

Submission to the Productivity Commission inquiry into housing supply regulation



City of Melbourne Lord Mayor Nick Reece at the West Tower Melbourne Quarter opening, April 2026. The project is delivering more than 1,500 apartments, 150,000sqm of commercial office space and 5,000sqm of retail space. Image courtesy Lord Mayor Nick Reece Facebook.

Contact

We're pleased to provide this additional submission to the Productivity Commission's important study into housing supply. This additional submission should be read alongside our original submission in response to your issues paper. Enquiries to: [Redacted].

Background

The Council of Capital City Lord Mayors (CCCLM) is a peak body that advocates for the interests of Australia's capital cities. Providing national leadership and a strong voice to advance the needs of our capital cities are key priorities for the CCCLM.

The CCCLM comprises the Lord Mayors of Adelaide, Brisbane, Darwin, Hobart, Melbourne, Perth, Sydney and the ACT Chief Minister.

The CCCLM operates on a consensus basis and focuses on areas of shared interest across Australia's capitals, including:

- economic drivers and infrastructure investment
- housing and homelessness
- climate and sustainability; and
- city safety and community cohesion.

Note

While the ACT Government is a member of the CCCLM, it is providing its views on the Productivity Commission's Interim Report on Housing Supply Regulation through a separate submission. The views expressed in this CCCLM submission do not necessarily reflect the position of the ACT Government.

Governance arrangements vary across capital cities. In some jurisdictions, including the Northern Territory, planning and development assessment functions are primarily undertaken by state or territory governments rather than local government.

Recommendations of this submission are focused on the context for the bulk of our capital city members. Housing supply outcomes should therefore be considered within the context of each jurisdiction's planning and governance framework

Key messages

- Councils have an important role in tackling the housing affordability crisis – and we can do more with enhanced cross-jurisdictional cooperation. This includes in the areas of funding for enabling infrastructure, capacity planning and a focus on supporting coordinated planning and transit-oriented development.
- Housing supply reform should not be assessed by potential dwelling numbers alone. A best-practice regulatory system should also support housing diversity, affordability, accessibility, design quality, climate resilience, social and affordable housing and the infrastructure needed to sustain liveability.
- We support sensible densification and our members are continuing to roll out planning scheme measures in line with your reform directions 2.2 and 2.4.
 - However, additional blanket changes whether height limits or heritage protections, will not unlock the housing needed in the short term to alleviate acute shortages.
- While outside the scope of this inquiry, not looking at other supply-side levers, such as construction costs and skills shortages, or the soft demand for off-the-plan, high-density residential projects, does not consider the full picture.
 - This is particularly relevant in smaller capital cities where labour availability, supply chains, project financing and construction costs can significantly affect project viability even after approvals have been secured.
- More focus on policy measures to support the economic viability and desirability of high and medium-density development is needed
- More focus on social and affordable housing in desirable inner-urban areas is needed.

What we could support

- **Allowing mid-rise or high-rise apartments in high-demand areas, reform direction 2.2** – CCCLM members are already delivering a range of planning measures to achieve mid and high-rise development across our capital cities. However, blanket approaches are not supported. It is important state governments work in partnership with councils to do these types of developments in a sympathetic manner that respects local decision-making.
- **Strategic planning and expanding the use of fast-track pathways, reform directions 3.1 and 3.2** – there are a range of sensible actions that could improve approvals pathways, including ‘doing more work upfront’ to avoid delays or surprises closer to construction.
- **Greater use of AI and technologies in development assessment processes, reform direction 3.4** – there are a range of sensible actions that could improve housing supply in these areas, building on existing innovations.
- **Infrastructure sequencing and delivery, reform directions 4.1 and 4.2** – these are important areas worthy of further focus in the final report.

Open to further evaluation

- **Reviewing land-use controls, reform direction 2.5** – views on specific measures may vary, but it is prudent for all metropolitan local governments and state and territory governments to regularly look at land use controls to ensure they are fit for purpose. Many of these measures are already adopted across our member cities.

Missing the mark

- **Developer contributions frameworks, reform direction 4.4** – contributions help to deliver infrastructure in growing communities right across Australia. In jurisdictions where developer contributions are capped, it often falls to councils to absorb and address any infrastructure shortfalls. Delaying payment for developer contributions could risk infrastructure not being delivered, potentially making developments less desirable and saleable.
- **Blanket 3-storey designations, reform direction 2.1** – many inner-urban councils already have provisions that support this density. Nevertheless, promoting increased densification could be achieved through incentives from state or federal governments and strategic and localised planning and may be supported in well-served areas. Transit-oriented development frameworks in metro Sydney and metro Perth, as well as ‘missing middle’ schemes, are practical examples.
- **Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and review processes, reform Direction 2.5** - removing or significantly weakening heritage protections could lead to the displacement of smaller homes and other lower-density housing forms. Redevelopment often leads to a reduction in homes as larger single household apartments are more profitable. Requiring heritage listings to be justified by cost-benefit analysis would create an uneven comparison between development benefits such as additional floor space, housing yield and land value uplift can be readily quantified and expressed in dollar terms versus the loss of a historic streetscape, the erosion of local character or the destruction of cultural significance which cannot be quantified in the same way.

Increased densification in high-demand city areas and use of technology

Most capital cities have established strategies to facilitate medium- and high-density housing in appropriate locations, including:

- Brisbane's Housing Supply Action Plan
- City of Adelaide's Housing Strategy
- City of Hobart's proposed Housing Action Plan
- City of Sydney's Housing for All Local Housing Strategy

These strategies work in tandem with state frameworks to promote housing supply. In land-constrained inner-city areas that take in CCCLM member local government areas, much of the infill and urban densification 'heavy lifting' has already occurred. This is reflected in inner-city areas like Brisbane's Newstead, Sydney's Green Square and metro Adelaide's Bowden. Following decades of development in these and other former industrial areas, there is limited greenfield land remaining.

In partnership with most state and territory governments, transit-oriented developments are helping to deliver the next generation of high-density homes near key transport corridors. Northbourne Avenue alongside the light rail in Canberra's north is a strong case in point. New rail transport is the best way to induce housing supply across all Australian capitals and this should be a priority for new federal infrastructure investment.

Blanket national reform directions should be applied with sensitivity to local settings. In a capital city such as Melbourne or Sydney, housing growth occurs in a complex urban environment, including high existing densities, significant heritage places, constrained open space, major transport and utility interfaces, and increasing exposure to climate and flood risk. With an eye to your final report, reform settings should recognise that controls which may appear restrictive in one context may be necessary and proportionate in another.

Local circumstances should remain a key consideration. In some jurisdictions, including the Northern Territory, increased infill and medium-density housing can play an important role in improving housing supply and making better use of existing infrastructure. However, successful infill outcomes require upfront assessment of infrastructure capacity, cumulative impacts, servicing requirements and long-term maintenance responsibilities borne by local government.

Although our CCCLM group contends we have been proactive in unlocking high-density housing in our respective cities, this is not universally applied throughout our cities. Instead of singling out individual councils, the federal government should work alongside state and territory governments and councils to co-fund enabling infrastructure and incentivise land supply and renewal opportunities.

Technology use in planning systems

Councils and state governments continue to roll out artificial intelligence and other innovations in planning systems.

For council and state assessment functions, this includes automating preliminary assessment to check that necessary documentation has been provided. It can also quickly check approval requirements such as height limits, reducing the need for time-intensive manual assessment.

Our members continue to roll out these innovations as part of day-to-day improvements to planning and development assessment functions. However, these technologies will not, on their own, address the economic challenges inhibiting the housing sector or alleviate land shortages in our inner-city areas. Nor do they replace the need for early involvement of local governments in planning and infrastructure discussions, particularly where councils will assume responsibility for ongoing maintenance of local infrastructure supporting growth.

What is working

- Encouraging Councils to deliver transit-oriented developments in partnership with other levels of government.
- Federal and state and territory funding for enabling infrastructure.
- Greater use of AI and automation in planning systems.

What isn't working

- League tables and council-by-council comparisons of development approval timeframes and land approvals will not unlock more land overnight.
- Selective use of state government call-in powers that inhibit local decision-making.

Enabling infrastructure, strategic planning and sequencing

Capital city councils continue to play an active role in supporting housing supply. Across our member cities, more than 16,000 dwellings were approved in 2024–25, including approximately 3,900 new houses and over 12,300 apartments and other dwelling types¹. This highlights the central role cities perform in accommodating population growth and increasing housing supply. Of course, the majority of population growth will continue to occur in urban Australia.

Our group supports your interim report's focus on upfront strategic planning. Faster approvals are most effective where land use, infrastructure, design, heritage, climate risk and community infrastructure issues have been resolved through clear strategic frameworks. State-led or fast-track assessment pathways should rely on up-to-date strategic planning, rather than bypassing unresolved local issues.

Enabling infrastructure plays an important role in helping to ensure approved dwellings get delivered. Funding streams from federal and state governments are critical to unlocking housing supply.

Examples cited in the Productivity Commission's interim report highlight the importance of strong connectivity between state and local government planning frameworks – alongside engagement with the development community.

While state-led pathways can support housing delivery, they may reduce local contextual assessment and strategic planning input if roles, thresholds and referral points are unclear. Our member cities pursue more holistic planning outcomes rather than focusing on dwelling approvals alone, which do not directly correlate to housing delivery or affordability.

Housing growth in established areas depends on transport, drainage, open space, community infrastructure, utilities and public realm investment. It also requires a clear understanding of infrastructure ownership, lifecycle costs and funding responsibilities.

Local governments frequently assume long-term maintenance obligations for community infrastructure associated with housing growth and should therefore be involved early in planning and infrastructure sequencing discussions. These can be more costly and constrained within capital city local government areas.

¹ Australian Bureau of Statistics (2026), *Building Approvals Data*.
<https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/jan-2026#key-statistics>

What is working

- The various strands of the Housing Support Program provide diverse funding streams to boost capacity in the planning system but also deliver enabling infrastructure projects to pass the ‘tipping point’ for housing projects to proceed through to construction.
- New funding, through the Local Infrastructure Fund and inter-governmental agreements to individual jurisdictions is welcome.

What isn't working

- Federal and state governments need to ensure utilities providers are equipped with the tools and financial resources to deliver enabling infrastructure prior to developments being completed.
- There are opportunities to improve the way state government bodies interact with local governments, particularly when it comes to enabling infrastructure for greenfield and brownfield residential developments.
- Housing growth strategies that do not adequately consider long-term infrastructure maintenance obligations or potential cost-shifting to local governments.

Developer contributions framework

There is some nuance to the interim report's discussion on developer contributions. First, requirements vary significantly across jurisdictions. Second, the needs of inner-city, outer-suburban and regional communities vary significantly.

In inner-city areas where there is already existing major infrastructure around key activity centres, simplified infrastructure contributions systems could have merit.

However, the claim that developer contributions are the sole key barrier to housing supply should be contested. Fundamentally, it is appropriate that developers contribute to the cost of infrastructure required by developments that generate additional demand. In Sydney, affordable housing contributions and infrastructure contributions applied at development approval are carefully calibrated to ensure they do not cause the delivery of market housing to become unviable and not proceed.

The Victorian Government's Infrastructure Contribution Plans for train and tram zone activity centres show how a simplified contributions system can work well. These plans apply a standardised contribution to new dwellings and commercial and industrial floor space, but do not currently apply to the central city in Melbourne.

This creates a gap for high-growth CBD and inner-city areas, where housing growth also requires significant infrastructure investment, including drainage, open space, community facilities, public realm upgrades, active transport and land acquisition.

An inner-city focused model would improve certainty for councils and developers, reduce reliance on negotiated contributions, and provide a clearer mechanism to fund and sequence infrastructure that supports housing supply.

Timing of developer contributions

If developer contributions are collected later in the development process, councils still need upfront funding to plan, design and deliver the infrastructure required to unlock housing. This creates a timing mismatch: infrastructure often needs to be delivered before or alongside development, while contribution revenue may not be received until permits are acted on or development is completed. In an environment where increases to council rates are capped, councils have limited capacity to forward-fund this gap through general revenue, borrowings or reserves.

If the payments are delayed to the end of the project, land and works costs will have increased, and the value of the contributions will have decreased. There must be a mechanism to retain equivalent value through indexing of the contribution and interest. Councils that forward fund infrastructure will be deprived of recouping those costs through timing and devalued contributions. This must be modelled if contemplated.

This challenge is particularly significant for major drainage and flood mitigation infrastructure. These projects are often high-cost, complex and required at a precinct or catchment scale, rather than being directly attributable to one development site. In inner-city areas, drainage upgrades may involve significant land acquisition, complex mitigation treatments and staged delivery, making costs difficult to fully recover through development contributions alone. Without complementary state government or other funding mechanisms, councils may be left carrying a substantial project shortfall.

Reforms should therefore include practical upfront funding options, clear guidance on fair apportionment and mechanisms to address funding shortfalls for large-scale enabling infrastructure. Without these supports, infrastructure delivery can be delayed despite planning approvals and development contributions being in place, creating a constraint on housing supply.

Reforms should also recognise the differing circumstances of northern, regional and smaller capital city markets, where infrastructure capacity, workforce availability and project feasibility can be more significant constraints than development assessment processes alone.

Opportunities for system improvement

Improvements to the developer contributions system should be supported by clear and consistent state guidance on how infrastructure is identified, prioritised, costed and delivered through developer contribution frameworks. This guidance should help councils determine nexus and fair apportionment, sequence infrastructure with housing growth, and resolve competing priorities across precincts, catchments and service provider responsibilities.

Template or benchmark project costings would also support more consistent and transparent contribution plans. Standardised cost assumptions for common infrastructure items would reduce uncertainty, improve comparability between plans, and help ensure contribution rates are based on realistic delivery costs rather than under-estimated early project budgets.

Reforms also need to provide practical mechanisms to address project funding shortfalls including where contributions do not cover costs or where developers become insolvent and contributions are not paid. There needs to be some form of state and territory government guarantee.

In established urban areas, infrastructure costs can escalate because of land acquisition, constrained construction conditions and market cost increases. Developer contributions may only fund a proportion of the total project cost, particularly where infrastructure serves a broader catchment or delivers benefits beyond new development. Without a mechanism to address the shortfall, councils are unable to deliver the infrastructure needed to support housing growth.

Councils cannot be expected to forward-fund infrastructure in an environment where increases to council rates are capped. If contributions are collected later in the development process, councils cannot rely on reserves, borrowings or general revenue to begin planning, design and delivery before contribution revenue is received. This will delay delivery timeframes and slow housing delivery. Delaying the collection of contributions is not supported. Upfront funding options, financing support or state co-contributions could help manage this timing gap and reduce delays to housing-enabling infrastructure.

Affordable housing contribution requirements must also be considered. While, increasing the total supply of housing is a key focus of federal, state and local governments, more supply alone will not necessarily decrease the cost of market housing in high value areas such as Sydney, nor will new private market housing be delivered at a cost that is affordable for lower and moderate-income households.

Where applied in conjunction with rezoning, affordable housing contributions act to capture some of the value created by rezoning and direct it to a public purpose.

Affordable housing development contribution schemes are an important planning lever available to local government to ensure that as the supply of market housing is increased, that affordable housing for lower income households is also increased. This ensures diversity in the housing supply but also ensures a diverse community can have their housing needs met.