

MAXIMISING THE SOCIAL BENEFITS OF PUBLIC HOUSING RENEWAL

**BACKGROUND PAPER FOR
DECEMBER 12TH WORKSHOP**

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ACKNOWLEDGEMENTS:

The 'Maximising the social benefits of Public Housing Renewal' event is co-managed by the Melbourne School of Geography. It is sponsored by the University of Melbourne's Melbourne Sustainable Society Institute and Melbourne Social Equity Institute. The authors thank these institutes for their generous support.

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INTRODUCTION AND PURPOSE

SINCE 2013, THE TRANSFORMING HOUSING PARTNERSHIP HAS BROUGHT TOGETHER AFFORDABLE HOUSING RESEARCHERS AT THE UNIVERSITY OF MELBOURNE WITH STATE AND LOCAL GOVERNMENT POLICY MAKERS, PRIVATE AND NON-PROFIT HOUSING DEVELOPERS, PRIVATE AND PHILANTHROPIC FUNDERS, AND OTHER EXPERTS TO WORK TOGETHER ON IMPROVING THE QUANTITY AND QUALITY OF WELL-LOCATED AFFORDABLE HOUSING IN METROPOLITAN MELBOURNE. THE PARTNERSHIP HAS FOUR KEY GOALS; POLICY REFORM, DEVELOPMENT AND ADVOCACY; INNOVATIVE PROJECT DEVELOPMENT, SUPPORT AND EVALUATION; INDUSTRY CAPACITY BUILDING AND RESEARCH CAPACITY BUILDING.

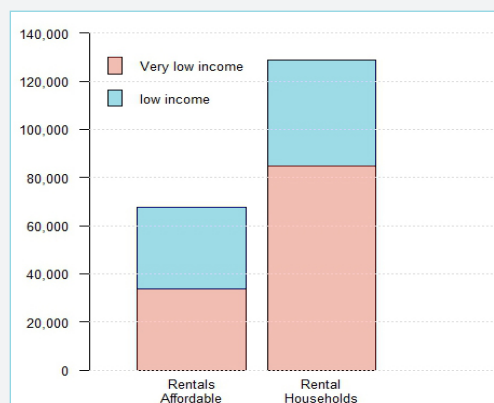
The following background report aims to support on-going discussions about the Public Housing Renewal Program (PHRP). It complements the response the Transforming Housing Partnership submitted to the Parliamentary Inquiry into the PHRP and supports the *Maximising the Social Benefits of Public Housing Renewal* event planned for December 12th 2017.

All consideration of the PHRP must be situated within the context of housing need in Melbourne and Victoria more broadly. There is a significant unmet need for *affordable* housing, defined as housing affordable to very low, low and moderate income households. Recent research from Transforming Housing using data from 2016 reveals a 30,000 shortfall in rental units affordable to extremely low income households (those making less than 35% of Area Median Income). There is also a substantial deficit of *social* housing in Victoria. To meet the needs of those eligible for the Priority List of the Victorian Housing Register, Victoria would need to provide 53,105 additional social housing units between 2016 and 2031 – that is 3,540 dwellings per year. To meet the needs of households eligible for the ‘Register of Interest’ for the Victorian Housing Register, Victoria would need 101,000 additional social housing units between 2016 and 2031 – that is 6,700 dwellings per year.¹ Victoria is not currently creating anywhere near that level of social housing.

The Victorian Auditor-General’s 2017 report on managing Victoria’s public housing stock highlights the key issues confronting public housing including, a lack of financial sustainability, a lack of long-term direction, ageing stock, unmet demand and misalignment of stock and demand.² Operating costs often exceed income in public housing due to the increasing necessity to house those with the lowest incomes and most complex needs and the increasing costs of managing ageing housing stock. In this context, the Director of Housing is highly reliant on State and Commonwealth grants and subsidies. While mechanisms in the recent integrated housing strategy Homes for Victorians and the implementation of a new Victorian Housing Register may address some of these problems, far more is needed to address the insufficient quantity and quality of social housing in Victoria.

The current PHRP seeks to redevelop older public housing homes and create more social housing properties across metropolitan and regional sites. The first stage will redevelop 1,100 ageing public housing properties across nine sites in Melbourne and will include a mix of social and private housing. A Parliamentary Inquiry is currently in progress to investigate the program, focusing on the adequacy of the proposed 10 per cent increase in social housing dwellings, the proposed housing mix, the impacts on current tenants, the allocation of parts of the sites between public and private dwellings and the levels of planning control, community consultation and transparency in the program.

This report begins with a summary of Transforming Housing’s submission to the Parliamentary Inquiry into the PHRP. Following this, the report provides an overview of the 100 submissions received in response to the Parliamentary Inquiry. The final section of the report includes a discussion of alternative funding models with the potential to maximise the social benefits of the Public Housing Renewal Program.



SHORTFALL OF RENTAL UNITS AFFORDABLE TO LOW AND VERY LOW INCOME HOUSEHOLDS IN GREATER MELBOURNE, 2016

1 Burke, T. The social housing numbers challenge. (2016) Melbourne: Swinburne University of Technology.

2 Auditor-General of Victoria. Managing Victoria’s Public Housing. (2017) Available online at: <https://www.audit.vic.gov.au/sites/default/files/20170621-Public-Housing.pdf>

TRANSFORMING HOUSING'S SUBMISSION TO THE PARLIAMENTARY INQUIRY

A summary of Transforming Housing's response is re-produced below;

Acknowledging the change

We welcome and acknowledge the State government's current commitment to investing in and supporting social and affordable housing. The Public Housing Renewal Program is part of a broader suite of activities and funds outlined in Homes For Victorians and Plan Melbourne aimed at improving housing outcomes for very low to moderate income households. This commitment is welcome, given decades of underinvestment in social and affordable housing in Victoria.

More investment is required to meet need

There is a deficit of 30,000 units affordable to extremely low income households in Greater Melbourne. To meet the needs of those eligible for the Priority List of the Victorian Housing Register, Victoria would need 53,105 additional social housing units between 2016 and 2031 – that is 3,540 dwellings per year

The current PHRP may yield as little as 110 additional dwellings and this figure is demonstrably too low given the levels of need in Victoria.

We also question the premise that profits derived from this program will be channelled into creating or maintaining social housing in other locations. We question why funds should be channelled into other, undisclosed locations when it could more fruitfully and immediately contribute to greater proportions of social housing on the well-located public housing properties included in the PHRP.

A 10% increase is far from best practice

International and domestic models have utilised multiple funding streams to deliver far higher levels of public housing increase.

Similarly, many international examples have made their development models and costs publicly accessible to allow for an informed debate. This should be the case in Melbourne.

Selling off public land is a short-sighted strategy

Selling off public land is a short-sighted strategy. These sites are unique and valuable opportunities to generate affordable housing options in areas that offer good access to job opportunities and public transport to enable those on lower incomes to actively participate in Victoria's dynamic and changing labour market.

These sites should involve a higher mix of rental units, both at market and below market rates.

Needs of current and future residents

The needs and experiences of existing tenants is paramount. It is not enough to simply offer them right of return and to relocate tenants, there is a need for support systems and genuine community engagement and empowerment.

Community support and planning for affordable housing

There is a need to embed affordable and social housing targets and plans at the local government, sub-regional and regional scales. These discussions and plans are imperative to delivering overarching housing goals and for build community acceptance of social and affordable housing

We recommend that the Committee recommends the Victorian Government;

1

The public housing renewal program should achieve at least a 50% increase in the amount of new social housing dwellings across the renewal program (this should be measured in units and bedrooms to avoid loss of housing occurring through 3 bedroom units being replaced with smaller dwellings)

2

That rental housing affordable to very low (less than 50% Area Median Income), low income (50 – 79% Area Median Income) and moderate income (80% - 120% Area Median Income) is incorporated into every renewal location

3

That transparency is increased surrounding this program by;

- a. Releasing the business case, including determinations around value for money
- b. Requiring developers to ‘open their books’ on projects’ costs and anticipated profits
- c. Releasing outcomes of future profit-sharing provisions, including any share received by the Victorian Government, and where the monies are directed.

4

Consider current residents circumstances when determining the composition of dwelling types and sizes to ensure existing tenants are able to meaningfully exercise the ‘right of return’ they have been guaranteed.

5

Develop a Compact for Renewal between agencies and developers undertaking the Public Housing Renewal Program and affected social housing residents. Enable residents to contribute practical insights into how to manage renewal in a way that is respectful, supportive and empowering. Continue and improve the resident group models currently in place in other estates

6

Foster inclusion by ‘salt and peppering’ social and private housing throughout the sites in small clusters, designing public and private dwellings that are indistinguishable from each other and by creating spaces that can be equally shared by different residents of the development.

7

Collaborate with local governments to set affordable housing targets and engage with the broader community about how best to meet those targets.

8

Create a legacy of increased economic participation among social housing tenants by using procurement processes associated with the Public Housing Renewal Program to open up training and employment opportunities.

FINDINGS FROM INQUIRY SUBMISSIONS

This section presents the results of a review of submissions to the inquiry. At the time of writing (23rd November 2017), 100 submissions to the inquiry are available online. Submissions focused disproportionately on three themes: the small net increase in social units guaranteed by the scheme, impacts to current residents, and project financing by way of public land sell off. Process issues also featured prominently in respondents' concerns.

The majority of submissions came from community members, many who dwelt near the renewal sites (40%), this was followed by public housing tenants (23%) or organisations (22%). The remainder of submissions came from local councils (10%) or academics (4%). Concerns ranged from traffic impacts on specific streets to broader opposition to the approach of renewing public housing by selling off a limited public asset: land in well-resourced locations. We provide a summary of the percent of submissions touching on each major concern in Figure 1.

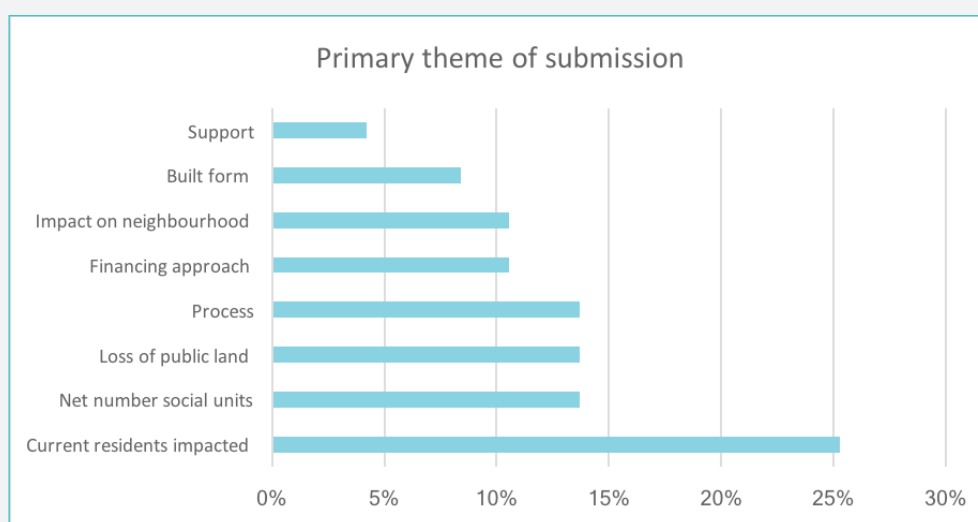


FIGURE 1

We produced Figure 1 through a twostep process. First, we reviewed each document to identify every concern. We then clustered concerns into general themes, and counted the number of documents expressing concerns under each theme. We summarise findings on each of the five most commonly expressed themes in the subsections below.

IMPACTS ON CURRENT RESIDENTS

Almost all submissions expressed concerns about the impacts of redevelopment on existing residents. Two overarching issues motivated these concerns: the impacts of displacement on resident welfare, and lack of trust in the government to follow through on promises to existing residents.

Displacement of residents throughout the redevelopment process was a topic of great concern throughout submissions. One student who experienced temporary displacement from previous public housing renovations wrote, "Moving and being relocated in a new environment was a stressful process and impacted negatively on my studies at school, this may also apply to other children who live on the estate at the moment if we are subjected to move."³ A neighbour of a renewal site noted that "temporary housing should be as close as possible to the location of redevelopment sites where tenants are eventually relocated."⁴ In sum, the submissions suggest that the state government should minimise the length of time residents are displaced while providing temporary accommodation as close to residents' existing homes as possible. These strategies may reduce the negative impacts of displacement on households.

3 Submission 26, *ibid.*

4 Submission 6, *ibid.*

Many submissions question the validity of 'right of return' pledges on sites that currently accommodate large households in 3 bedroom units. There is little value in signing a pledge to allow residents to return if the housing they return to is inappropriate and inadequate for their household needs. Wingate Avenue Community Centre was broadly complimentary of engagement with residents and supportive of the Victorian Government's pledge for the right of return, commenting on "the palpable shift in community anxiety following this announcement." However, they state that

"Wingate understands that there is an overall priority to increase the number of one- and two-bedroom dwellings in the public housing stock across the state... It is imperative that this policy driver does not create unintended, negative consequences for the many large families currently living in conditions of overcrowding on the Ascot Vale estate."⁵

Lack of trust in the state government motivates many of the concerns regarding impacts to tenants. As a resident noted, "When they refurbished all the houses on this estate the work was not complete. We had been promised built in robes and they did not put them in and there were lots of issues with things so we had to go to vcat to get things fixed, the judge found in our favour."⁶ Another resident expressed dismay at the lack of clear communication on the process, saying,

"The government doesn't tell us anything. We have to guess what's going on. Everything should be in a written contract translated into different languages. We have to assume they will do the right thing. And the word ASSUME when you break it down makes an ass out of you and me."⁷

A key area of anxiety for tenants relates to public housing being replaced by community housing. Submissions reflect a lack of understanding of the implications of these changes and a level of fear associated with this uncertainty. As one submission explained,

"A public tenant friend has said that after the bulldozing and the redevelopment has been completed- this could take years- they've been told they might be coming back to a different landlord, not the Office of Housing, but social and community housing. What do these words mean? I don't know."⁸

This lack of trust often stems from past experience. Some public housing residents report that this process feels like previous processes that did not end well, "All the things they are telling us now are the same things they said last time but in the end we got no say in where they would put us. Please stop this program from going ahead."⁹ Assuaging these concerns will require acknowledgment of this history and demonstrated applications of the lessons of past experiences. The government must show, not tell of, its commitment to residents on issues like the right of return.

NET CHANGE IN PUBLIC/SOCIAL HOUSING UNITS

Almost all submissions expressed dissatisfaction with the goal of increasing the affordable housing supply by 10%. This dissatisfaction centred on three sub-themes: first, that this amount pales in comparison with the 35,000 household-long wait lists for public housing; second, that reductions in the number of bedrooms per unit meant that the PHRP may still result in a net loss in the capacity of public housing and; third, that a 10% increase feels like a 'bad deal.' As one submission put it,

5 Submission 33, *ibid.*

6 Submission 12, *ibid.*

7 Submission 15, *ibid.*

8 Submission 6, *ibid.*

9 Submission 13, *ibid.*

“The government should be focussed on reducing the waitlist – the 35,000 residents in need of housing are not being addressed in the redevelopment of sites such as the Markham Estate. As an example, it is incongruous that a site, formally home to 56 units can be redeveloped to 225 units with the capacity of public housing residents reduced.”¹⁰

PROCESS

Submissions from neighbours of multiple projects emphasized concerns over process, particularly with education and outreach. Submissions expressed frustration over the organisation and presentation of project proposals, and strongly objected to the removal of third party appeals.

Lack of coordination by state actors created confusion among residents and neighbours. Several respondents described being educated on one proposal for a site, only to be reintroduced to a completely different site plan later. One submission attributed this confusion to the existence of what the author saw as two parallel, yet evidently uncoordinated information and educational campaigns by state agencies that included separate websites and contact information for those wishing to engage in the process.¹¹ Others described the notification process for neighbours as ‘piecemeal.’¹² One respondent noted that many neighbours of the renewal sites speak English as a second language and expressed disappointment with outreach to those households. Many submissions recounted disappointing consultation sessions where representatives did not have sufficient information or refused to allow discussion of certain topics that participants thought were important. In contrast, the sheer volume of information provided made finding important details difficult, as one respondent said,

“We were instead directed to a phone number that had no relevance and a website where we were buried in 524 pages of technical jargon and documentation surrounding the development. In fact upon searching these 524 pages only 2 pages of the documents presented in links on the web page described how many apartments were proposed and the bedroom configuration (in the back traffic document) and high (in a document too big to download from Orbit solutions) and how far from my boundary was not clear at any stage and has changed on several occasions throughout the process.”¹³

Similarly, submissions often broached the lack of information about the financial details of the development process and the number of anticipated homes to be created. As one submission argued;

“There must be some areas of genuine uncertainty in a planning process, but it is not reasonable to consider consultation closed before some of that uncertainty is resolved and before people have real information about what is actually proposed. Not knowing the possible future implications, particularly for tenancy management, robs current tenants of any meaningful choice.”¹⁴

The state government will need to improve efforts at public engagement by providing a clear and consistent presentation of anticipated outcomes on each site. This information should be updated at regular intervals, with updates highlighting specific changes to anticipated outcomes made throughout the process.

10 Submission 32, <https://www.parliament.vic.gov.au/lsc/inquiries/article/3844>, accessed November 7, 2017.

11 Submission 1, *ibid.*

12 Submission 4, *ibid.*

13 Submission 21, *ibid.*

14 Submission 49, *ibid.*

LOSS OF PUBLIC LAND AS A FINANCING STRATEGY

Submissions expressed frustration over the unsustainability of using public land sales as the primary financing strategy for renewal, and voiced doubt that the public will be fairly compensated through land sales.

Academic submissions questioned the public benefit of land sell-off: "The Kensington evaluation found that the public land in that project was sold for well below its market value – around one-twentieth of the price of serviced land in that neighbourhood at that time (Shaw et al, 2013)."¹⁵ Beyond disbelief over the amount of land sell off necessary to achieve financial feasibility, submissions argued that these sales constitute a bad deal for the public given the long term potential of these sites as publicly owned assets in increasingly expensive neighbourhoods. One organisation noted,

"Existing public housing land should be maximised to create additional public housing stock. As innercity land becomes scarcer, the PHRP presents a "once in a generation" opportunity to deliver a legacy of high-quality housing opportunities for vulnerable people that integrates with the setting of well-established communities. This plan is 'privatisation by stealth.'"¹⁶

Many submissions questioned the economics of the 10% increase in housing, referring to the value of the land upon which the public housing estates are located. Submissions reflected a concern that developers were likely to make a windfall profit at the expense of the State. As Yarra City Council explained in their submissions,

"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."¹⁷

Several similar submissions argued the proposal appeared more like a "land grab" that did not offer a roadmap to a permanent financing model for future housing.¹⁸ One public housing resident said, "we think it is a disgrace that they are selling off all the housing commission land to private possibly overseas developers what will be next all our parks and beaches?"¹⁹ Submissions that focused on this theme also questioned the validity of aiming for a 'cost-neutral' solution, arguing that public housing is a public good like a state school and therefore shouldn't need to be financially self-sustaining. One submission argued:

"This land is precious social infrastructure not a revenue-generating commercial development opportunity. Imagine this model being applied to other social infrastructure such as schools. A run-down school needs investment so the Government sells off the greater proportion of the school site, packs it with a massive private development and uses the profit to rebuild the small proportion of the school that remains. Such a proposal would be laughed off by the community. But shouldn't it be too for public housing?"²⁰

15 Submission 3, *ibid.*

16 Submission 16, *ibid.*

17 Submission 58, *ibid.*

18 Submission 29, *ibid.*

19 Submission 25, *ibid.*

20 Submission 4, *ibid.*

While submissions criticised the current approach to financing public housing renewal, very few articulated a clear alternative. One submission did, however, note potential alternative sites for intensification: "why not knock down a few Toorak mansions? You'll get plenty of units on that land (cheers)".

QUESTIONING THE 'SOCIAL MIX' RHETORIC

Another key theme apparent in the submissions is a strong cynicism in relation to the rhetoric of social mix, based on the questionable value of integrating private housing with public housing. Submissions questioned the rationale of social mix, criticising the government for upholding the "spurious claim that mixing the two results in a 'vibrant' community."²¹ Many submissions cited the work of Abdullahi Jama and Dr Kate Shaw²² and an AHURI policy brief²³ that challenged site-based considerations of social mix. As one submission outlines;

"Neither does the social mix argument put forward by the proponent hold water. In this neighbourhood there is a seamless and unimpeded direct connection between public housing tenants and other residents. As the recent AHURI Policy Brief on the issue points out, the spatial scale for any consideration of social mix is the neighbourhood (4,000 – 8,000 people), not small-scale public housing developments or individual apartment blocks. This means the spatial allocation of social, affordable and private housing should be considered at the neighbourhood scale, not the project or redevelopment site scale."²⁴

As the Wingate Avenue Community Centre argues, the problem is not the concentration of public housing, it is the processes of gentrification that dislodge lower income households and a lack of integration that creates issues.

"Pressures for residents in inner-Melbourne housing estates, including Ascot Vale, come not from being a public tenant but from living on lower incomes in areas that have become gentrified. Policy drivers aimed at dispersing or de-concentrating social disadvantage by creating a social mix, therefore, do not need to limit the number of public dwellings included in a given site. Instead, social planning for renewal sites ought to address how public tenants can be better supported to thrive in their local communities, within and beyond their home and its immediate surrounds."²⁵

SUPPORT

Finally, there was cautious optimism evident in some of the submissions received in response to the Parliamentary Inquiry. Most submissions were supportive of significant refurbishment and redevelopment of social housing on the estates, questioning instead the levels of private housing 'required' to support the project. There was a sense in some submissions that, given the existing degree of under-investment in public housing in Victoria, any form of change should be embraced. As a submission from Port Philip Housing Association explained "while public scrutiny of government's implementation of the program is appropriate, it would be

21 Submission 49, *ibid.*

22 Jama, A and Shaw, K (2017) *Why do we need social mix?* Analysis of an Australian inner-city public housing estate redevelopment [Draft], available at <http://www.smh.com.au/cqstatic/gwsjcu/JamaAndShawReport.pdf>

23 AHURI (2017) *Public housing renewal and social mix*, AHURI Brief, AHURI: Australia, Available <https://www.ahuri.edu.au/policy/ahuri-briefs/public-housing-renewal-and-social-mix>

24 Submission 46, *ibid.*

25 Submission 33, *ibid.*

unfortunate if opposition to the program led to it being scaled back or shelved.”²⁶ Similarly, the Victorian Public Tenants Association argues that “what we have on the redevelopment sites are underutilised assets that need to be re-developed in order to house more people both publically and privately, with the private helping fund much needed growth in public housing.”²⁷

CONCLUSIONS

Submissions generally expressed support for public housing renewal, often referring to the significant shortage of social housing in Victoria and the ageing and inappropriate housing stock that exists on most of the estates. However, almost all submissions expressed disappointment with the number of additional units of public housing that the PHRP may create given they will be financed by permanently selling off public lands. For many, the degree of private housing deemed necessary to fund the PHRP constituted a poor outcome for residents, neighbourhoods and the legacy of social and affordable housing in Victoria.

Similarly, many raised concerns about the consultation process and the management of relocation and right of return aspects of the renewal program. Many residents and project neighbours expressed concerns over the disruptions in residents’ lives and potential damage this will have if dislocated households are not empowered to guide the process. While some submissions welcomed the increase in one and two-bedroom dwellings, others cautioned against the risks of reducing larger dwellings on sites that have traditionally housed larger households.

There is a need to increase the amount and quality of social housing on public housing estates in Melbourne. These responses highlight a broad-ranging support for increased social housing. They also bring attention to the lack of alternative financing mechanisms under consideration by government for both current and future public housing renewal. The following section discusses the potential for public housing renewal to leverage existing funding sources and emerging ideas around housing financing to maximise the benefits of renewal while minimising the loss of public land.

26 Submission 37, *ibid.*

27 Submission 70, *ibid.*

OPPORTUNITIES FOR ALTERNATIVE FINANCING MECHANISMS

Demolition and reconstruction of public housing may cost several hundred thousand dollars per unit depending on the materials used, construction timelines, and parking requirements.²⁸ These costs may vary from site to site. The lack of publicly available information on estimated construction costs for public housing makes providing an accurate estimate of these costs difficult. Cost data from recent public housing renewals could offer particularly valuable insights for both policymakers and the public regarding the depth of needed funding. We proceed in absence of such data and describe several alternative financing mechanisms that the government could include in current and future renewal programs in-lieu of selling off public land in these well located public housing sites. The alternatives we examine in this report are; value capture and tax increment financing; community land trusts; inclusionary zoning in-lieu contributions.

VALUE RECAPTURE AND TAX INCREMENT FINANCING

Tax Increment Financing (TIF) is a tool used in the United States to raise funds to redevelop areas needing significant investment.²⁹ These schemes are created through a multistep process:³⁰

1. Government agencies define a proposed Tax Increment Financing (TIF) district and measure the baseline tax yields of property values within the district.
2. Agencies identify needed renewal of infrastructure in the district and issue bonds to raise capital for that renewal.
3. Upon completion of the renewal, any property tax revenue gathered above the baseline revenue is assumed to result from the infrastructure renewal, and is thus spent paying down the bonds.

This scheme represents a form of value capture. It may work in the context of Victorian public housing renewal as the reconstruction of dilapidated public housing and the expansion of neighbourhood resources for residents may increase local property values and economic activity. As one academic submission noted, the PHRP program targets public housing sites in already gentrified neighbourhoods.³¹ Revenue generation from these communities in the form of TIF districts for public housing renewal may offer a progressive solution that ensures the households most adversely impacted by gentrification are supported by those benefiting from it. Increasing federal interest in land value recapture for various infrastructure projects demonstrates the potential for Victoria to become a national leader in policy innovation in this area.³²

COMMUNITY LAND TRUSTS

The government could also transfer the existing land into a trust managed by one or more Community Housing Organisations (CHOs). Under this model, CHOs would be able to pay for public housing renewal by renting out market rate apartments mixed in with the renewed public housing units. Alternatively, a land trust could provide a shared equity scheme for owner occupied market rate units on a mixed-income site.³³ This approach resembles the existing PHRP framework, except that ownership of the land and units remains in community hands and any profits from market-rate rents can help offset the cost of public housing renewal.

28 Derived from very rough, publicly available cost guidelines with the caveat that such costs may in fact vary in current market conditions: <https://www.bmtqs.com.au/construction-cost-table>

29 Carolyn Whitzman, Clare Newton and Alexander Sheko. Transforming Housing: Affordable Housing for All Partnership options for policy, investment and demonstration projects. (2015), https://msd.unimelb.edu.au/sites/default/files/docs/Affordable%20Housing%20Summit%20Options%20Paper_for_web.pdf

30 Kristen Erickson, Protecting Low Income Residents During Tax Increment Financing Redevelopment, 36 Wash. U. J. L. & Pol'y 203 (2011), http://openscholarship.wustl.edu/law_journal_law_policy/vol36/iss1/9

31 Submission 3, <https://www.parliament.vic.gov.au/lsc/inquiries/article/3844>, accessed November 7, 2017.

32 SGS Economics & Planning, Final Report. Infrastructure Victoria (2016), http://infrastructureaustralia.gov.au/policy-publications/publications/files/SGS_Technical_paper_on_value_capture-September_2016.pdf

33 Crabtree, L, Phibbs, P, Milligan, V. & Blunden, H. Principles and practices of an affordable housing Community Land Trust model. For the Australian Housing and Urban Research Institute UNSW-UWS Research Centre. (2012). https://www.ahuri.edu.au/_data/assets/pdf_file/0006/3102/AHURI_Research_Paper_Principles-and-practices-of-an-affordable-housing-community-land-trust-model.pdf

This approach mirrors a mixed-income build-to-rent approach that has produced hundreds of thousands of homes in the United Kingdom and millions of homes in the United States.³⁴ This approach may require additional support to provide a feasible alternative to the existing PHRP model, as the existing state tax structure privileges build-to-buy construction.³⁵ The federal governments' recent interest in build-to-rent demonstrates that Victoria could become a national leader in housing policy innovation by exploring this alternative as well.³⁶

To that end, organisations bidding to develop community land trusts could seek financing from institutional and infrastructure investors who require lower yields than traditional lenders.³⁷ Australian institutional investors have currently invested \$100 billion into housing in the United States.³⁸ Public renewal proposals that leverage this potent source of financing could achieve greater outcomes while minimising the need to sell off public land. These alternative financing approaches are a superior alternative to public land sell off, as they offer a longer-term approach to financing public housing. Land sell off, in contrast, constitutes a 'quick hit' of cash that cannot be reproduced when future public housing needs financing for renewal.

INCLUSIONARY ZONING IN-LIEU CONTRIBUTIONS

Local governments across Melbourne are currently experimenting with providing land use concessions to developers in exchange for developers including affordable units in their developments. Internationally, such programs often enable developers to pay an in-lieu fee instead of providing units on site. Local governments seeking an alternative to public land sell off could implement these policies in their growing neighbourhoods to provide a long term source of financing for public housing.

CONCLUSIONS

Existing practice abroad and emerging practice in Australia offer Victoria's leaders a set of policy instruments that can be used, perhaps in tandem, to provide stable financing for public housing that does not rely on selling off publicly owned land in some of the state's most expensive and otherwise privileged communities.

34 National Multifamily Housing Council. Quick Facts: New Construction. (2017). Accessed November 8, 2017. <http://www.nmhc.org/Content.aspx?id=4705#starts>

36 These include unfavourable GST charges and taxation policies. See for more a description in Cranston, M. a Build to rent a key for Australian housing. *Australian Financial Review*. August 30, 2017. Accessed November 8, 2017. Available online at: <http://www.afr.com/real-estate/build-to-rent-a-key-for-australian-housing-affordability-20170830-gy6y2x>

36 Tan, Su. NSW urges federal government to consider new build-to-rent options. *Financial Review*. October 30, 2017. Accessed December 8, 2017. Available online at <http://www.afr.com/real-estate/nsw-urges-federal-government-to-consider-new-buildto-rent-options-20171030-gzb27p#ixzz50dhzyJ1T>

37 Sheko, A, Martel, A, & Spencer, A. Policy, Planning and Financing Options for Affordable Housing in Melbourne: A Background Report For Transforming Housing (2015). Accessed November 8, 2017. <https://msd.unimelb.edu.au/sites/default/files/docs/Policy%20planning%20and%20financing%20mechanisms%20paper.pdf>

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MINIMISING THE IMPACT OF RENEWAL ON RESIDENTS

Minimising the disruption renewal will have on the lives of existing tenants may require reducing the amount of time tenants spend dislocated by the construction process and providing relocation support to tenants before and during the reconstruction process. Several strategies and techniques can minimise displacement times and improve tenants' relocation experiences, and we provide examples from best practices here:

- *Phasing construction:* Allowing reconstruction to take place in phases to ensure residents can be quickly moved into new units throughout the redevelopment process. San Francisco's Choice Neighbourhoods Initiative, for example, will rebuild new public housing "on sites immediately adjacent to the units that will be demolished. Residents will be able to stay in their housing during construction and move directly into new replacement housing."³⁹ While this creates a temporary noise nuisance, it prevents physical displacement and the resulting harm such displacement can cause.
- *Prefabricated, or modular, construction:* prefabricated construction in Australia shortens construction schedules and, in doing so, can reduce the length of the displacement period public housing residents experience.⁴⁰
- *Counselling services and support for displaced households:* the government should incorporate the lessons from renewal programs in other states and territories where residents' relocation outcomes have been assessed. The Australian Capital Territory, for example, recently conducted audits of public housing renewal there, finding that:⁴¹
 - Providing clear and definite timelines for relocation could reduce tenants' stress and uncertainty.⁴²
 - Providing tenants multiple options for relocation prior to relocation can improve outcomes. Some tenants took the first offer provided, even in when those offers did not meet their needs, out of fear and uncertainty over future options would be even worse.⁴³
 - Tenants appreciated continuing contact with the territory housing agency after relocation.⁴⁴

The state government should ensure a rigorous and impartial organisation tracks relocation outcomes and tenant satisfaction against the state's goals. The results of such assessments should be made publicly available to inform future renewal programs.

Reducing construction times also provides the added benefit of reducing the cost of housing households in interim accommodation. We provide a table of the average rents by bedroom in select suburbs of proposed renewal sites, to illustrate this point.

	Flemington	Brighton	Prahan	Northcote
One Bedroom	\$280	NA	NA	NA
Two Bedroom	\$480	\$560	\$600	\$535
Three bedroom	\$580	\$830	\$785	\$650
Four Bedroom	\$750	\$1400	\$1150	\$800

TABLE 1: AVERAGE RENTS BY NUMBER OF BEDROOMS IN RENEWAL AREAS

39 Galvez, M. An Early Assessment of Off-Site Replacement Housing, Relocation Planning and Housing Mobility Counseling in HUD's Choice Neighborhoods Initiative (2013). *Poverty & Race Research Action Council*. Available online at: <http://www.prrac.org/pdf/choiceneighborhoods-affh.pdf>, p 11.

40 Bismas, N. Off-site manufacture in Australia: Current state and future directions (2007). Available online at: https://researchbank.rmit.edu.au/view/rmit:2879/Off-site_manufacture_in_Australia_1_.pdf

41 ACT Auditor-General. Public Housing Renewal Program. Report NO. 7 (2017). Available online at: <http://www.audit.act.gov.au/auditreports/reports2017/Report%20No%207%20of%202017%20-%20Public%20Housing%20Renewal%20Program.pdf>

42 Ibid, p 149

43 Ibid, p 152

44 Ibid, p 153

CONCLUSION

Submissions to the parliamentary inquiry reflect a consensus that Victoria needs to increase its supply of social and public housing. Submissions broadly question the sustainability of financing public housing renewal through public land sell off. These sentiments link with concerns that the renewal process will not centre the needs and aspirations of those the government presumably intends to benefit most through this process: existing and future public housing tenants.

We highlight multiple opportunities for the public housing renewal program to respond to public concerns, and maximise the public benefits of the program, by reducing or eliminating replacement times and embracing alternative financing mechanisms. The renewal program presents an opportunity for sustainable and just policy innovation. We invite all participants to consider the workshop an opportunity to explore the potential for public housing renewal to better serve the public interest.