

# Submission to the Productivity Commission inquiry into Housing Supply Regulation

**Australian Community Housing; Community Housing Industry Association Victoria; (CHIA Vic); Community Housing Industry Association Queensland (CHIA QLD); Community Housing Industry Association South Australia (CHIA SA); and Community Housing Industry Association New South Wales (CHIA NSW).**

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## **1. About Community Housing in Australia**

This joint submission has been prepared by: Australian Community Housing (ACH); the Community Housing Industry Association Victoria (CHIA Vic); Community Housing Industry Association Queensland (CHIA QLD); Community Housing Industry Association South Australia (CHIA SA); and Community Housing Industry Association New South Wales (CHIA NSW).

Our peak bodies represent the not-for-profit community housing sector across Australia. Together, our members provide more than 149,000 rental homes in social housing, affordable housing, and Specialist Disability Accommodation for people who cannot afford to own or rent a home in the private market. Our members are Community Housing Providers (CHPs)<sup>1</sup> who are registered charities and regulated by the Australian Charities and Not-for-Profit Commission, the National Regulatory System for Community Housing and/or the Victorian Regulatory Framework.

We welcome the Productivity Commission's inquiry into housing supply regulation. Australia needs more homes, delivered faster and in the right locations. Planning reform, faster approvals, better land use and improved infrastructure coordination all have an important role to play.

However, increased market supply alone will not deliver the housing Australia needs. Stable, secure non-market housing is foundational infrastructure: it gives people the platform to work, study, care for family, participate in community and live productive lives.

Social and affordable housing is not a constraint on supply. It is a critical part of the supply Australia needs most.

## **2. Executive summary**

Australia needs more housing overall, but it also faces a severe shortage of social and affordable housing. Additional market supply is important, but it will not by itself deliver enough homes for very low and low-income households.

Public housing waiting lists increased from around 150,000 households in 2015 to around 190,000 households in 2025<sup>2</sup>, with the largest annual increase occurring in the most recent year. Over the

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<sup>1</sup> In Victoria, known as Community Housing Organisations (CHOs).

<sup>2</sup> National Housing Supply and Affordability Council (2026), 'State of the Housing System 2026', <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>, p50

same period, social housing fell from around 4.4 per cent to around 4.0 per cent of all housing stock<sup>3</sup>, down from around 7.1 per cent in 1991<sup>4</sup>. This is not a marginal issue. It is a structural failure in Australia's housing system.

The evidence is clear: the share of housing supply that is social and affordable matters. Australia should be aiming for social and affordable housing to reach at least 6 per cent of total housing stock, with a longer-term ambition of 10 per cent. Without that scale of non-market housing, our housing system will continue to drag people and their productivity downwards, rather than provide the foundation that lifts them up.

Australia also lags behind many comparable OECD nations in the scale of its non-market housing system. This challenge must be faced directly.

The Commission's Call for Submissions identifies "allocations for affordable and social housing" as a planning control that may affect supply. We urge the Commission not to treat these requirements simply as regulatory costs or restrictions. Poorly designed requirements can affect feasibility, but well-designed requirements can support housing supply, improve affordability and ensure planning gains deliver broader community benefit.

The Victorian Development Facilitation Program demonstrates this point. The program provides a streamlined assessment pathway for some residential developments, with permit applications made to the Minister for Planning rather than local councils. One of the criteria to access the pathway is the provision of affordable housing. The Victorian Government has reported that this pathway is bringing around 13,200 additional homes to market that would otherwise have been delayed, while reducing approval timeframes from around 12 months to four months.<sup>5</sup> This is a practical example of affordable housing inclusion accelerating supply, not restricting it.

NSW examples also reinforce this. The Housing Delivery Authority and Transport Oriented Development Program show how streamlined state-led assessment pathways and rezonings can be linked to measurable affordable housing outcomes. Conversely, recent Queensland changes to the State Facilitated Development pathway illustrate the risk of treating speed and affordability as alternatives: when affordable housing and housing diversity criteria are removed, accelerated pathways may deliver some additional market supply while doing less to address the affordability failure at the centre of the housing crisis.

Regulatory reform is necessary but not sufficient. Faster approvals alone will not deliver social and affordable housing unless projects are financially viable. Planning reform should therefore be aligned with public investment, infrastructure and land policies that enable delivery at scale.

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<sup>3</sup> Ibid., p49.

<sup>4</sup> <https://www.ahuri.edu.au/analysis/brief/census-data-shows-falling-proportion-households-social-housing>

<sup>5</sup> <https://treasury.gov.au/sites/default/files/2025-10/p2025-701889-vic-progress-report-march-2025.pdf>

### 3. Recommendations

Australian Community Housing and CHIA Victoria recommend that the Productivity Commission:

1. **Recognise social and affordable housing as essential housing supply, not as a regulatory barrier to supply.**
2. **Assess regulatory reforms by their impact on both total housing supply and the share of supply that is genuinely affordable.** Reforms should help grow social and affordable housing toward at least 6 per cent of total housing stock, and ultimately 10 per cent.
3. **Recommend nationally consistent accelerated approval pathways for social and affordable housing**, particularly for projects delivered by registered community housing providers, public housing agencies, Aboriginal Community Controlled Housing Organisations and mixed-tenure partnerships with long-term affordable housing outcomes. Eligibility for accelerated pathways should include clear affordable housing outcomes, rather than only generic residential supply.
4. **Treat well-designed social and affordable housing requirements, including mandatory inclusionary zoning, as supply-enabling tools.** The Commission should distinguish between uncertain, late-stage or poorly calibrated requirements and clear, upfront, feasibility-tested requirements that support supply and affordability.
5. **Pair density uplift, rezoning, public land and public infrastructure investment with social and affordable housing outcomes.** Where planning decisions or public investment create private value, governments should capture a fair share for enduring public benefit.
6. **Align infrastructure funding and development contribution settings with social and affordable housing delivery.** Contribution frameworks should recognise the different economics of capped-rent, not-for-profit housing.

### 4. Social and affordable housing is supply, not a restriction

The inquiry is rightly focused on the rules and regulations that affect housing supply. But supply is not simply a count of dwellings. A functioning housing system needs homes across different tenures, locations, dwelling types and price points. It needs market ownership, market rental, affordable rental, social housing and specialist forms of housing.

Australia's most acute supply failure is the undersupply of social and affordable housing. The private market is not delivering enough housing for very low and low-income households. A planning system that delivers more market housing but does not deliver more social and affordable housing will not solve Australia's deepest housing challenge.

This matters because affordable and social housing requirements are sometimes framed as constraints on housing supply. We strongly caution against that framing. Properly designed, they are not anti-supply. They are tools to ensure housing growth produces a broader range of homes, including homes affordable to people who would otherwise be excluded.

Poorly designed requirements can create problems when they are unclear, introduced late, inconsistent across local areas or not calibrated to feasibility. These problems should be fixed. But the appropriate conclusion is not that social and affordable housing requirements should be removed. The conclusion is that they should be designed well.

Well-designed requirements should be clear and known upfront; supported by consistent definitions; calibrated to feasibility and market conditions; linked to value uplift created by rezoning, density increases or public infrastructure; applied consistently across comparable sites and precincts; and protected for affordable use over the long term.

There is also evidence that clearly signalled requirements do not necessarily impede development activity. Inclusionary planning research has found that affordable housing obligations are most workable when they are established upfront and reflected in the price paid for land, rather than negotiated late in the approval process.<sup>6</sup> Similarly, the Centre for International Economics, in its evaluation of infrastructure contributions reform in NSW, concluded that over time infrastructure costs are generally factored into lower land values rather than passed through as higher housing prices.<sup>7</sup> This supports mandatory inclusionary zoning and contribution settings that are clear, early, consistent and calibrated to local market conditions.

## **5. Social and affordable housing inclusion can accelerate supply**

The inquiry should explicitly consider examples where social and affordable housing has been used to accelerate supply.

In Victoria, the Development Facilitation Program allows some residential developments to be streamlined through assessment by the Minister for Planning rather than local councils. One of the criteria to access this pathway is the provision of affordable housing.

The Victorian Government has reported that this pathway is bringing around 13,200 additional homes to market that would otherwise have been delayed, and reducing application timeframes from around 12 months to four months.

This case study directly challenges the idea that affordable housing requirements are inherently a handbrake on supply. In this example, affordable housing is part of the reason projects can access a faster pathway.

NSW is developing a similar supply-enabling model. The Housing Delivery Authority provides a streamlined state-led assessment pathway for housing proposals, including the option of concurrent rezoning. Recent updates to the eligibility criteria place greater emphasis on affordable housing outcomes, requiring proponents to demonstrate a measurable quantity of affordable housing aligned with State or council requirements. Where concurrent rezoning is sought, affordable housing

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<sup>6</sup> Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) Supporting affordable housing supply: inclusionary planning in new and renewing communities, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne.

<sup>7</sup> The Centre for International Economics (2020) Evaluation of infrastructure contributions reform in New South Wales - Final Report, prepared for the NSW Productivity Commission.

contributions are expected to exceed existing requirements so that the affordable housing rate is proportional to the level of uplift sought.

Queensland provides a useful caution. The State Facilitated Development process was introduced in late 2024 as a fast-track assessment pathway through the Planning Minister rather than local government, initially requiring proposals to be predominantly residential, include 15 per cent affordable housing and provide a diversity of housing typologies. Those affordable housing and diversity criteria no longer apply. This may reduce approval friction for residential development, but it also weakens the link between fast-tracked approvals and the social and affordable housing outcomes that are most needed.

The National Planning Reform Blueprint also recognises this principle. Measure 6 commits governments to create accelerated development pathways and streamline approval processes for eligible development types, particularly in well-located areas, including to support the rapid delivery of social and affordable housing.

The Commission should recommend that this commitment be implemented consistently across jurisdictions, with public reporting on homes approved, social and affordable homes approved, approval timeframes, commencements and completions.

## **6. Housing supply reform must address productivity and affordability**

Housing is economic infrastructure. Stable, secure and affordable housing is the foundation that allows people to get and keep work, study, care for children and family members, maintain health, participate in community and plan for the future.

When people cannot access secure housing close to jobs, services, education and transport, the costs are felt across the economy. Employers struggle to attract and retain workers. Lower-paid workers face longer commutes or are forced out of high-cost labour markets. Health, homelessness, justice and crisis systems carry avoidable costs.

The undersupply of social and affordable housing is therefore a productivity issue. It reduces labour mobility, weakens workforce participation, increases congestion and commuting time, and shifts costs into other public systems.

The proportion of social and affordable housing in the overall housing system is critical. If Australia is not deliberately working towards social and affordable housing comprising at least 6 per cent of total housing stock, and ultimately 10 per cent, the housing system will continue to drag people and their productivity downwards. It will remain a source of insecurity, stress and exclusion for too many households, rather than the foundation that supports people to work, study, care, participate and thrive.

More market supply is necessary, but market supply alone will not deliver enough housing for very low and low-income households. That is why social and affordable housing requires intentional policy: public investment, public land, planning incentives, concessional finance, operating subsidy, inclusionary planning tools and regulated not-for-profit delivery partners.

## **7. Priority reform areas**

### **Approval processes**

Community housing providers experience many of the same approval challenges as private developers, but with additional constraints. Delays are particularly damaging because social and affordable housing projects operate on tighter margins, have capped rents, and often depend on time-limited funding agreements or concessional finance terms.

The most onerous elements commonly include inconsistent interpretation of planning controls, repeated requests for further information, sequential rather than concurrent referrals, late-stage infrastructure requirements, delays in utility approvals, inconsistent affordable housing definitions, uncertainty about development contributions and lack of a single accountable decision-maker.

The burden could be reduced through dedicated social and affordable housing approval pathways with single lead agency coordination, statutory timeframes, concurrent referrals, standardised documentation, early resolution of infrastructure and contribution requirements, and escalation pathways where agencies do not meet timeframes.

Some existing jurisdictional tools could be used more deliberately for this purpose. In Queensland, Ministerial Infrastructure Designations can be sought for social and affordable housing developments, allowing eligible public or private entities to proceed without further development approvals. These types of pathways should be preserved and strengthened for genuinely affordable housing, rather than diluted into generic fast-track mechanisms for market supply alone.

The Commission should assess approval reforms not only by the number of homes approved, but by the number of social and affordable homes approved, commenced and completed.

### **Zoning, land use and public land**

Zoning and land-use controls can limit housing supply where they prevent appropriate density in well-located areas. Reform is needed, but the task is not deregulation for its own sake. It is better regulation: clear rules, proportional assessment, greater consistency, faster decision-making and more housing capacity in the right places.

For social and affordable housing, the most important zoning reform is to create as-of-right or accelerated approval pathways in well-located areas where projects meet clear criteria. Governments should also pair planning uplift with affordable housing outcomes. Where rezoning, density uplift or transport-oriented development increases land value, a share of that value should be used to deliver enduring social and affordable housing.

The NSW Transport Oriented Development Program provides a practical example of using planning uplift to secure affordable housing outcomes. The program applies new planning controls and state-led rezonings across 39 precincts centred on key transport hubs, with potential capacity for almost 200,000 homes over 15 years. A core feature is mandatory affordable housing: in TOD areas, developments are subject to a baseline requirement of at least 2 per cent affordable housing,

delivered in perpetuity and managed by a registered community housing provider. Higher inclusionary zoning requirements apply in eight higher-density precincts, generally starting at around 3 per cent and increasing to up to 18 per cent in key locations, reflecting uplift and site-specific conditions. As of 2026, almost 18,000 homes are in the planning system across TOD precincts, with around 10 per cent having received approval. The key lesson is not simply to increase density, but to convert a fair share of publicly-created planning uplift into enduring affordable homes.

Public land should be treated as a strategic housing asset, not simply a balance sheet item to be sold for the highest price. Where public land is suitable for housing, governments should assess it first for social and affordable housing use before disposal. Where market development is included, the value created should be used to cross-subsidise social and affordable housing.

### **Infrastructure and development contributions**

Housing-enabling infrastructure is often the difference between a theoretical housing site and a deliverable project. Infrastructure planning should be integrated with housing targets, planning reform and social and affordable housing delivery.

For social and affordable housing, infrastructure delays can be especially damaging because projects are often tied to funding deadlines and capped-rent feasibility. Infrastructure requirements that are unclear, unfunded or identified late can delay delivery or make projects unviable.

Development contributions can also materially affect feasibility. They are particularly challenging for social and affordable housing because revenue is capped and cannot be increased to recover costs in the same way as market housing.

Contribution frameworks should recognise that social and affordable housing delivers public benefit and does not generate private windfall gains in the same way as market development. Governments should consider exemptions or discounts for social housing, discounts or deferred payments for affordable rental housing, infrastructure offsets, and contribution waivers for projects on public land where affordability is retained long term.

Where public money funds enabling infrastructure, governments should seek public value in return, including a share of social and affordable housing.

### **8. Best-practice regulatory design**

The Commission should include explicit consideration of social and affordable housing in its assessment of best-practice regulatory systems.

A best-practice housing regulatory system should:

- increase both total housing supply and genuinely affordable housing supply;
- make social and affordable housing easier to approve in well-located areas;
- provide clear, consistent and upfront rules;

- link affordable housing obligations to value uplift created by planning changes or public investment;
- align planning, infrastructure, land and funding decisions;
- recognise the different economics of capped-rent housing in development contribution frameworks;
- protect affordability over time; and
- report separately on social and affordable homes approved, commenced and completed.

This would help the Commission distinguish between poorly designed regulatory burdens and well-designed public value mechanisms.

## **9. Conclusion**

Australia needs to build more homes. But the homes we build, where we build them, who can afford them and how long they remain affordable all matter.

The Productivity Commission should not recommend a housing supply agenda that increases dwelling numbers while leaving the deepest affordability failures untouched.

Stable, secure non-market housing is foundational to a productive society. It gives people the platform to work, study, raise families, participate in community and live with dignity. Australia has allowed this part of the housing system to become too small, and now lags behind many comparable OECD nations in the scale and role of non-market housing. This challenge must be faced directly.

The evidence is that the share of social and affordable housing in the overall housing system is critical. Australia should be aiming for social and affordable housing to reach at least 6 per cent of total housing stock, with a longer-term ambition of 10 per cent. Without that scale, our housing system will continue to drag people and their productivity downwards, instead of providing the foundation that lifts them up.

Community housing providers are ready to help deliver that system. To do so at scale, they need stable, nationally consistent and long-term settings across planning, infrastructure, land, funding and regulation.

We urge the Commission to recommend reforms that increase both total housing supply and genuinely affordable supply, and to place social and affordable housing at the centre of Australia's housing productivity agenda.