empty, well, the owner has to have it back—you have to give it back—but I think there are so many buildings in Melbourne that in the short term they will go to another one if we can unlock them.

The CHAIR: Do we have to find them? Do we have an app?

Mr PRADOLIN: No. I have spoken to council. As long as people pay rates, they do not record empty buildings. Prosper Australia did the rates or the waters issues, but then people own apartments in the city that they do not occupy—that is their right. It is very blurry, but you would be surprised when people point out, ‘Do you realise that that’s empty, that’s empty ...’. There is a lot around, as a short-term response. We have to build more housing.

Dr KIEU: But with the distribution in the regional areas, what about the—

Dr CUMMING: Plenty of empty buildings in country Victoria—in hotels, everywhere.

Mr PRADOLIN: Yes, there are a lot.

Dr CUMMING: Because people cannot afford the upkeep.

Mr PRADOLIN: I think we might be surprised when we start to go down a journey where people say, 'Let's try this together'. In fact we are talking to one of the major fours about doing an app—it was an idea of one of our supporters—to get the citizens of Australia engaged to photograph empty buildings and geolocate them to send them to us to explore to see if we can use them. It is engagement, because this is all about a marketing strategy to tell people what they do not know. Once we educate people about what they do not know about the long-term economic impact, they will get involved.

The CHAIR: And we introduced the vacancy tax, which did not cut across—

Mr PRADOLIN: The vacancy tax is a bit different.

The CHAIR: I know. That is right.

Mr BARTON: Very, very different.

The CHAIR: But we understood that we needed to ensure that our housing was being used as effectively as possible.

Mr RYAN: I was just about to say, you raise a very interesting broader question about housing affordability, though, because when we talk about housing affordability we often talk about the capital cost of the home, not the ongoing operation, and as builders we are turning our minds to that very thing, in the broader context.

Mr GRIBBLE: If I could just add one thing in terms of your regional question, Housing All Australians will not be the solution for everything. I am aware that under that building new homes for homeless program there are new homes being commissioned in Bairnsdale, Sale, Maffra, Moe and Morwell. It goes to the point that there are multiple ways to address this problem, and the department, DHHS, are already focusing I think quite heavily on that area.

Mr PRADOLIN: But the biggest takeaway is: get a number and work your strategy out to a number—otherwise we are just running backwards.

Mr BARTON: Get a plan and work the plan.

Mr PRADOLIN: Correct. It is not actually difficult.

Ms LOVELL: Firstly can I just say thank you for recognising that homelessness is everybody's problem and not just government's problem, and it is fantastic to see the private sector taking their responsibilities and wanting to assist with this problem in our community. I have dealt with Rob for a very long time, so I know a lot of his thinking and I am not going to ask a lot of questions, because others need to do that. The one thing that I just wanted to tease out was: with the vacant buildings, how long is the commitment that you need from the owner to have that building to make it viable? And for the owner of that building, is there any cost impost on them—are they still expected to pay the rates and outgoing stuff?

Mr PRADOLIN: The principle is: as a building owner, you cannot be worse off, because the building is empty. The rule of thumb that we use—because you have to value pro bono the same as if you are paying for it—is the value of the pro bono effort has to be roughly equal to the lease term at market value. We do not want to overcapitalise a property, we do not want to overcapitalise pro bono effort. So the rule of thumb is: if the building is ready to be walked in, it can be 12 months; if it needs work that, if you amortise it out, means a three-to-four-year lease for the 30 buildings, unless they give us the lease term we are not going to occupy these people's time for pro bono that does not make sense. The rule of thumb is the amount of dollars as a measurement system needs to be equal to the rental term and the market value. It is a very simple equation.

Mr BARTON: Robert, I want to just ask about the job you did in South Melbourne. What was the lease on that?

Mr PRADOLIN: The lease, South Melbourne being the first one, we had to sort of chicken and egg it. Given that, I said, ‘They haven’t started the planning process. They only gave us 12 months. There’s no way they are going to start for five years’. It has already been a year and a half and they are talking about a five-year lease term now, so it made sense. But you have got to take a bit of an intuitive leap sometimes when you know it is right.

Dr CUMMING: Thank you, Robert—and for everyone else’s presentation. You are right—with the election cycle it becomes a little difficult, but I would like to let you know that all politicians are not the same and there are 11 in the crossbench in the upper house and this homelessness Inquiry was brought forward from the crossbench. Plus there are 28 newly elected members of Parliament. Dr Kieu is one from the ALP, and obviously there are others in the Liberal Party. I am not giving Labor and the Libs a kick, but I am saying that there are a lot of new MPs here and this was our initiative in the crossbench, so please be heartened. Yes, we understand election cycles and election promises. I come from Maribyrnong council for over 20 years and I understand the frustration of those planning—

Ms LOVELL: Let’s have a question.

Dr CUMMING: Yes, I get that, but I have also waited patiently, Wendy, and I would like to have my say. I appreciate—

Members interjecting.

Dr CUMMING: All right, I apologise. Yes, planning applications are a groundhog day; yes, there are only certain levers in the way of land tax or relief; yes, council rates—at the moment there are councils who are trying to free up land banking. And I am not quite sure if they are the appropriate levers in the way of increasing people’s council rates or land tax to try to get people who own those properties to actually develop or make them available. So I would like your opinion on that. Yes, I do concur that there needs to be a shortening of the time frame of planning applications—because I watched Launch Housing, and there is a lot of State Government land available from VicRoads or VicTrack—and a freeing up of the planning application process to allow the private sector to actually get on board, because I do believe there is a lot of goodwill.

Mr ONDARCHIE: I’ve forgotten what the question was.

Dr CUMMING: My question is around the land tax, if you were listening, Craig, or council tax and are they the appropriate levers, and what in the way of shortening the planning process to still allow people to object but to actually get it to VCAT or—

Mr PRADOLIN: I am happy for anyone to butt in, but very, very quickly, I would love to be wrong about my assumption about politics, so please prove me wrong is the first thing. I would love to be wrong. Secondly, it is about incentivising and under the pop-up model actually foregoing land tax to incentivise buildings coming forward.

Dr CUMMING: Correct.

Mr PRADOLIN: With the council situation, and I will not do a long story but at the moment developers come in and do their generalisations, because I was one of them—how great it is going to be for the community—and the council is probably sitting back saying, ‘I don’t believe you. It’s all rubbish stuff’. But if the model is in place where the developer says, ‘The State Government suggests the density on this should be X. If you approve this X, I will share Y with you’, the decision process has changed because you are bartering for real social outcomes.

Dr CUMMING: So developers are needing certainty as well as proper time frames?

Mr PRADOLIN: Correct.

Dr CUMMING: That is right.

Mr PRADOLIN: Because nothing is for free. It all has to wash out somewhere.

Dr CUMMING: Time is money.

Mr PRADOLIN: Some subsidy has to be made.

Mr PADDON: Yes, I will just throw in there if you do not mind. I agree. We have no issue with that. But if Ross can somehow initiate a response that took three months to get a planning approval—

Dr CUMMING: Exactly, years.

Mr PADDON: it would be game changing for the state and I suspect game changing for the nation. The biggest single cost that we face when we are trying to put a development project together is the erosion of time through the approval space—

Dr CUMMING: Exactly, and then dealing with government departments and government land, and it takes years.

Mr PADDON: which is not to say that subsidies through rates and land tax would not be incredibly welcome, but time is our biggest enemy.

The CHAIR: But that time is the biggest thing, as it is for us today.

Dr CUMMING: Having these goodwill conversations.

Dr RATNAM: Thanks so much for your presentation and the work that has gone into the submission as well. I guess in terms of the three main thrusts of the presentation, from what I can glean, the ideas about repurposing vacant land, which I think you mentioned, Robert, is pro bono-inspired; getting the nationwide study underway; and then the build-to-rent model. I want to focus on the build-to-rent model because I think that is worth interrogating a bit more given that this is gathering a bit of momentum and interest as well. I know that we have had precursors in other international jurisdictions, particularly the US, around it as well. One of my questions around it, and it is kind of getting back to the basics about how it works is essentially in terms of affordable housing we have what you could call a build-to-rent model, which is public or community housing, where the government is the landlord, and that has been tried and tested for many years. I guess this is suggesting that there is a different type—that there is a private landlord instead, whether that is an institution or an individual. I guess my question is: what is the value for the private landlord? I do not think this is pro bono purely inspired; there must be a market proposition.

Mr PRADOLIN: Not the build to rent, no.

Dr RATNAM: So there must be a value that the private or institutional landlord is gaining. Why shouldn't it be a government that is getting—because it is producing a social outcome as well, so probably trying to get the kind of economic model just underneath it.

Mr PRADOLIN: Sure, and the return those super funds are chasing is somewhere between 5 and 7 per cent, and that is probably conservative. It should be probably a bit less than that. Government can build the social housing. It is a \$100 billion problem. Start building. You have not got the money.

Dr RATNAM: I would love that.

Mr PRADOLIN: You need to unlock the capital. It is too big for government to do it alone. You have to provide a pipeline; you are going to have to provide a 20-year pipeline so the private sector mobilises to suit a need. It is a huge problem. And the thing that I really want to leave as well, and again I mentioned desensitisation. They are becoming invisible. One of the key drivers that I think about not every night but every second night is when my kids and their children grow up I do not want them one day to wake up and say, 'How the hell did we let that happen?'.

Dr RATNAM: So just on that—and I know we will have to keep interrogating this—is it worth doing it, not to—

Mr PRADOLIN: Sure; happy to.

The CHAIR: And your colleague Craig will be watching you intently because of time.

Dr RATNAM: Yes, absolutely. So if it is about unlocking capital, I think there are some other discussions around that in terms of priorities of government. Governments are able to unlock lot of capital for toll roads, for example. They can throw \$16 billion to \$20 billion at that, so that is one-fifth of the problem you are talking about. There could be an argument made about why can't they unleash that capital for other types of social—

Mr PRADOLIN: That is the economic infrastructure argument that we started with.

Dr RATNAM: That is right. The other thing is that there have been some concerns raised, I know, in the US, because there is a financial product that is underneath this as well, right, that is providing an incentive for investors to be interested in. I think it is a rental backed—

Mr PRADOLIN: The low-income housing tax credit in America provides the incentive to top up the uneconomic—the tax credit in the States. But it is a very different market, because if you own a house in the United States of America as an owner-occupier you can deduct your interest. So you look at the market from a like-for-like perspective—they are not the same.

Dr RATNAM: And I know this comes under other financial products, like there is a—

Dr CUMMING: Like capital gains.

Dr RATNAM: rental-backed mortgage securities or another product that potentially could sit underneath it that there was some worry about. You brought up the regulations and framework changes that will be needed to make sure there is actually affordable housing, so I know there are some other questions that have arisen. Have you all thought about some of those things about how it would be affordable housing in perpetuity and that a private investor would not say, 'Oh, actually, now I need to up that. I'm not going to put as much into maintenance now because I don't have the same obligation as government'?

Mr PRADOLIN: Can I suggest something? And again I go back to saying I am a very simple person. If you want to get the market to compete, just make it very simple. There is a block of land for 1000 dwellings. All we want is a 40-year lease for \$1. The winning bid will give you the most affordable houses, and everyone drives to get the outcome because they want to get the job. Keep it simple. We overcomplicate these things. Just understand what your outcome is wanting to be. Make it very simple and let the market drive it.

Mr HAMILTON: Rob, can I just, very, very quickly—I think it is important just to dispel a bit of a myth here. Build to rent is not necessarily affordable.

Mr PRADOLIN: At the moment.

Mr HAMILTON: That is right.

Mr PRADOLIN: Correct.

The CHAIR: No, there are some very glamorous places.

Dr RATNAM: It is about supply; it is about supplying to the overall market to bring prices down.

Mr PRADOLIN: I go back. It was a niche market—

Dr CUMMING: Fixing old buildings.

Dr RATNAM: This is about releasing the oversupply into the market to put the prices—

Mr PRADOLIN: But the build to rent currently is \$800 a week to make it economically viable. You have to get a return on the land, which is about 10 to 15 per cent of the overall structure. If you remove the land cost, you have just lowered the rental base. It is just numbers.

Dr CUMMING: It is economics.

The CHAIR: Yes, so planning—peppercorn.

Mr ONDARCHIE: I know we are almost out of time, but this is so valuable. I am happy to keep extending it a little longer if that is okay. Firstly, can I thank Louise for her leadership as chair of HAA. Thank you for your work. You have not had a chance to speak today, which is a bit bizarre.

Ms RUTTEN: I know. Sorry.

Mr ONDARCHIE: I wonder, when Rob gets back to the table and he did not let his chair speak, how that is going to work for him, but nonetheless, Ross, this is a question for you. Apropos of Sam's example about a house that was built in the 60s on a large block that you were able to flip into three affordable, I think you said, townhouses, but I will use units for the sake of the discussion, how could the State Government, as one of the biggest property owners in this state, leverage existing housing stock that we have—public housing stock—to create properties—

Ms LOVELL: Exactly the same way I did it in Olympia in West Heidelberg.

Mr HAMILTON: Absolutely, Wendy. You are right. As you increase the density, the value of the land will increase. So if a decision was made to use planning instruments to increase density and enhance the underlying value and if the view of Government was to then transact land, there is inherent uplift there in a capital sense. If it was about a supply-led solution that Government actually wanted to initiate, they could pump that back in and achieve a supply solution that way. I think it is eminently achievable.

Mr ONDARCHIE: So do I.

Ms LOVELL: Where there is uplift, it is.

Mr HAMILTON: It is. Absolutely it is.

Ms LOVELL: West Heidelberg is a perfect example.

Mr HAMILTON: Yes.

Ms LOVELL: This was new homes at low cost.

Dr CUMMING: Let the councils work with the developers and it is really quick. Get them to work with the State Government and it takes forever.

Mr HAMILTON: It is just so easy.

Mr ONDARCHIE: I agree, Ross. I totally agree. I just wanted to hear it from a—

The CHAIR: And thank you. It is simple.

Members interjecting.

Dr KIEU: Could I make one interesting observation? They could be fierce competitors, but they are also fiercely cooperating in something worthwhile—and we parliamentarians should learn from that.

Dr CUMMING: But we are. That is why we are all here.

The CHAIR: It is the new breed of crossbench, Tien.

Thank you all for really an incredibly valuable conversation and discussion. The papers that you have provided for us, Robert, are phenomenal. You will get a very large transcript of this conversation, so feel free to make any changes if we have misrepresented anything that you may have said. No doubt this has just been, I think, one of the highlights of this Inquiry, and you are right—as Wendy said—everybody is part of the solution. It is so wonderful to see all of you coming together and also seeing the other letters of endorsement that you included in the papers for us. Again I think, on behalf on everyone, we just have really appreciated this, and it has given us some new vision for how we solve it—and optimism that we can solve it. Hear, hear to all of you.

Mr PRADOLIN: We can solve it. We just have to collaborate and trust each other to do it.

The CHAIR: That is right—trust. There we go—trust. On that very optimistic note, the Committee will take a quick recess, and we will come back at 1.15.

Witnesses withdrew.