



# **Response to Housing Supply Regulation Report**

**Productivity Commission Interim Report  
Submission from the Melbourne 9 (M9)**

**September 2026**

## **PRODUCTIVITY COMMISSION HOUSING SUPPLY REGULATION**

Please accept this response on behalf of the Melbourne 9 (M9). M9 is a leadership forum comprising the Mayors and Chief Executive Officers of the inner-city councils of Victoria - Melbourne, Darebin, Hobsons Bay, Maribyrnong, Merri-bek, Moonee Valley, Port Phillip, Stonnington and Yarra.

Together, our councils represent over 1.23 million residents, generate more than 30 per cent of Victoria's Gross State Product, and are responsible for managing over \$15 billion in vital municipal and community assets.

Inner-city Melbourne is experiencing sustained population growth and increased density, placing significant pressure on local infrastructure, community safety, transport networks and housing supply. Our councils are at the forefront of responding to these challenges and are committed to working in close partnership with the State and Commonwealth Government to plan for and manage this growth.

## **INTRODUCTION**

M9 supports the notion that Australia doesn't build enough housing in the areas where people want to live. The region welcomed the development of *Plan for Victoria* and supports the establishment of a long-term vision for the state.

The Victorian Government's direction for Melbourne places the M9 region at the centre of future housing and employment growth. According to a report by SGS Economics & Planning *Investing in Growth: Funding Essential Infrastructure*<sup>1</sup>, over the next 25 years the M9 will welcome 980,000 additional residents, 525,000 additional dwellings and 618,000 additional jobs.

The inner-city region of Melbourne is an attractive place to live, work and visit. The area contains Melbourne's Central Business District, many of the state's education and health precincts, cultural facilities and well-established residential communities.

The M9 supports growth and the opportunities it presents, but notes the significant challenges this level of growth places on infrastructure and service investment.

## **BETTER COORDINATE INFRASTRUCTURE PLANNING**

M9 welcomes the report's recognition that infrastructure and housing must be planned together. There is no doubt Victoria needs more housing in well-located areas and that inner metropolitan councils have an important role to play in accommodating growth. However, housing targets alone will not deliver successful communities.

While the Victorian Government has identified regions such as the M9 as the focus for future population growth, there is no single spatial framework that provides certainty about where future housing, employment and infrastructure should be located.

Instead, the state relies on the direction indicated in *Plan for Victoria*, municipal planning schemes and other strategic planning initiatives. A more coordinated approach would provide greater certainty for industry while maintaining public confidence in planning and regulatory systems, maintaining the liveability and productivity of the M9 region for future generations.

A single spatial framework would also provide guidance on the broad timing or sequencing of development. M9 would welcome a partnership with the Victorian Government to deliver a coordinated framework for the region.

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<sup>1</sup> <https://m9.org.au/investing-in-growth-funding-essential-infrastructure/>

## **GROWTH REGION RECOGNITION**

A key theme of the interim report is that housing should be located where people want to live and where jobs, services and economic opportunities already exist.

This reinforces the need for M9 to be formally recognised as a growth region. Current planning and infrastructure funding frameworks often focus on greenfield growth areas, despite inner Melbourne accommodating some of Victoria's fastest growth.

Growth region recognition for the M9 region is a practical lever that will enable more housing to be built, and infrastructure support to be provided, where transport networks and jobs already exist.

## **FUNDING GAP**

The interim report correctly identifies infrastructure coordination as a critical factor in housing supply. However, existing funding arrangements are insufficient to provide the community infrastructure, transport connections, open space and services needed to support this growth.

If established urban areas are expected to deliver a greater share of housing supply, they should also be eligible for predictable, dedicated infrastructure funding and growth-related investment.

M9 has consistently argued that growth should not come at the expense of liveability. As additional housing is delivered across established urban areas, governments must ensure investment keeps pace in:

- Transport infrastructure
- Community facilities
- Open space
- Community safety initiatives
- Social and affordable housing
- Essential local infrastructure such as roads, drainage and public realm improvements.

Funding essential infrastructure is particularly challenging for the local government sector in Victoria due to rate-capping restraints and current funding arrangements are unable to support the level of investment required.

According to the *Investing in Growth: Funding Essential Infrastructure* report, M9 councils will require \$923 million of capital investment each year to provide the local infrastructure required to support growth between now and 2051.

However, the M9 councils are expected to have a funding capacity of \$763 million per year, meaning the average annual funding shortfall will be \$161 million across the region. Over the next 25 years, this equates to a cumulative infrastructure funding gap of more than \$4 billion.

The infrastructure funding challenge is directly linked to housing delivery, with M9 councils requiring an average investment of approximately \$28,900 per additional dwelling simply to maintain infrastructure and service standards.

These figures are based only on investment required for local infrastructure needs such as community facilities, libraries, sporting facilities, it does not consider the investment required for structural and city shaping infrastructure such as major transport projects, schools and hospitals.

## **INFRASTRUCTURE CONTRIBUTIONS**

Development contributions, although linked to population growth, vary considerably and are generally well below the level required to fund additional infrastructure.

Findings from *Investing in Growth: Funding Essential Infrastructure*, found existing development contribution frameworks capture only a fraction of the infrastructure costs associated with growth in established urban areas, creating a structural mismatch between housing delivery and infrastructure funding.

The report indicates that an average public open space contribution of approximately 20% would be required to fund the future open space needs for the M9 region. However, average current contribution rates for the region sit at 5.8%.

Furthermore, many existing infrastructure funding mechanisms have been designed for projects that can be planned and delivered ahead of development, typically suitable for greenfield areas or where land can be acquired.

Accommodating growth within established urban areas presents significantly different challenges and current funding arrangements are not designed to deliver on these. Established urban areas require the retrofitting and upgrading of existing infrastructure, often at substantially higher costs due to land values, limited space and construction complexity.

## **PLANNING REFORM ALONE WILL NOT SOLVE THE PROBLEM**

While M9 supports efforts to streamline planning processes and reduce unnecessary barriers to housing delivery, planning reform on its own will not address the infrastructure funding gap.

M9 councils are willing partners in facilitating housing growth, and have prepared a breadth of strategic planning work to create capacity for housing growth. However, the bigger challenge is paying for the infrastructure needed to support that growth. Without new funding mechanisms, councils will increasingly struggle to maintain service levels and meet community expectations.

In relation to Reform Direction 3.3 encouraging the use of state-significant pathways to approve development, M9 is concerned about the increasing reliance on expedited planning processes in Victoria, including the Development Facilitation Program (DFP). These pathways can significantly reduce opportunities for meaningful participation by local governments and affected communities, limiting transparency and undermining public confidence in planning decisions.

Local councils possess detailed knowledge of infrastructure constraints, strategic land use priorities, environmental conditions and community expectations within their municipalities. Limiting council participation reduces the ability of decision-makers to incorporate important local considerations into assessment processes.

The current approach also risks creating inconsistent outcomes, where development is determined on a project-by-project basis rather than through strategic planning frameworks that consider long-term infrastructure and community impacts.

## **CALL FOR A STATE-M9 PARTNERSHIP**

The report highlights the importance of better coordination between housing and infrastructure planning. Better coordination requires a formal partnership model between State Government and M9 councils.

This should include:

- Joint infrastructure planning
- Infrastructure sequencing
- Funding agreements
- Growth forecasting
- Implementation of planning contribution reforms

The constraints associated with growth across the M9 region create opportunities for greater collaboration between all levels of government, educational institutions, health providers, developers and the private sector.

## **CONCLUSION**

M9 supports the Productivity Commission's recognition that increasing housing supply must be accompanied by better infrastructure planning and investment.

With the region to accommodate a significant share of Victoria's future growth, governments must recognise the M9 as a growth region and ensure infrastructure funding frameworks evolve accordingly.

Planning reform can help deliver more housing, but without coordinated infrastructure investment, new funding mechanisms and genuine partnership between all levels of government, growth risks undermining the liveability, productivity and community outcomes that make these areas attractive places to live and work.

M9 is calling for:

- Formal recognition of the M9 as an inner metropolitan growth region.
- A coordinated spatial framework to align housing, employment and infrastructure planning.
- Infrastructure funding reforms that address the unique challenges of accommodating growth in established urban areas.
- A formal State Government-M9 partnership to coordinate growth, infrastructure delivery and funding.

## **CONTACT**

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