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2 November 2017

Mr Patrick O'Brien
 The Secretary
 Legal and Social Issues Committee
 Parliament House, Spring Street
 EAST MELBOURNE VIC 3002

Via email: phrp@parliament.vic.gov.au

Dear Mr O'Brien

Yarra Council's Submission to the Inquiry into the Public Housing Renewal Program

Yarra Council welcomes this opportunity to respond to the Standing Committee on Legal and Social Issues' Inquiry into the Public Housing Renewal Program.

The redevelopment program has been a long-term plan of the Victorian state government to renew rundown and poor standard residential buildings on and around housing estates, especially "walk-up" stock, by introducing new private housing on site with the profits generated to pay to refurbish or replace dwellings.

Our Council has a long and proud tradition of advocating for the best housing outcomes for its community and is committed to working to increase the supply of housing suitable for households on low incomes within its municipality. The redevelopment of estates is one way to renew and expand social housing but is only acceptable only if done well.

Forfeiting state ownership of land and housing is something that the community is rightly concerned about. These sites can only be sold once and the onus is on the Victorian Government to demonstrate that there are significant public benefits from the Public Housing Renewal Program (the Program). To date, the Victorian Government has failed to articulate, and evidence, how this program is to the net advantage of tenants nor how the future development value (i.e. the uplift) is being captured by the government for public benefit. In terms of assumptions, modelling and outcomes, there is simply no transparency and based upon previous experiences of similar government efforts, we believe it would be imprudent to grant the government a free hand.

This Inquiry comes at an important time for our Council. We wish to see more action to expand the supply of social housing in the municipality and have recently released a draft 'Policy Guidance Note on Affordable Housing in Significant Redevelopments' to articulate our commitment to securing at least 5% affordable housing within new dwellings generated through re-zoned land. We look forward to working together with the state government to advance a joined-up approach to dealing with the affordable housing crisis.

Should you require further information please contact Lucas Gosling, Acting Director Community Wellbeing on [REDACTED] or at [REDACTED]

Yours sincerely

[REDACTED]

Cr Amanda Stone
Mayor



Submission: Inquiry into the Public Housing Renewal Program November 2017

CONTEXT

Due to a constrained financial environment, DHHS and the community housing sector are increasingly looking to generate a mix of private, affordable and social housing when redeveloping public housing to enable an income stream to enable cross-subsidies of public housing.

The Public Housing Renewal Program (PHRP) is a \$185 million program led by the Department of Health and Human Services (DHHS) to redevelop ageing public housing estates into “modern, mixed-tenure neighbourhoods”. Profits generated from the sale of the private dwellings will fund the replacement of the public housing stock and also enable a 10% increase of social housing dwellings at each location. Final (redevelopment) models – yields, plans, dwelling mix to make for viable projects – will be determined through the Registration of Capability and Request for Proposals process (i.e. from the Special Purpose Vehicles (of partnerships between community housing providers and private developers). The PHRP currently includes the redevelopment of nine ageing public housing estates, principally “walk ups”, including Noone Street, Clifton Hill within the City of Yarra.

The PHRP also outlines plans to change the management arrangements of the renewed stock. Upon completion the majority of social housing dwellings will remain public housing, with the remainder owned and managed by community housing providers with rental and tenure arrangements comparable to those of public housing.

The resident population of the City of Yarra includes around 3,793 households living in social housing dwellings, mostly public, representing 9.5% of our household population – in Greater Melbourne only 2.6% of households living in social housing. Our Council sees itself as a leader in understanding and responding to the issues facing social housing tenants. Public housing stock within the municipality includes high-rise towers, lower-rise “walk up” estates and ‘spot purchased’ dwellings. The tenants of these homes are well-integrated in their local communities.

We are aware that from an asset management perspective, the local walk-up dwellings are in need of regular and substantial maintenance and that the costs borne by the state government are not insignificant. We are also aware that many dwelling are not DDA compliant and are unsuitable for tenants living with disabilities.

For a considerable time now, renewal programs have been the preferred means by which Victorian Governments facilitate asset renewals and stock increases for public housing. The use of state-owned land is always of critical importance to the community and Council holds serious reservations about the

renewal approach from a programmatic perspective and land use perspective, socially, economically and environmentally.

While there are estate renewal opportunities in Yarra, the mix of benefits for tenants and the wider community need to be balanced and any support rendered by Council is conditional on realising net positive benefits.

In 2012, Council supported Stage One of Fitzroy's Atherton Gardens Estate Renewal at 150 Brunswick Street as there were demonstrable benefits to both residents and the wider community through the breadth of appropriate housing options and the provision of a children and family services hub. However, in 2013 Council resolved to seek the deferral of the master planning of the public housing estates in Fitzroy and Richmond and to only support redevelopment if there were to be no net loss of open space or not net loss to the number of bedrooms.

We note a growing lack of trust in government delivering on the social benefits of 'public private partnerships' (PPPs) – instead of leading to material gains for the community, PPPs often generate quick political gains and short-term revenue relief. A pertinent example which recently resurfaced in the media is the financial black hole that followed the Kew Cottages redevelopment (The Age, 19 March 2017). The onus therefore lies on the state government to be open about the financial transactions they engage in and to convince the community that such transactions will have an enduring legacy towards a more equitable society.

THE INQUIRY'S TERMS OF REFERENCE

The Parliamentary Inquiry into the PHRP (the Inquiry) has defined 12 terms of reference which provides an opportunity for the community to consider the social, environmental and economic impacts of the program overall for the future of social housing in Victoria and the impacts of the proposed redevelopment on existing and future residents on the site and the proximate neighbourhoods. For Yarra, this Inquiry could have implications for future redevelopment of not just the walk up estate in Noone Street in Clifton Hill but for thousands of public housing dwellings across the city.

We note that the Terms of Reference are silent on the role of community housing associations and their proposed management of new developments. This is a curious oversight as Council sees the issue of the transfer of management from the Department of Human Services to community housing providers as also having potentially serious implications for tenants.

COUNCIL'S VIEW ON THE KEY ISSUES WITHIN THE TERMS OF REFERENCE

THE ADEQUACY OF THE PROPOSED 10% INCREASE IN SOCIAL HOUSING (OR 1,100 PUBLIC UNITS) ON THE SITES GIVEN THE SIZE OF THE WAITING LIST FOR PUBLIC HOUSING

Victoria has the lowest percentage of social housing of any of Australia's states and territories and unmet demand is sitting at around 35,000 households. The committed increase of ten percent in situ is therefore inadequate and far greater effort needs to be made by the Victorian Government to demonstrate the public benefits of selling off this land before any further progress is made.

We understand the appeal of setting an arbitrary increase in dwellings for public housing but each site has its own economic and locational assets that affect the potential profit to the developer and government. In many cases, 10% may be a very poor return to the social housing portfolio and we would like to see the sale, if it occurs, as generating as much new public housing as possible. In other words, we want to see less profit for the developer and more for the public housing purse.

The ten percent increase in public housing post renewal seems seriously inadequate. These nine sites constitute roughly sixteen hectares of prime residential real estate. The mere introduction of the development plan overlays and other associated planning scheme changes will generate dramatic increases in their future development value (i.e. the uplift). As this land is already for residential use, the costs in preparing this land for redevelopment (remediation, demolition and trunk infrastructure, etc.) should not, relatively, be exorbitant. The principal liability for any future developer is the replacement of the existing stock plus ten percent. It is therefore curious as to why the future yields are in the order of seven-to-eight times the current dwelling numbers when a multiplier of four-to-five might be sufficient to facilitate the delivery of the public housing component.

The question that must be asked is where are these future profits going? How much will go to the developer? In italics below is a section directly taken from the Registration of Capability. We note that the Victorian Government has stated that the profits to be made will be returned to the Proponent (DHHS Registration of Capability Public Housing Renewal Program 4.3.2) and proceeds exceeding an agreed benchmark will be returned to the state government. How much is going back to the Victorian Government and how will these be quarantined and not lost in consolidated revenue?

The Successful Proponent will be entitled to a return (if any) as developer of the private housing and any commercial developments. The sale price for each of the private housing and commercial developments will be required to include two components:

- a) land value: the land value component will reflect the land value and must meet a minimum threshold based on a market value mechanism agreed by the VGV in accordance with the policies and practices governing the divestment of public lands. This amount will be payable directly to the DOH on the earlier of settlement and an agreed sunset date*

- b) development proceeds: the remainder of the sales proceeds (Development Proceeds). Where the return achieved by the Development Proceeds exceeds a benchmark, it is anticipated that there will be an agreed sharing of the excess.*

THE ABILITY TO CATER FOR ALL DEMOGRAPHICS INCLUDING FAMILIES, COUPLES AND SINGLES WITH THE PROPOSED HOUSING MIX.

A principal objective should be enabling existing households to return to the respective estates. Therefore we would prefer to see a like-for-like housing commitment (i.e. replacing a three-bedroom with a three-bedroom dwelling) so that current households are not disadvantaged by the redevelopment and each has a genuine option to return.

It is important to get the proposed mix of dwelling sizes right in relation to the current and future needs of a diverse range of residents. Local government understands the local planning context and needs to be involved in discussions about how the housing needs of its community are best met.

THE EFFECTS ON CURRENT PUBLIC HOUSING TENANTS, INCLUDING:

- *whether they will be moved to accommodation that is secure, stable and fit for purpose;*
- *whether they will be moved to accommodation that is close to existing social support networks, educational, health and welfare services; and*
- *whether current tenants will be able to return to the estates.*

We have significant concerns about the detrimental impacts of vulnerable residents during construction and possibly beyond. Housing is not just bricks and mortar – it is connection to place, including family, friends, employment, transport, health and community support services, and the informal networks that people build up during their lives. We understand and respect the concerns of current residents about the relocation process and would encourage a sensitive and flexible case-management approach that can respond to unexpected issues which may emerge during what will be an unsettling experience.

THE ALLOCATION OF PARTS OF THE SITES BETWEEN THE PROPOSED NEW PUBLIC AND PRIVATE HOUSING UNITS

There is a significant body of work on the concept of ‘social mix’ in high density public/private developments. In essence, it is clear that changes in the tenure mix of redeveloped estates are not sufficient in and of themselves to generate the intended benefits of social mix: i.e. ameliorating disadvantage through the presence of the advantaged.

Private and public dwellings should not be able to be readily differentiated through either their appearance, quality or amenity or through the absence of genuinely shared common areas; and so called ‘salt and pepper’ approaches, where each building has mixed tenancies, remain preferable.

Lastly, rather than using social mix as ‘window dressing’ for what is in effect the privatisation of land, further resources should be put into community strengthening and local infrastructure that binds

together residents of all backgrounds. This is the work of local Councils and something Yarra prides itself on achieving via its innovate arts, leisure and community partnership work.

THE LACK OF PUBLIC CONDITION ASSESSMENTS OF THE ESTATES OR ALTERNATIVE OPTIONS SUCH AS REFURBISHMENT OF ALL OR PART OF THE EXISTING HOUSING UNITS.

The key ingredient here is 'public'. Until such information is in the public domain (i.e. published), there is no way for the community to feel confident in valuations and alternative measures to refurbish existing dwellings.

THE PROPOSED SIGNIFICANT INCREASE IN DENSITY AND HEIGHTS AND ANY LOCAL ENVIRONMENTAL IMPACTS, SUCH AS THE LOSS OF OPEN SPACE AND MATURE VEGETATION.

The role of councils is to manage change in the urban form in response to changing demographics and to secure the best local outcomes that it can for the long-term benefit of the community. We operate according to significant policy commitments to its community, such as the Council Plan, Housing Strategy, Municipal Strategic Statement, Open Space Strategy, Municipal Health and Wellbeing Plan, and these all need to be taken into account in shaping the proposed redevelopment. It is important that the long-term consequences of changes to the built form are carefully considered in relation to future implications to the surrounding community and municipal planning more broadly.

THE REMOVAL OF PLANNING CONTROLS FROM LOCAL COUNCILS, AND PLANNING IMPLICATIONS SURROUNDING COMMUNITIES INCLUDING EXISTING NEIGHBOURHOOD CHARACTER, TRAFFIC FLOW AND PROVISIONS OF SERVICES.

Our evidence suggests that Yarra Council role as a planning authority is trusted more by its community than the state government. Our Council conducted a randomised householder survey in 2015 (833 N) which found that on average, Yarra residents had more confidence that Council was planning for the future than the state government. Councils should remain the Responsible Authority for all such re-developments. Councils know the local context, have access to upcoming development applications for the surrounding area and are also across the micro issues such as traffic flow, parking, license applications etc.

The expediency of having the Planning Minister as the RA does not compensate for local councils not retaining control of planning.

THE PROPOSED LOSS OF THIRD PARTY APPEAL RIGHTS.

Again, expediency is no excuse for diluting the democratic rights of affected parties to be able to participate in the natural justice of appeal. If appeals cannot be heard and dealt with, future social cohesion may be compromised, compromising any 'social mix' benefits ostensibly arising from the redevelopment.

THE TRANSPARENCY AND GENUINE COMMUNITY CONSULTATION WITH AFFECTED RESIDENTS, NEIGHBOURING COMMUNITIES AND THE BROADER VICTORIAN COMMUNITY REGARDING THE SHORT, MEDIUM AND LONG TERM IMPLICATIONS OF THE PHRP MODEL AS CURRENTLY PROPOSED.

Meaningful community engagement and consultation should not be removed from the planning process. In fact, more information is required about the proposed models so that affected tenants and neighbouring communities can participate in a collaborative process to create the best outcomes for all. Local Councils are expert in this type of work and should be central to the place-making discussions. Genuine consultation takes time, so expediency measures should be replaced by community engagement and discussion to hear all views.

PUBLIC HOUSING ESTATES WHERE SIMILAR MODELS ARE ENVISAGED OR UNDERWAY, INCLUDING: MARKHAM AVENUE, ASHBURTON; KOOLKUNA LANE, HAMPTON; AND THE CORNER OF STOKES STREET AND PENOLA STREET, PRESTON.

PREVIOUS VICTORIAN PUBLIC HOUSING RENEWAL PROJECTS, INCLUDING BUT NOT LIMITED TO THE KENSINGTON, CARLTON AND PRAHRAN PUBLIC HOUSING ESTATES

BEST PRACTICE MODELS FOR THE PROVISION OF PUBLIC HOUSING FROM WITHIN AUSTRALIA AND OVERSEAS.

There are a range of public housing renewals envisaged or underway meaning it is difficult to generalise about best practice. The Carlton redevelopment led to a decrease in the actual number of public housing tenancies (but increase in dwelling numbers) because of smaller apartments replacing three bedroom apartments. Research conducted by Dr Kate Shaw has found that the social connections between public and private residents in the redeveloped estate has been very limited.

We do know from the Kensington redevelopment that a stronger 'Place Management' approach will assist to create better social outcomes, especially creating on-site businesses that offer employment as well as retail or café environments for tenants to mix.

CONCLUSIONS

1. These sites can only be sold once and the onus is on the state government to demonstrate that there are significant public benefits from the Public Housing Renewal Program. There are questionable benefits and many dangers in rushing the renewal of public housing estates.
2. Asset management data on the condition of these 1,100 and future dwellings must be published. Until such information is published there is no way for the community to feel confident that refurbishments were unfeasible and the renewal program represents public value.
3. The Victorian Government has failed to articulate, and evidence, how future development value – that is the uplift – is being captured by the government for public benefit. The assumptions, modelling and outcomes of this program should be transparent and able to withstand public scrutiny.

4. Together, the nine sites to be renewed constitute roughly sixteen hectares of prime residential real estate. At face value, the dwelling replacement plus ten percent increase seems to be a cheap price for any developer to pay given the uplift in value resulting from new planning scheme conditions which enable high dwelling yields.
5. It is probable that there will be sizable profits at most the sites. Where are these future profits going? How much will go to the developer? How much is going back to the Victorian Government and how will these funds be quarantined for social housing and not lost in consolidated revenue?
6. Council holds significant concerns on how vulnerable residents will be impacted during any redevelopment and possibly beyond. Housing is not just bricks and mortar – it is connection to place, including family, friends, employment, transport, health and community support services, and the informal networks that people build up during their lives.
7. A principal objective should enabling existing households to return to the respective estates. Therefore we would prefer to see a like-for-like housing commitment (i.e. replacing a three-bedroom with a three-bedroom dwelling) so that current households are not disadvantaged by the redevelopment and each has a genuine option to return.
8. Private and public dwellings should be indistinguishable in appearance, quality or amenity and common areas should be genuinely shared by all residents. So called ‘salt and pepper’ approaches, where each building has mixed tenancies, remain preferable.
9. From previous examples in Melbourne and elsewhere, it cannot be concluded that changes in the tenure mix of redeveloped estates – the ‘social mix’ of private and public – does not ameliorate social disadvantage. Social mix can often be ‘window dressing’ and it is not substitute for community development and social infrastructure which truly builds community.
10. Councils should be the Responsible Authority for any redevelopments as they are best placed to secure positive outcomes for the long-term benefit of the community. Councils are the custodians of the policies and strategies that contribute to community wellbeing and liveability such as the Council Plan, Municipal Strategic Statement, Open Space Strategy, Strategic Community Infrastructure Plan and Municipal Public Health and Wellbeing Plan.
11. In the specific case of the renewal of the estate at Noone Street, Clifton Hill:
 - (i) The design and consultation process is not providing Council officers sufficient opportunity to provide input to the possible planning and design options. The involvement of Council officers in the design process has been limited. It is currently unclear as to how much existing feedback to the Department is informing the development of design options.
 - (ii) There needs to be a more open and considered design based approach rather than rushing to a single design outcome. This requires a clear and genuine design process that provides time for considering advice and options. The involvement of a Design Review Panel from the Office of the State Architect is a welcome element to the design process, however their advice and how it is considered by project design teams needs to be more open.

- (iii) The justification for the proposed design was prepared in isolation and without regard to the strategic implications for the wider neighbourhood. It was acknowledged in discussions that preparation of a built form framework for the length of Alexandra Parade would be appropriate and manage any longer term consequences resulting from the redevelopment of the public housing. It would also provide a stronger strategic basis for any change in planning controls.