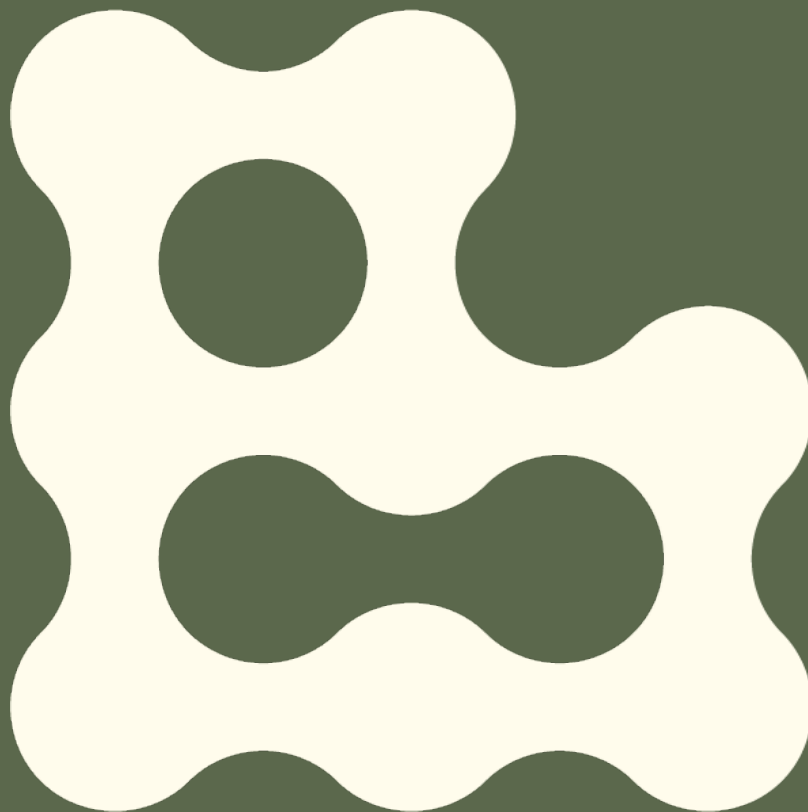


SUBMISSION TO THE INQUIRY INTO THE REDEVELOPMENT OF MELBOURNE'S PUBLIC HOUSING TOWERS

March 2025



BOWER INSİGHTS

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We pay our respects to Elders past, present, and emerging and recognise their ongoing connection to land, waters, and culture.

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Bower Insights is an emerging advisory firm providing services across property advisory, policy, and research. Built out of the merger of two smaller consultancy firms, Bower Insights focuses on advisory that is responsive to the current and future Australian political and economic environment.

We believe in the power of informed decisions to create lasting change and are dedicated to our purpose of providing insights and services that enable positive social impact. With a strong focus on the intersectional impacts of our projects and policy work, we are committed to advancing social equity by engaging with diverse communities and prioritising projects that deliver significant social benefits.

Bower Insights is proud to have a diverse client base including leading not-for-profit and private entities as well as government partners across Australia. Our clients operate in housing delivery, precincts and infrastructure renewal, government industries, regional development, health, education, and residential and commercial development.

The Bower Insights team has extensive knowledge of the housing sector and experience working with residential property clients. We understand that addressing Australia's housing crisis requires sector-wide involvement, and we are dedicated to helping to deliver projects with positive housing outcomes. We provide support in project delivery, funding, development management, research and market insights and property advisory, and work across private, government and not-for-profit property markets.

Recommendations

Bower Insights presents the following recommendations for the Victorian Government's plan to redevelop Melbourne's public housing towers.

- 1. Implement a resident centred approach to housing policy:** The Government develop a long-term plan for social housing in Victoria which considers all aspects of housing adequacy and provides transparency around targets for public, social and affordable housing. The Victorian Government prioritises the release of Victoria's 10 year social and affordable housing plan, with clear targets for the development of public, community and affordable housing to meet housing needs for all Victorians across the housing continuum.
- 2. Security for the public housing tenants:** The Victorian Government prioritises the release of a long-term plan for the future of public housing in Victoria, including its plans for each public housing tower, to provide certainty to the existing residents. Furthermore, Homes Victoria commits to current public housing tower residents that they will remain on public housing rents if they elect to stay in their relocated homes, regardless of their landlord.
- 3. Strengthen Resident Engagement Mechanisms:** Utilising a resident-centred approach to tenancy management and support the Victorian Government should establish a clear framework for resident engagement that goes beyond consultation to ensure residents have genuine decision-making power throughout the entire redevelopment process. The framework should be based on the principles of the right to adequate housing.
- 4. Prioritise Social and Affordable Housing Targets:** The government should set explicit targets for the proportion of social housing units in the redeveloped sites, maximizing the yield for social and affordable dwellings over market product, targeting delivery of 100% social housing. The cost-benefit analysis should clearly demonstrate how the chosen delivery model maximises the number of social and affordable housing for long term supply and consider the social and economic benefits of secure and affordable housing. Models that minimise or exclude market housing should be given preference to ensure the primary goal of social housing provision is not diluted.
- 5. Refine the Ground Lease Model with Robust Safeguards:** Utilising Capital stack optimisation should be encouraged and incentivised to ensure the delivery of enhanced social housing uplift outcomes. Conduct a thorough re-evaluation of the financial

assumptions and social costs associated with the ground lease model, particularly concerning the long-term implications of functional privatisation and the limited social housing yield compared to alternatives.

6. **Explore Large-Scale Retrofitting:** Where structurally feasible and economically viable, undertake detailed feasibility studies to explore large-scale retrofitting of existing towers as a more sustainable and less disruptive alternative to demolition and complete rebuilds.
7. **Utilise the Capability of Government Agencies to Deliver Public Housing:** Strengthen the mandate and resources of delivery by the Victorian State Government to more effectively utilise the capability and strength of Agencies such as Development Victoria and Homes Victoria to take a leading role in the delivery of public housing and ensuring that resident-centred approaches are consistently prioritised and implemented.
8. **Communicate and validate the viability of the Public Housing Towers policy:** Undertake a thorough and independent feasibility study that comprehensively compares the social, environmental, and economic costs and benefits of redevelopment of public housing towers with options that consider refurbishment, models along with the viability of delivery as public, community, and affordable housing. This study should actively involve residents in the assessment process and consider the long-term implications for both residents and the environment.

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01

Executive Summary

This submission addresses the Victorian Parliamentary Inquiry into the redevelopment of Melbourne's public housing towers, advocating for a fundamental shift towards a resident-centred approach to housing delivery, firmly anchored in the internationally recognised human right to adequate housing. The proposed redevelopment of 44 high-rise public housing buildings presents a critical opportunity to not only modernise aging infrastructure but also to reimagine social housing in Melbourne in a way that prioritises the needs, dignity, and rights of its

residents. This submission argues that the redevelopment must move beyond traditional, top-down approaches and embrace models that empower residents, ensuring their meaningful participation in all stages of the process and delivering housing that meets the comprehensive standards of adequacy as defined by the International Covenant on Economic, Social and Cultural Rights (ICESCR).

The importance of Social Value in Housing Policy

Recognising the policy decision of the Victorian Government that has led to the redevelopment of the public housing towers, this submission will also consider the socio-

economic and cost benefit of the shift of the Victorian Government to deliver public housing to community and the broader consideration of social housing through the proposed ground lease model (GLM) for the redevelopment of Melbourne's public housing towers, contrasting it with alternative approaches that promise a higher yield of social housing.

The analysis reveals that while the ground lease model offers a pathway for redevelopment through leveraging private sector involvement, its structure inherently limits the potential for maximising social value and the overall number of social housing dwellings. Key findings indicate that alternative models, particularly those centred on direct government investment and strengthened partnerships with community housing providers, present opportunities for superior economic and social outcomes for residents, housing providers, and the State of Victoria. These alternatives can potentially deliver a greater increase in social housing supply within comparable budget frameworks, while also mitigating the risks associated with the functional privatization of public land inherent in a GLM structure.

Responding to the Terms of Reference

This submission aligns with the Inquiry's Terms of Reference in the following ways:

Rationale and Cost Modelling: The rationale presented herein advocates for a social value-driven approach that prioritises the long-term well-being of residents and the fulfillment of their human rights, extending beyond a narrow focus on immediate financial costs.

Impact of the Plan: This entire submission places a strong emphasis on mitigating the potential negative impacts of the redevelopment plan, particularly the compulsory relocation of residents. It underscores the need to safeguard and enhance the future availability of public and community housing, directly addressing the Inquiry's concerns about decanting plans and potential permanent resident departures.

Consultations: The significance of meaningful and inclusive consultations with public housing tower residents and their representatives, as well as relevant local stakeholders, is a central theme of this submission.

Financial, Legal, and Project Delivery Models: This submission includes a comparative analysis of project delivery models relevant to public housing redevelopment.

Building Standards: Not specifically addressed to technical standards, this submission implicitly addresses building standards by advocating for habitability, accessibility, and cultural adequacy as fundamental components of the human right to adequate housing.

Integration and Diversity: The principles of resident-centered housing, along with the exploration of alternative models.

Likely Impacts: This submission will assess the potential impacts of the redevelopment plan across a range of critical areas conducted through the framework of resident-centered principles.

Other Related Matters: Throughout the course of this submission, other related matters that are pertinent to the Inquiry's objectives will be considered.

02

The right to adequate housing

Adequate housing is a fundamental human right, and one which Australia has made commitments to realise by ratifying UN treaties and agreements which include this right, including ICESCR.

Taking a rights-based approach when considering housing and housing policy ensures that the focus remains on the people at the centre of these decisions – the residents. It recognises that housing provides people with a home, which is the foundation of their social and economic involvement in their communities.

What is housing adequacy?

From a rights-based approach, housing adequacy is about more than the physical structure of a house. The right to adequate housing is the right for people to live in security, dignity and peace. There are seven attributes of housing which are required for housing to be considered adequate:

- **Security of tenure:** adequate housing provides households with security and stability, including protection against forced eviction, harassment and discrimination. No evictions should result in homelessness.
- **Affordability:** housing costs do not compromise people's ability to afford

other basic and reasonable needs, such as groceries, energy and medical costs.

- **Habitability:** adequate housing provides physical safety and adequate space for people who live there. It must be warm, dry and healthy, and protect from cold, heat, damp, rain, wind, structural hazards, and other threats to health. Adequate housing must also provide protection from and mitigate the effects of climate change.
- **Accessibility:** everyone is able to access housing that meets their needs. This includes systemic (access to housing without discrimination), physical (housing that meets people's access needs) and financial (being able to afford housing) accessibility.
- **Location:** adequate housing is in a location which allows people to fully participate in society. This includes access to jobs, schools, healthcare services, childcare, and other social facilities. Adequate housing is not in locations that impact negatively on people's health.
- **Access to core services, facilities and infrastructure:** adequate housing has access to the core services, facilities and infrastructure that are required for people's health, comfort and security, including safe drinking water, power, sanitation, washing facilities and access to emergency services.

- **Cultural adequacy:** adequate housing enables people and communities to express their cultural identity and live in accordance with their cultural ways of being.

What is the Government's obligation to provide adequate housing?

Public housing is vital social infrastructure which provides shelter to some of Australia's most vulnerable people, fostering stable, inclusive, and equitable communities. Providing adequate social and public housing reduces housing insecurity and homelessness, and improves economic, social and health outcomes for individuals, all of which benefit the wider community.

The right to adequate housing is enshrined in various international treaties and conventions, which mandate that governments must take appropriate steps to ensure this right is fulfilled. As a signatory on these agreements, the Government has an obligation to fulfil the right to adequate housing for all Australians. The right to adequate housing requires equality and freedom from discrimination in housing and services for all individuals; the right of individuals and communities to meaningfully participate in housing policies and programs; and accountability for responsible individuals and institutions to respect, protect and fulfil the right.

In order to meet these mandates, the Government must:

- **Respect** the right to adequate housing, by not interfering with or limiting anyone's right to adequate housing.

- **Protect** the right to adequate housing by protecting individuals and communities from their right to adequate housing being limited, including by the private sector.
- **Fulfil** the right to adequate housing by taking positive actions to fulfil the right of adequate housing for all.

While the full realisation of the right to adequate housing will take time, Governments have an obligation to meet minimum core obligations for the right to housing and take steps to implement the right of adequate housing for everyone.

Bower Insights advocates for a rights-based approach to be taken in regards to all housing policy – including the Victorian Government's plan to redevelop Melbourne's public housing towers. A rights-based approach centres the residents and communities impacted by these plans and considers how the plans will affect all aspects of housing adequacy. Key considerations in a rights-based approach include the impact of displacement on residents and communities, the ability of residents to participate in housing policies and programs through appropriate consultation, and the obligation of Government to provide adequate housing to the tens of thousands of households on the social housing waitlist.

Recommendation- Security for the public housing tenants: The Victorian Government prioritises the release of a long-term plan for the future of public housing in Victoria, including its plans for each public housing tower, to provide certainty to the existing residents.

How can housing adequacy be considered through the public housing redevelopment plans?

To ensure that the public housing redevelopment plans provide adequate housing outcomes for all residents, the Government must consider housing

adequacy throughout both the relocation and redevelopment phase and the final delivery of the redeveloped sites. A full summary of housing adequacy considerations as relevant to the public

housing tower redevelopment plan is provided in Appendix 1.

Key considerations which are not evident within the Government's current plans are outlined in Table 1.

Incorporating a rights-based approach to housing delivery does not have to be difficult. It provides a framework to ensure that the diverse housing needs of a range of residents are being met, enabling housing projects to deliver more positive outcomes.

Table 1: Considerations to ensure redevelopment plans improve housing adequacy

During redevelopment and relocation	When redevelopment is completed
- Residents must be provided stability and security of tenure prior to and throughout the relocation process through clear communication of relocation options, timelines and plans. Tenants who reside in towers that have not been announced for demolition should be provided clear timeframes around when this will occur. - Rent must remain affordable in properties tenants are relocated to, ideally maintaining the current rent policy. - Tenants should not have to pay any additional costs for access to core services in relocated dwellings (e.g. service charges from community housing providers which may not be incurred through public housing). - Options for relocation should maintain or improve access to employment, healthcare, schools, childcare, and transport. Consider locations which allow tenants to maintain links with existing communities and services. - Consultations should be undertaken with relocated residents throughout design and redevelopment of new dwellings to create culturally adequate spaces.	- Plans must explicitly guarantee residents the right to return with equivalent or better tenure security, including clear relocation and return processes. Redeveloped dwellings are appropriate for the households who have relocated to ensure that right to return is honoured in practice. - Rent for all residents (not just social housing) at the new development should be affordable, considering different models of providing affordable housing to a range of households. - Homes Victoria should ensure that rent setting for affordable housing is genuinely affordable, exploring income contingency rent setting models to meet affordability requirements for all households within the affordable housing income bands. - Social housing rents should remain in line with the current rent policy. Tenants who wish to not return to the redeveloped sites should pay the same rent as tenants who do return. - New dwellings should offer the same level of amenity regardless of tenure type (i.e. 'tenure blind' developments) and residents of all tenures should have equal access to site facilities without discrimination. - Design of new dwellings and site should facilitate community interaction and integration to allow residents of all tenures to equally access the site amenities and local community. - Consider how design of dwellings, policies and sites can provide cultural adequacy for diverse groups within the site, informed by consultation with returning residents.

Exploring housing adequacy from the perspective of social housing tenants

Consideration of the meaning of the right to housing adequacy must be understood from the perspective of the public housing tenant, and indeed from all social housing tenants.

The question for all social housing tenants is what should my right to adequate housing look like?

Habitable:

I have the right to a home that:

- Is physically safe
- Has enough space
- Protects against cold, heat damp, rain and wind and structural hazards
- Protects against and mitigates the effects of climate change

If my home has any issues with these, my housing provider has a responsibility to fix them.

Affordability:

I am protected against unreasonable rent increases

My housing costs should not prevent me from being able to afford other basic needs, including food, energy and medical services.

Accessibility:

I am able to rent a home that meets my needs without facing discrimination.

Intersection: People with disabilities and elderly people can rent a home that meets their access needs, including reasonable accommodations and modifications.

Secure:

I am protected from forced eviction, discrimination and harassment

If I am evicted, I have the right to due process I can request repairs, make claims and complaints against my housing provider without this impacting my tenure.

Adequate location:

I can live in a home that allows access to employment opportunities, schools, childcare, healthcare services and other facilities.

I can participate fully in my community, and my housing provider enables community services and engagement to help me do this.

Accessible to core services and infrastructure:

I have the right to a home that has access to:

- Safe drinking water
- Energy for cooking, heating and lighting
- Sanitation and washing facilities
- Refuse disposal
- Emergency services

If my home has any issues with these, my housing provider has a responsibility to fix them.

Culturally adequate:

I have the right to services and housing that are culturally adequate and enable me to express my cultural identity. I can live in accordance with my cultural ways of being.

Intersection: for Aboriginal and Torres Strait Islander peoples and culturally diverse households that have distinctive models of living, this is supported by their housing provider (e.g. suitable households for extended families, appropriate allowances for guests and visitors to the house)

03

The need for a greater social housing uplift

Delivering Resident-Centred Housing in Public Housing Redevelopment

A resident-centred approach to public housing redevelopment places the individuals who currently reside in these dwellings at the heart of all decision-making processes¹. This philosophy goes beyond simply consulting residents; it necessitates their active and meaningful involvement in every stage of the project, from the initial planning and design phases through to implementation and ongoing management². It requires truly understanding and addressing their wants, needs, and concerns, ensuring they have a genuine role in shaping their living environments and communities' future.

Adopting a resident-centred approach offers numerous benefits for the success and sustainability of any redevelopment project. When residents are actively involved, the resulting plans are more likely to be well-informed, reflecting their lived experiences and priorities, which can lead to improved project outcomes and increased resident satisfaction³. This collaborative process promotes community ownership, pride, and responsibility among residents, leading to greater investment in the long-

term outcomes of their neighbourhood. Additionally, by focusing on the needs and preferences of current residents, a resident-centred approach can reduce social disruption, and the negative impacts associated with displacement. Case studies have shown that when residents are actively involved, they can directly influence the scope of the project and help minimise construction-related disruptions.

Recommendation- Strengthen

Resident Engagement Mechanisms:

Utilising a resident-centred approach to tenancy management and support the Victorian Government should establish a clear framework for resident engagement that goes beyond consultation to ensure residents have genuine decision-making power.

Forecasting social housing demand and supply

Victoria is experiencing a growing housing crisis, with rising rents, lower vacancy rates and higher costs of living pushing ever more households into housing stress, precarious housing and homelessness. At the same time, there is a shortage of social and affordable housing in the State, due to decades of underfunding. Victoria has both

the highest number of households at risk of homelessness, with almost one million households at risk, as well as the lowest percentage of social housing of any jurisdiction, representing only 2.8% of all Victorian homes, well below the national average of 4.1%^{4,5}.

Despite high demand, Victoria's social housing stock has fallen by nearly 600 properties over the last decade⁶. At the same time, the social housing waitlist has grown by over 4,000 households, with more than 63,000 households on the waitlist in September 2024⁷.

Estimates of future demand for social housing vary greatly. Housing peak bodies across the state call for an additional 6,000 properties a year for the next decade to meet 4.5% of total housing stock (the national average at the time), as introduced by the Housing Peaks Alliance in 2020⁸. Since 2020, Victoria has not met this target and in fact the proportion of social housing stock has fallen by 0.2%⁹. If Victoria were to deliver 60,000 social dwellings over the next decade, we would reach approximately 4.2% of total housing stock – to reach 4.5% of total housing stock by 2034 a total 7,315 dwellings would need to be delivered each year.

While catching up to the national average is referenced to guide social housing targets, the supply of social housing is not meeting demand in any state, and these figures do not reflect the growing demand in Victoria. Estimates of the numbers of households in housing stress who will require social housing over the coming years are significantly higher. Research conducted by UNSW's City Futures Research Centre estimates that there will be an unmet need of 223,200 social and affordable dwellings in

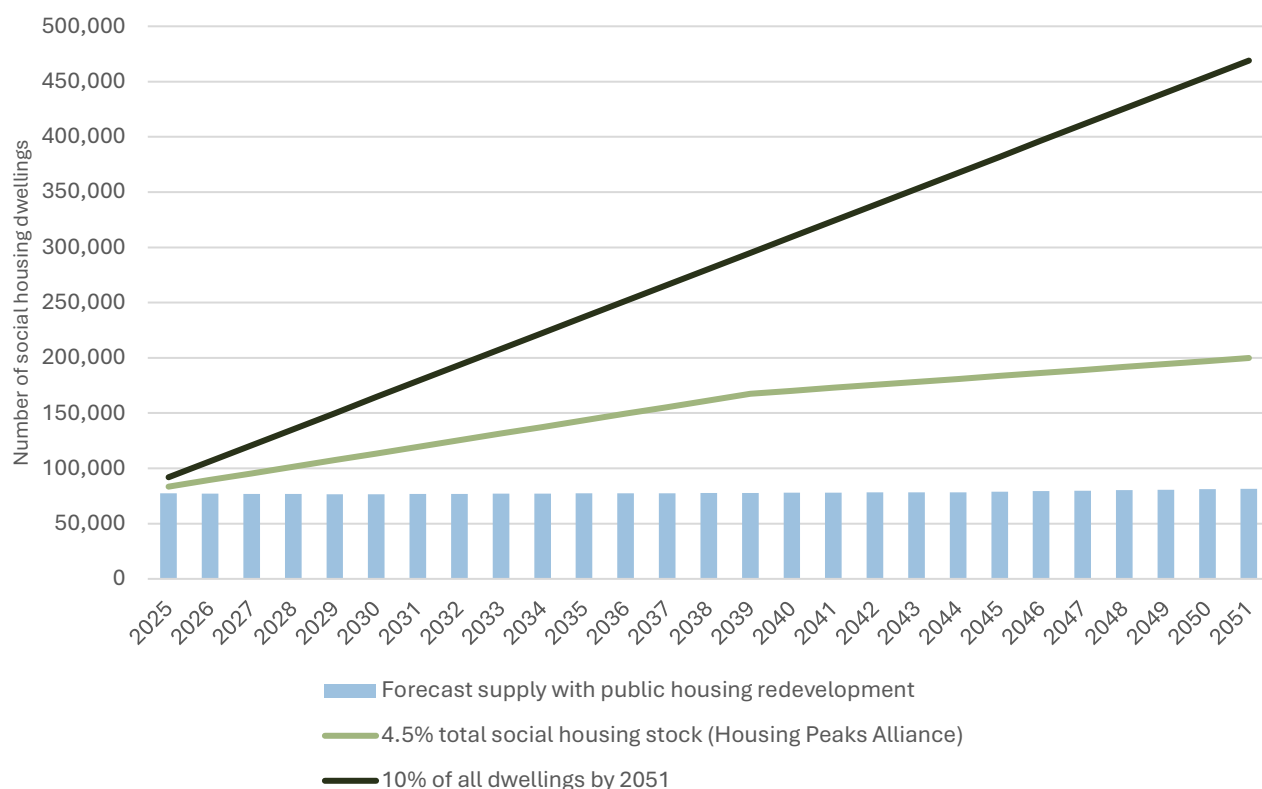
Victoria by 2041¹⁰. Another figure which housing peak bodies target is for the national level of social housing to reach 10%¹¹. To reach this, Victoria would need to deliver on average 14,500 social housing dwellings each year to 2051, putting it slightly above the City Futures estimated demand in 2041.

At the completion of proposed public tower redevelopment, the committed uplift of 10% will provide an additional 667 homes over 25 years. Over those 25 years, the existing 6,659 units will also be demolished, with around 10,000 residents needing to be relocated to alternative social housing dwellings. This will have significant impact on the existing waitlist, as new and existing vacant social dwellings will need to be used to relocate tenants from the public housing towers. This impact will be concentrated in the earlier years of the redevelopment plan, before any of the tower redevelopment projects are completed.

Over the next two years, around 700 homes are currently slated for demolition, with the first redevelopments due to be complete in 2028. With an average annual increase in social housing of 129 dwellings since the start of the Big Housing Build (BHB), it is likely that social housing dwelling numbers will fall over the short term, placing greater pressure on an already failing system.

If we assume that the increase in social housing over the coming years remains equal to what it has been since the commencement of the BHB, and public housing tower redevelopments are additional to this, we will see only an increase of around 4,000 dwellings by 2051, or an average of 154 dwellings per year – significantly below even the conservative estimates for demand as shown in Figure 1.

Figure 1: Forecasted demand vs. supply of social housing



The Government has an obligation to provide adequate housing to the households on the social housing waitlist, both now and in the future. This requires the provision of social housing which meets residents’ needs in terms of location, security, habitability, affordability and accessibility and which is culturally adequate.

Increased supply (including through redevelopment) will not alone address Victoria’s housing crisis and meet Victorian residents’ housing needs – genuine and large-scale change is needed to make our housing system adequate, affordable and fairer for all. Public and social housing

targets should be complemented by funding across the continuum, including in support services, and genuine efforts to lower housing costs and increase supply in the private sector. The Government’s public housing redevelopment plan must be considered in the wider context of its approach to meeting its obligations to promote the right of all Victorian residents to adequate housing.

Recommendation- Implement resident-centred approach to housing policy: The Government develop a long-term plan for social housing in Victoria which considers all aspects of housing adequacy and provides transparency around targets for public, social and affordable housing.

‘Social mix’ should not deter greater social housing uplift

While the planned proportion of social, affordable and market housing has not been provided across the public housing redevelopments, the Government’s commitment to increase social housing across the sites by 10% while housing around 30,000 people in total suggests that of the new dwellings delivered across the sites, around 30-40% will be social housing.

This proportion of social housing delivery is in line with previous public housing redevelopment projects that have been delivered in Victoria, with a 70:30 ratio of private to social housing targeted¹². Generally, there are two lines of argument for redevelopments to provide a 70:30 ratio – the purported social and economic benefits of a mixed tenure community; and the increased feasibility of redevelopment projects as a result of profit margins made possible through private housing development.

While the Victorian Government has not provided its rationale for the development of both social and market housing in the current public housing tower redevelopment plans, it did cite the supposed benefits of ‘social mix’ in its desired outcomes for the PHRP. These desired outcomes included: a reduction in concentration of public housing on a single

site, reducing stigmatisation of public housing and the impact of social issues that are associated with high concentrations of lower-income households; and providing both social and market housing in a tenure blind approach to further reduce segregation and stigmatisation of public housing¹³.

The Inquiry into the PHRP noted the division among stakeholders regarding the effectiveness of social mix and made the following recommendation¹⁴:

“That the Victorian Government conduct a longitudinal study on the link between social mix and social outcomes at public housing estates, and lead research into local area effects in disadvantaged communities in Victoria. The results of the studies should influence future social housing policy.”

While the Government supported this recommendation, with the first Public Housing Renewal Program sites being occupied for a little over a year at the time of this submission, it is not feasible that these findings would be in place to inform the current public housing redevelopment plans. However, previous analysis of redevelopment projects across Victoria have not found any evidence that social mix creates the Government’s desired outcomes.

The evaluation of the Kensington public housing estate redevelopment, which was completed in 2012, found that there was no clear evidence for the existence of place-based disadvantage prior to the redevelopment, and that the supposed benefits of social mix were not seen after redevelopment, with little interactions between public and private tenants on site¹⁵. While some public housing tenants did

report a decrease in perceived stigmatisation (21%), this was also a result of improvements to the housing quality and not necessarily the result of the mixed tenures on site¹⁶.

These findings are supported by the wider literature regarding mixed tenure sites, which does not provide evidence for the benefit of mixed tenure housing at an estate level^{17, 18}. While concentrations of disadvantage at a neighbourhood scale and 'area effects' such as the availability and quality of public services have been associated with poor social outcomes, most of these findings are in the UK and US, which have significantly greater segregation than Australian cities and causality links remain unclear¹⁹. It is not evidenced that these findings can be applied to the Australian context and public housing tower estates, which are predominantly in high-amenity, inner city locations and of significantly smaller scale than what is considered for neighbourhood concentrations – generally 4,000-8,000 people^{20,21}. While the benefits of mixed tenure remain inconclusive, the negative impacts of displacement on public housing tenants to create mixed tenure sites is well evidenced. Redevelopment programs which displace public housing residents result in negative social and health outcomes, a loss of community and sense of place²².

Despite the lack of evidence for improved social outcomes, the 70:30 ratio of private to social dwellings has been used as a rule of thumb for mixed tenure developments across Australia, including previous redevelopments in Victoria. There is a significant body of research which demonstrates that the basis of this rule is commercial, using the redevelopment of public sites as a method to unlock

significant value for the government through private development^{23,24,25}.

Prioritising commercial outcomes means that financial drivers for the Government shape the redevelopment process, resulting in poor outcomes for public housing tenants²⁶. A clear example is in the redevelopment of the Carlton housing estate, which, although initially planned to provide a 'salt and pepper' tenure mix across public and private dwellings, was seen to be increasingly driven by private development interests, with the resulting redevelopment providing separate buildings, entrances and amenities for private and public residents, adding to the sense of segregation rather than encouraging social mixing^{27,28}.

If a 70:30 ratio is required to provide financial feasibility for redevelopment projects, this raises the question of whether the Government's chosen model of redevelopment through Public-Private partnerships is the most cost-effective way to improve the habitability of the public housing towers and provide an uplift in social housing dwellings. The Government should look to other development options which can provide financial feasibility while maximising social housing uplift, rather than limiting it.

One of the first public housing estates to be redeveloped as part of the Government's Housing Statement announcement is the towers in Carlton. These towers are to be replaced by 248 new dwellings (an uplift of 26%) which will be 100% social housing²⁹. Bower Insights urges the Government to consider alternative redevelopment and financing options which could yield similar outcomes across the remaining sites.

Recommendation- Prioritise Social and Affordable Housing Targets: The government should set explicit targets for the proportion of social housing units in the redeveloped sites, maximising the yield for social and affordable dwellings.

The Role of the Victorian State Government in delivering Resident-centred Housing

The Victorian State Government plays a fundamental and enduring role in ensuring the provision of adequate and affordable housing for its citizens, particularly those most in need³⁰. Understanding the current policy and legislative framework governing public housing in Victoria is essential for assessing the government's responsibilities in the context of the Melbourne tower redevelopment.

A cornerstone of achieving resident-centered outcomes is the implementation of meaningful community engagement and co-design practices. Genuine engagement transcends the mere dissemination of information; it necessitates actively soliciting, valuing, and incorporating the perspectives of residents at every stage of the redevelopment journey, from initial planning and design to implementation and ongoing management³¹. Co-design, a branch of human-centered design, advances this principle by engaging residents as equal partners in the design process, thereby dismantling traditional hierarchies between designers and the public. This collaborative methodology ensures that the final outcomes are both functional and genuinely reflective of the

needs and preferences of the individuals who will reside in these redeveloped towers.

To ensure equitable participation, it is crucial to proactively address potential barriers such as time constraints, language differences, accessibility limitations, and a lack of trust stemming from past experiences. Implementing strategies such as providing childcare, offering translation services, ensuring accessible meeting locations, and actively building trust through consistent and transparent communication are essential for fostering inclusive engagement³².

Recommendation- Communicate and validate the viability of the Public Housing Towers policy: Undertake a thorough and independent feasibility study that comprehensively compares the social, environmental, and economic costs and benefits of redevelopment of public housing

04

What is the best way to maximise yield of social housing on the sites?

The economic value proposition: Higher social housing yields

Redeveloping Melbourne's public housing towers with a primary focus on maximising social housing outcomes presents a strong economic value proposition for the Victorian State Government. While the GLM seeks financial sustainability through the inclusion of market housing, a strategy centred on higher social housing yields can generate significant long-term economic and social benefits that may outweigh the initial investment.

One of the most significant economic advantages of a robust social housing system is the potential to reduce the substantial costs associated with homelessness³³. Homelessness imposes significant demands on emergency services, the healthcare system, and the justice system. Providing secure and affordable housing to individuals and families in need can reduce these pressures and result in cost savings over time. Additionally, stable housing positively affects the health and wellbeing of residents. Better health outcomes can lead to increased productivity, higher workforce participation,

and decreased reliance on healthcare services, which benefit the state's economy.

A focus on maximising social housing also fosters enhanced social cohesion and community stability. Mixed-income communities within public housing, when well-planned and managed, can promote social interaction and support networks, leading to stronger and more resilient neighbourhood³⁴

Investing in public housing creates local employment opportunities, not only in the construction phase but also in the ongoing management and maintenance of the properties. This can stimulate local economies and provide valuable jobs for Victorians.

While the GLM aims to achieve financial sustainability by leveraging the private market, the long-term economic value of a substantial increase in social housing lies in addressing the root causes of social and economic disadvantage. By prioritising the provision of secure, affordable housing, the Victorian Government can create a foundation for a more equitable and prosperous society, ultimately leading to reduced long-term expenditure in other areas of government responsibility. This approach recognises that investing in social

housing is not merely a social imperative but also a fiscally responsible strategy that yields significant economic returns over the long term.

Recommendation- Utilise the Capability of Government Agencies to Deliver Public Housing: Strengthen the mandate and resources of delivery by the Victorian State Government to more effectively utilise the capability and strength of Agencies such as Development Victoria and Homes Victoria to take a leading role in the delivery of public housing

Alternatives to redevelopment

There is significant evidence for poor social, health and economic outcomes for residents who face displacement as a result of public and social housing redevelopment. Residents are often separated from their communities and social connections, limiting their right to live in housing in an appropriate location, and resulting in social disconnection and poor mental health outcomes^{35,36,37}. This is exacerbated by the limited tenant consultation and communication which is evident from tenants' accounts across multiple redevelopment projects^{38,39}. Despite the Government's commitment that residents are provided a right to return to completed redevelopments, evidence from previous redevelopment projects show that only around 20% of residents return – often due to a lack of appropriate housing to meet their household needs at the redeveloped sites – resulting in permanent disruptions of social communities^{40,41}.

While many of the towers in their current state do not meet contemporary habitability standards, the Government is urged to

investigate alternatives to redevelopment which bring the towers up to standard without requiring the large-scale displacement of residents.

Homes Victoria claims that high costs for tower maintenance and refurbishment mean that it is not feasible to maintain the buildings or renovate them to meet modern standards⁴². However, no evidence has been provided of the studies which led to this conclusion. The Inquiry into the Public Housing Renewal Program confirmed that while the poor condition of some of the estates makes refurbishment unviable, this is not the case across all estates⁴³.

Several independent studies have been completed which demonstrate refurbishment, redevelopment and infill as viable options for selected sites. A full summary of these studies is provided in Appendix 2. These investigations have demonstrated that refurbishment and retrofitting the existing towers could ensure that the towers meet all modern building standards and Homes Victoria's design guidelines.

Refurbishment would provide significant upfront cost savings to the Government (between 20% and 66% across different studies), reduce the environmental impact of the buildings and ongoing costs, while allowing residents to relocate temporarily due to significantly shorter construction times^{44,45,46,47}. Given the associated health and social impacts on resident communities, moving costs and impact on social housing waitlists while residents are relocated in alternative social dwellings, this provides significant benefits to residents, community and Government. OFFICE estimates the social costs (health and education costs) of relocating residents from the 720 dwellings at the Flemington Estate to be \$4.6 million,

while relocation costs are estimated at \$228 million⁴⁸.

Extrapolating the data found in their investigation, Barnett et al. estimated that refurbishment of all 44 towers would create a total of \$1.5 billion savings in capital construction costs and \$22 million annually in operating costs⁴⁹. Using OFFICE's estimates, the refurbishment of all towers would save more than an additional \$2 billion in relocation and associated social costs⁵⁰. Although not all of the retrofit studies include an uplift of social housing, the significant savings in upfront costs to the Government could be used to reinvest in social housing across Victoria.

International examples of refurbishment of social and affordable housing dwellings such as the Cité du Grand Parc' in Bordeaux, Tour Bois-le-Prêtre in Paris and NettelbeckPlatz in Berlin demonstrate similar cost savings compared to redevelopment alternatives. These case studies provide evidence that alternatives to redevelopment can significantly improve housing and social outcomes for residents while not requiring relocation^{51,52,53}.

While investigations have not been completed for each of the 44 towers, they provide evidence that redevelopment is not the most effective option for all towers. Similar investigations and feasibility studies for alternatives to redevelopment should be conducted for each site to determine the best path forward.

Recommendation- Explore Large-Scale Retrofitting: Where structurally feasible and economically viable, undertake detailed feasibility studies to explore large-scale retrofitting of existing towers.

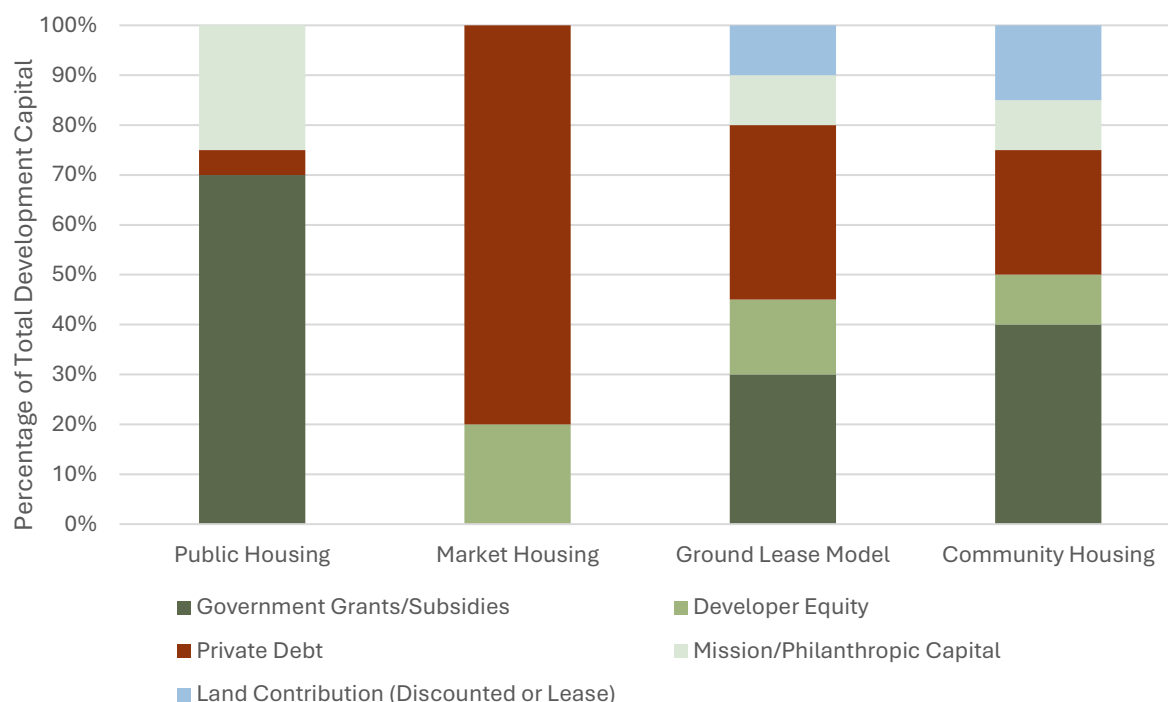
Delivery options

Capital stack optimisation

The capital stack is integral to the success and sustainability of housing projects, as it provides greater certainty and encourages co-contributions from diverse stakeholders. By incorporating a variety of equity and debt sources, projects can effectively mitigate risks and secure more stable funding streams. This diversified approach enhances financial feasibility while aligning the interests of contributors, fostering collaboration that supports project objectives. For example, public housing projects typically rely on government funding and philanthropic contributions, whereas community housing projects benefit from a combination of government support, philanthropic investments, and mission-aligned institutional equity⁵⁴.

Public housing projects often utilise publicly owned land and minimal or subsidised debt to prioritise affordability, social impact, and community benefits. Conversely, market housing projects—funded by developers and private equity—focus on generating profit with high financial returns but comparatively low social returns⁵⁵. Community housing and ground lease models offer a middle ground between financial viability and social impact by leveraging mixed equity and debt sources. These models frequently involve below-market land costs and mission-driven objectives to achieve both affordability and sustainable outcomes⁵⁶.

Figure 2: Capital stack comparison



The capital stack comparison provided in Figure 2 is based on the theoretical and practical applications in a best case scenario, however where a provider is not competent / aware of key risks then under a GLM model these risks can be transferred to the provider and ultimately government in the end because they will have to either bail them out or pick up the pieces. Neither are good outcomes if they can be addressed prior to procurement – and they should be.

Different capital stack contributors not only have varying profit and return expectations but also distinct social impact and community benefit objectives. For example, government and philanthropic sources prioritise social returns and community benefits, while private equity and developers focus on financial returns. Table 2 illustrates how different capital stack categories impact outcomes.

Table 2: Impact of different capital stack categories

Capital Component	Public Housing	Community Housing	Market Housing	Ground Lease Model
Land Cost	Publicly owned	Government regulated, Not For Profit	Purchased at market rate	Leased (often below market)
Equity Source	Government / Philanthropic	Mixed: Government, Philanthropic and mission aligned institutional	Developer and Private equity	Mixed: developer, mission-aligned institutional

Debt	Minimal or subsidised	Mixed: Government, Private bank, Institutional and mezzanine loans	Private bank, Institutional and mezzanine loans	Private, often institutional, reduced to no land cost
Return Expectations				
Social	High, mission driven	High, mission and sustainability driven	Low, profit-driven	Moderate, depends on project objectives
Financial	Low, mission driven	Low, mission and sustainability driven	High, profit-driven	Moderate, depends on project objectives
Primary Objective	Affordability, social impact, and community benefit	Affordability, social impact, and community benefit	Profit	Balanced: financial feasibility, affordability, scale

When the capital stack becomes more mixed, incorporating contributions from diverse sources, it creates opportunities for greater social impact and community benefits. This is because the combined objectives of different contributors can drive projects towards achieving both financial feasibility and social goals⁵⁷.

These approaches aim to maximise social housing uplift and improve the habitability of housing towers while maintaining financial feasibility⁵⁸. Capital stack categories, such as government-led delivery, land transfers to the community housing sector, and refurbishment or retrofitting initiatives, offer a diversified funding strategy. This approach enhances financial feasibility and aligns the interests of various contributors, fostering a collaborative environment that supports project objectives⁵⁹.

Ground Lease Model

The ground lease model involves a mix of developer and mission-aligned institutional equity sources. The land is leased, often at below-market rates, and the debt structure includes private, often institutional loans, with reduced or no land cost. The primary objective is to balance financial feasibility, affordability, and scale, with moderate

financial and social returns depending on the project's objectives.

In this scenario, the total percentage contribution of private equity and debt are reduced compared to market housing, however this is offset by the increased demand for private equity and debt.

The total government contribution required under this scenario is the lowest, and second only to market housing which does not deliver any increased social or affordable housing outcomes.

Community housing

Community housing projects involve a mix of government, philanthropic, and mission-aligned institutional equity sources. The land is often leased at below-market rates, and the debt structure includes a mix of government, private bank, institutional, and mezzanine loans. The primary objective is to achieve affordability, social impact, and community benefit, with a high focus on mission and sustainability. Financial returns are low, but the social returns are high.

In this scenario, the total percentage contribution of private equity and debt are minimised, creating increased opportunities for greater social impact and

community focused outcomes to be prioritised.

Government led delivery

Public housing projects are primarily funded by government and philanthropic sources. The land is usually publicly owned, and the debt is minimal or subsidised. The primary objective is to achieve affordability, social impact, and community benefit. Financial returns are low, as the focus is on social returns.

Market housing projects

Market housing projects are funded by developers and private equity. The land is purchased at market rates, and the debt structure includes private bank, institutional, and mezzanine loans. The primary objective is profit, with high financial returns and low social returns.

In this scenario, both the equity and debt contributors are profit driven, and opportunity for social impact or community benefit are not prioritised.

Value of Comparative models

Alternative models focusing on higher social housing yield, such as direct government investment, may involve higher upfront capital expenditure for the government but could lead to lower long-term costs and greater social benefits. Increased government funding could eliminate the need for market housing cross-subsidization, allowing for a greater proportion of social housing to be built. While the government would assume long-term maintenance responsibilities, this could be managed through established public housing management frameworks.

The potential social benefits for residents in this model include increased security of

tenure in public housing, a stronger sense of community, and direct access to government support services. The potential economic benefits for the state from a higher social housing yield include reductions in homelessness, which can alleviate pressure on emergency services, healthcare, and the justice system.

Social value economic assessment indicates that the net social housing yield may offer better outcomes and returns for the Victorian Government. For example, the RMIT analysis suggests the possibility of a significantly higher social housing yield within the same budget allocation by focusing on public housing rather than a mix of tenures under the ground lease model. Additionally, addressing the root causes of homelessness and housing insecurity through a substantial increase in social housing may result in long-term cost savings that outweigh potentially higher upfront government investment.

Recommendation- Refine the Ground Lease Model with Robust Safeguards:

Utilising Capital stack optimisation should be encouraged and incentivised to ensure the delivery of enhanced social housing uplift outcomes.

Role of the Victorian Government to lead and deliver

Conclusion and Recommendations:

The Victorian State Government currently holds significant responsibilities in ensuring the provision of public housing across the state⁶⁰. This includes the crucial task of funding the public housing system, establishing the policy frameworks that govern its operation, overseeing the management and maintenance, and setting the regulatory standards that all providers must adhere to.

Agencies like Homes Victoria play a central role in managing the state's social housing system, including the delivery of maintenance and repair services to public renters. The government has also demonstrated a commitment to expanding the supply of social and affordable housing through significant funding initiatives. These efforts signify an ongoing recognition of the critical need for government intervention to address the housing challenges faced by many Victorians, and to commit to the deliver of a resident centred housing policy outcome

In the context of the proposed redevelopment program, the Victorian Government has a significant opportunity to provide strong and effective leadership to

ensure that the project achieves resident-centred outcomes and delivers a high yield of deeply affordable social housing.

Recommendation One: Implement a resident centred approach to housing policy.

The Government develop a long-term plan for social housing in Victoria which considers all aspects of housing adequacy and provides transparency around targets for public, social and affordable housing. The Victorian Government prioritises the release of Victoria's 10 year social and affordable housing plan, with clear targets for the development of public, community and affordable housing to meet housing needs for all Victorians across the housing continuum.

Recommendation Two: Security for the public housing tenants.

The Victorian Government prioritises the release of a long-term plan for the future of public housing in Victoria, including its plans for each public housing tower, to provide certainty to the existing residents.

Furthermore, Homes Victoria commits to current public housing tower residents that they will remain on public housing rents if they elect to stay in their relocated homes, regardless of their landlord.

Recommendation Three: Strengthen Resident Engagement Mechanisms.

Utilising a resident-centred approach to tenancy management and support the Victorian Government should establish a clear framework for resident engagement that goes beyond consultation to ensure residents have genuine decision-making power throughout the entire redevelopment process. The framework should be based on the principles of the right to adequate housing.

Recommendation Four: Prioritise Social and Affordable Housing Targets.

The government should set explicit targets for the proportion of social housing units in the redeveloped sites, maximizing the yield for social and affordable dwellings over market product, targeting delivery of 100% social housing. The cost-benefit analysis should clearly demonstrate how the chosen delivery model maximises the number of social and affordable housing for long term supply and consider the social and economic benefits of secure and affordable housing. Models that minimise or exclude market housing should be given preference to ensure the primary goal of social housing provision is not diluted.

Recommendation Five: Refine the Ground Lease Model with Robust Safeguards.

Utilising Capital stack optimisation should be encouraged and incentivised to ensure the delivery of enhanced social housing uplift outcomes. Conduct a thorough re-evaluation of the financial assumptions and social costs associated with the ground lease model, particularly concerning the long-term implications of functional privatisation and the limited social housing yield compared to alternatives.

Recommendation Six: Explore Large-Scale Retrofitting.

Where structurally feasible and economically viable, undertake detailed feasibility studies to explore large-scale retrofitting of existing towers as a more sustainable and less disruptive alternative to demolition and complete rebuilds.

Recommendation Seven: Utilise the Capability of Government Agencies to Deliver Public Housing.

Strengthen the mandate and resources of delivery by the Victorian State Government to more effectively utilise the capability and strength of Agencies such as Development Victoria and Homes Victoria to take a leading role in the delivery of public housing and ensuring that resident-centred approaches are consistently prioritised and implemented.

Recommendation Eight:
Communicate and validate the
viability of the Public Housing
Towers policy.

Undertake a thorough and independent feasibility study that comprehensively compares the social, environmental, and

economic costs and benefits of redevelopment of public housing towers with options that consider refurbishment, models along with the viability of delivery as public, community, and affordable housing. This study should actively involve residents in the assessment process and consider the long-term implications for both residents and the environment.

Appendix 1 – Housing adequacy considerations for redevelopment

Element of adequate housing	Current situation	Considerations for the redevelopment plans	
		During relocation and redevelopment phases	When redevelopment plans are completed
Security of tenure	Residents currently have secure tenure under public housing agreements.	Residents must be provided stability and security of tenure throughout the relocation process through clear communication of relocation options, timelines and plans. Residents must be provided with equal or better security of tenure through rental agreements during relocation period, regardless of their landlord.	Plans must explicitly guarantee residents the right to return with equivalent or better tenure security, including clear relocation and return processes. Redeveloped dwellings are appropriate for the households who have relocated to ensure that right to return is honoured in practice.
Affordability	Rent is typically a percentage of income, with the majority of households paying no more than 25% of household income on rent. This falls within the standard definitions of affordability (less than 30% income).	Rent must remain affordable in properties tenants are relocated to, ideally maintaining the current rent policy.	Rent for all residents (not just social housing) at the new development should be affordable, considering different models of providing affordable housing to a range of households. Homes Victoria should ensure that rent setting for affordable housing is genuinely affordable, exploring income contingency rent setting models to meet affordability requirements for all households within the affordable housing income bands. Social housing rents should remain in line with the current rent policy. Rent for tenants who wish to not return to the redeveloped sites should pay the same rent as tenants who do return.
Habitability	Reported issues with insulation, heating and cooling, structural issues, and mould across the towers.	Alternative housing options must meet modern habitability standards, including adequate space, protection from the elements, ventilation, and structural safety.	New housing must be built to modern standards, providing adequate space, ventilation, and protection from the elements. Safety and security should be prioritised.

			New dwellings must deliver a range of dwelling sizes that meet the needs of the tenants returning to the site.
Accessibility	Accessibility may be limited in older buildings.	Alternative housing options offered during redevelopment must meet residents' accessibility requirements. Residents must be able to access dwellings that meet their needs without discrimination.	Universal design principles should be applied to ensure accessibility for all residents. Consider Specialist Disability Accommodation. Consider systemic accessibility and ensure residents are able to access housing without discrimination. New dwellings should offer the same level of amenity regardless of tenure type (i.e. 'tenure blind' developments) and residents of all tenures should have equal access to site facilities without discrimination.
Availability of core services, facilities and infrastructure	Basic services available, but aging infrastructure may lead to issues. Reported issues relating to maintenance of core services which can cause health issues.	All dwellings offered for tenants to relocate to during redevelopment must have access to core services, facilities and infrastructure. Ideally remove any additional costs that tenants may have to pay for access to core services in relocated dwellings (e.g. service charges from community housing providers which may not be incurred through public housing).	New developments must ensure access to high-quality, sustainable services (water, sanitation, energy, waste management, internet). Durable and sustainable building materials should be used.
Location	Melbourne's public housing towers are in high-amenity, inner city location with access to employment, education and social opportunities.	Options for relocation should maintain or improve access to employment, healthcare, schools, childcare, and transport. Consider locations which allow tenants to maintain links with existing communities and services. Avoidance of polluted or dangerous areas is crucial.	Design of new dwellings and site should facilitate community interaction and integration to allow residents of all tenures to equally access the site amenities and local community. For example, redeveloped sites should be equally open and accessible to adjoining neighbourhood, avoiding the segregation of social housing dwellings while private housing is integrated in the local community.
Cultural adequacy	Greater cultural diversity across the high-rise towers compared to wider metropolitan Melbourne.	Alternative accommodation options provided to residents during redevelopment must consider cultural adequacy – through the dwelling type and design, policies of new	With market and affordable dwellings on the redeveloped site, it is likely that the redeveloped communities will see a loss of cultural diversity, reflecting the demographics of the wider suburbs around them. Consider how design of

Large concentrations of specific cultural groups can support the cultural adequacy of the towers and communities, this is largely community-led.

landlords, and proximity to cultural community and facilities as relevant. Consultations should be undertaken with relocated residents throughout design and redevelopment of new dwellings to create culturally adequate spaces.

dwellings, policies and sites can provide cultural adequacy for diverse groups within the site, including through consultation with returning residents. Design and policies should be culturally sensitive and inclusive, respecting the diverse needs and identities of residents. Consider culturally appropriate communal spaces.

Appendix 2 – Existing investigations into redevelopment alternatives

Site Reference	Existing site context	Alternative delivery method	Social housing uplift	Redevelopment outcomes	Cost savings ¹	Environmental benefits
Flemington Estate ⁶¹	720 dwellings across four 20-storey towers	Refurbishment and infill	577 dwellings (80% uplift)	- Meets or exceeds all modern building standards, codes and HV housing objectives - Development of new SDA units - Refurbished interiors - Improved environmental performance	\$131m (20%) reduction in construction costs \$232m savings in relocation, health and social costs Total of \$363m saved in upfront costs (40%)	145,852 tonnes CO₂ eq (55%) reduction in global warming potential
Barak Beacon ⁶²	89 dwellings across 21 walk up blocks	Refurbishment and infill	261 dwellings (293% uplift)	- Meets HV housing objectives - Increased accessibility - New lifts incorporated - Heating and cooling upgrades - Improved environmental performance	\$7m reduction in construction costs \$17m saved in relocation, health and social costs Total of \$24m saved in upfront costs (20%)	4,741,357 kg CO₂ eq (46%) reduction in global warming potential 54% reduction in embodied energy
Atherton Gardens ⁶³	180 dwellings in a single 20-storey tower	Environmental retrofit – cladding façade	No uplift, retrofit only	- Meets or exceeds all modern building standards and codes - Improved environmental performance - Fully refurbished interiors	\$41m (30%) in capital cost savings \$520,000 (70%) annual operating cost saving	84% reduction in operational carbon 34% reduction in embodied carbon
		Environmental retrofit – replace façade			\$35m (25%) in capital costs \$520,000 (70%) annual operating cost saving	84% reduction in operational carbon 36% reduction in embodied carbon

¹ Compared to base line redevelopment models as provided in each study.

Site Reference	Existing site context	Alternative delivery method	Social housing uplift	Redevelopment outcomes	Cost savings	Environmental benefits
Ascot Vale ⁶⁴	10 dwellings in a single block at the Ascot Vale estate	Refurbishment	No uplift, retrofit only	• Meets or exceeds all modern building standards and codes • Retrofit of new lift • Increased accessibility • Improved environmental performance • Heating and cooling upgrades	• \$281,583 (60%) reduction in construction costs per unit • \$81,315 savings per unit in relocation, health and social costs. • Total of \$362,898 per unit saved in upfront costs (66%)	• 89% reduction in embodied energy

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