To: Inquiry into Housing Supply Regulation, Productivity Commission
Response to the Interim Report from Australia's Community Housing Sector
Date: 30 September 2026

1. About Community Housing in Australia

This submission responds to the Interim Report of the Productivity Commission's Inquiry into Housing Supply Regulation.

It is a joint submission 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). It follows an earlier, initial submission to the Inquiry.

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) 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.

2. Executive summary

We welcome the Productivity Commission's Interim Report on Housing Supply Regulation. It is rightly premised on the decades-long deterioration in housing supply in Australia: we do not have enough homes, in the places people need them, at prices they can afford. Better land-use regulation, less onerous approvals processes and improved infrastructure delivery can and should help unlock that supply, and a housing system more responsive to population growth is fundamental to ensuring everyone has a home.

While responsive supply is a necessary condition for ensuring everyone has a home, it is not a sufficient one. Noting the Commission has treated reforms to social housing as outside this inquiry's scope, we consider the reform agenda cannot stop at supply in general terms, with affordability for moderate to low-income households in particular assumed to follow as a by-product. It must target growth in social and affordable supply specifically, alongside market supply generally, through its own dedicated mechanisms and targets.

The scale of the task is well established. There is consensus that social and affordable housing stock is acutely undersupplied in Australia: the National Housing Supply and Affordability Council recommends it grow to at least 6 per cent of total housing stock in the medium term, and as high as 10 per cent in the long term. That need is growing, not shrinking – supply remains chronically and significantly short of population growth, and will take generations to correct, leaving an expanding group of Australians the market will not otherwise house.

The interim report's overall direction is a "build mindset" agenda that prioritises maximising total dwelling numbers, with affordability folded in mainly as a qualifier on how far land-use and approval restrictions should go, rather than pursued as a parallel goal with its own mechanisms and targets. As set out in our initial submission to this inquiry, the 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 shrink too far, and now lags behind many comparable OECD nations in the scale and role of non-market housing – a challenge this inquiry must help address directly.

Regulatory reform can unlock housing, but only dedicated subsidy, land, finance and stewardship can guarantee that the homes produced are affordable to people on low and moderate incomes. Planning reform and social housing investment are complementary agendas, not alternatives: Australia's housing system needs both a more responsive supply pipeline and a steady, enduring flow of government-subsidised social and affordable housing.

Our key recommendations:

- Recognise that **planning reform and social housing investment are complementary, not alternatives** – supply-side regulatory reform is a necessary but insufficient for ensuring genuinely affordable housing for low and moderate income households.
- Give **social and affordable housing priority approval and infrastructure treatment**, in recognition of the enduring public benefit it delivers relative to market housing.
- Ensure that **broad upzoning is accompanied by mechanisms that capture part of the resulting value uplift for affordable housing**, including well-designed inclusionary zoning – where requirements that are known upfront, calibrated to feasibility and consistently applied.
- Link **Commonwealth infrastructure finance and risk underwriting to a long-term national social and affordable housing pipeline**, so that infrastructure support and housing investment programs work together rather than in isolation.
- Ensure regulatory reform **preserves minimum standards that protect tenants**, and does not create unnecessary and/or unintended long-term costs for community housing providers (CHPs) or government.

This submission responds to relevant elements of the three substantive regulation themes of the interim report**: land-use regulation and the role of inclusionary zoning, the burden of approvals, and the delivery of housing-enabling infrastructure**. We have also responded to the Interim Report's **principles of a best-practice regulatory system of housing**.

Our submission builds on the evidence set out in our earlier joint submission lodged in June 2026, which remains directly relevant to the Interim Report and should be read alongside this submission.

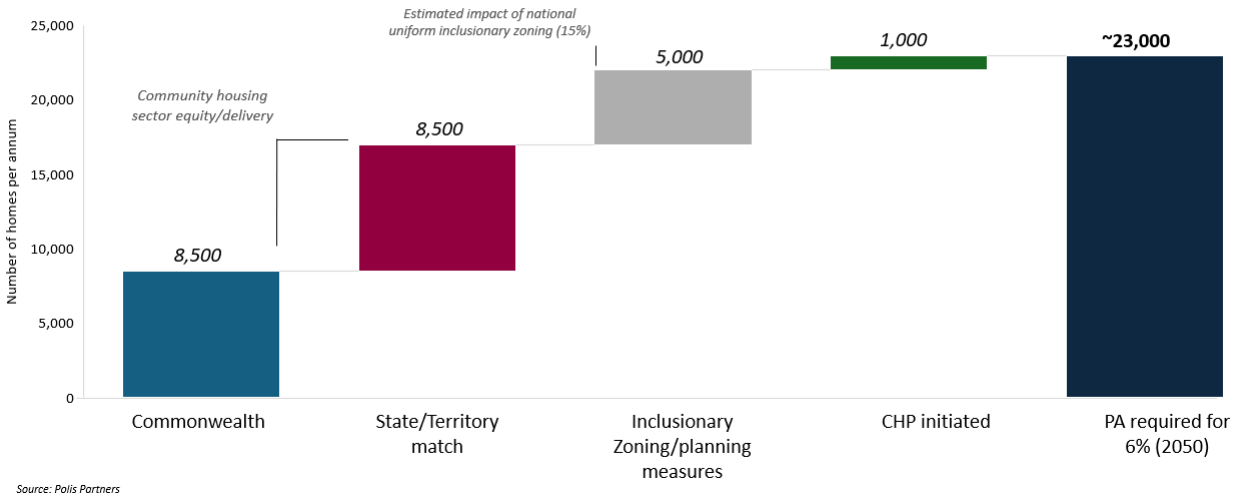
3. Unlocking more homes through better land-use regulation – the role of inclusionary zoning

3.1 Modelling the role of inclusionary zoning in delivering social and affordable housing

ACH-commissioned modelling finds that for Social and Affordable Housing to reach 6 per cent of total stock by 2050, some 510,000 additional social and affordable homes will need to be delivered out to 2050, equivalent to 23,000 social and affordable homes per annum.

A number of policy levers will need to be pulled to reach that target, including national inclusionary zoning. ACH's modelling and policy work estimates the impact of inclusionary zoning, nationally, to be some 5,000 social and affordable homes per annum, or more than 1 in five of the total targeted 23,000 social and affordable homes per annum.

Estimated Impact of policy levers on social and affordable housing delivery



Source: Polis Partners

3.2 Clear and consistent inclusionary zoning supports feasibility of social and affordable housing

The Interim Report (box 2.6) frames inclusionary zoning primarily as a feasibility risk, suggesting governments approach it with caution.

Poorly designed requirements – introduced late, applied inconsistently, or not calibrated to feasibility – can reduce both supply and affordability. Zoning requirements need to be known upfront, calibrated to feasibility and consistently applied.

Clear and consistent inclusionary zoning is fundamental to ensuring the value impact of social and affordable housing obligations is efficiently priced into land values, reducing reliance on ongoing government subsidy – these are complementary tools, not substitutes, particularly for social housing.

CBRE modelling of land value impacts demonstrates this[1]. Where land is acquired at full market value ahead of a social and affordable housing requirement being known, a subsidy is needed to bridge the resulting feasibility gap. But where a social and affordable housing obligation is known and consistently applied from the outset, the value impact is absorbed into the land price paid by the developer, without requiring the same order of ongoing subsidy. This is the mechanism by which upfront and **consistently applied inclusionary zoning requirements can support both feasibility and supply**, rather than undermining them.

Specifically, CBRE states that:

> *the greatest opportunity to achieve consistent supply [of social and affordable housing] lies in embedding SAH requirements within planning frameworks. Mandatory Inclusionary Zoning, density incentives, and standardised planning controls provide certainty, allowing SAH obligations to be efficiently priced into land values and* ***improving overall feasibility****.*

Further, social and affordable housing has infrastructure-like features, requiring the same stable, long-term, government-backed funding certainty seen in other regulated asset classes such as childcare, aged care and Specialist Disability Accommodation. These infrastructure-like financing and feasibility characteristics reflect a broader point outlined below (section 5): that social and affordable housing itself should be recognised as critical social and economic infrastructure, deserving the same planning priority and funding certainty as other essential services.

Clear and consistent inclusionary zoning supports market certainty at scale to support delivering this much-needed, infrastructure-like type of housing supply.

We therefore recommend that any national approach to inclusionary zoning for affordable housing should:

- Set a **clear base-case requirement at state or federal level**, known well in advance of any development, to provide certainty to the market and minimise localised, ad hoc negotiation.
- Include **appropriate grandfathering provisions** so that projects already in the planning or delivery pipeline are not disrupted.
- Allow **flexibility in delivery mechanisms** – in-kind dwellings, land contribution or cash contribution – provided each achieves an equivalent impact on underlying land values, so that community housing providers can respond to local need and market conditions.
- Be **paired with value-capture mechanisms where broad upzoning increases land values**, so that a fair share of publicly-created uplift in value is directed to enduring affordable housing, consistent with the approach taken in the NSW Transport Oriented Development Program.
- Protect affordable use **for as long as practicable**, recognising that transitional arrangements may be required as a mature market for restricted-use housing develops.

[1] https://www.cbre.com.au/insights/articles/unlocking-social-and-affordable-housing

3.3 Response to information request 2.3 - evidence on mandatory and voluntary inclusionary zoning

In response to **information request 2.3**, New South Wales offers both long-running and more recent inclusionary zoning programs that show the effectiveness of inclusionary zoning.

Mandatory, upfront and consistently applied requirements. The City of Sydney's mandatory affordable housing contributions scheme has operated since the mid-1990s, evolving from specific growth areas (Pyrmont and Green Square) to a broad-based requirement applied widely across the City. As at 30 June 2025, the City reported that $495 million in contributions had been collected since 1996, with 1,525 dwellings built. Recent updates to the City's Affordable Housing Program retained a city-wide contribution of 3 per cent of residential floor area and 1 per cent of non-residential floor area for qualifying developments, and applied a standard 20 per cent affordable housing contribution to new floor space created through rezoning. The City of Sydney is a very high-feasibility market for residential construction, and three decades of operation show that a mandatory requirement known upfront and consistently applied can coexist with sustained standard market residential development.

Local Government affordable housing contributions schemes are now being rolled out more widely. A number of metropolitan councils (including Willoughby, Canada Bay and Randwick) and regional councils (including Byron Shire and Newcastle) already have affordable housing contributions schemes operating or in planning and implementation. The latest Sydney Plan requires all 33 Sydney local government areas to prepare and have a scheme in place after 2029 (earlier drafts of the Plan proposed 2027). Importantly, the NSW Government's affordable housing contributions scheme framework requires feasibility testing before contribution rates are approved, and allows either the dedication of dwellings or an equivalent monetary contribution – reflecting the feasibility-calibration and delivery-flexibility principles recommended above.

Voluntary incentives. NSW has also integrated inclusionary zoning with density uplift through a voluntary planning bonus. Under the NSW Housing SEPP, developments that provide affordable housing can access additional floor space ratio and building height of 20–30 per cent, depending on the proportion of affordable housing provided. The maximum 30 per cent uplift is available where at least 15 per cent of gross floor area is provided as affordable housing. Early uptake has been significant: within its first year, the NSW Government reported 70 proposals representing more than 20,000 homes, including approximately 4,600 affordable homes. However, the scheme has been criticised as overly generous, with the affordable housing contribution modest relative to the uplift granted[2]. This represents a missed opportunity to deliver more housing, housing at lower rents, or housing that is affordable in perpetuity. It illustrates that voluntary incentives can stimulate activity, but without a mandatory base-case requirement and value-capture settings, a substantial share of publicly-created value is not directed to enduring affordable housing.

By contrast, the NSW Transport Oriented Development (TOD) program, discussed in our initial submission, includes a mandatory affordable housing requirement of at least 2 per cent of gross floor area for developments of 2,000 square metres or more, with the affordable housing secured in perpetuity. It is too

[2] https://shelternsw.org.au/wp-content/uploads/2025/10/DensityDealsFINAL.pdf

early to assess the longer-term impact of the TOD and uplift bonus schemes, but together they show mandatory baseline requirements and voluntary incentives operating side by side.

Negotiated agreements. Site-by-site negotiated mechanisms are much harder to evaluate. There is a lack of data on the statewide impact of voluntary planning agreements (VPAs) in delivering affordable housing, and the NSW Audit Office has found a lack of transparency around VPAs in general.[3] There is nonetheless evidence of VPAs being entered into for social and affordable housing alongside mandatory contribution schemes, including alongside the City of Sydney's long-running scheme.[4] This reinforces our recommendation for a clear base-case requirement that minimises localised, ad hoc negotiation, with voluntary mechanisms supplementing rather than substituting for it.

4. Reducing the burden of approvals

As highlighted in our initial submission, 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.

Regarding the Interim Report's **information request 3.1, h*ow should third-party appeal processes be changed to better balance the benefits they provide to community members and the uncertainty and delay costs they impose on developers,*** our initial submission indicated that 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.

Regarding the Interim Report's **information request 3.4, *what evidence is there about the benefits of including social and affordable housing in state-significant, or other streamlined, pathways,*** we point to our initial submission's evidence of the very beneficial effects in Victoria; The state's Development Facilitation Program includes the provision of affordable housing as a criterion for accessing a streamlined, minister-level assessment pathway. The program is expected to bring 13,200 additional homes to market that would otherwise have been delayed, while cutting approval timeframes from around 12 months to around 4 months.

NSW experience shows the cost of not having such pathways. The planning approvals process represents a significant cost and source of risk for community housing providers. In 2024, CHIA NSW noted that average planning processing times across NSW had increased from 69 days in July 2021 to 108 days in 2023, despite a lower volume of applications. For the FY2025/26 average planning processing times had

[3] Audit Office of New South Wales, Governance and internal controls over local infrastructure contributions, https://www.audit.nsw.gov.au/our-work/reports/governance-and-internal-controls-over-local-infrastructure-contributions
[4] City of Sydney, Council decision, https://meetings.cityofsydney.nsw.gov.au/mgDecisionDetails.aspx?IId=26402&Opt=1

moderated to 86 days, still beyond the 2021 benchmark. These delays increase development costs, create risks for project viability and delay the delivery of much-needed social and affordable housing.

These increases in assessment times underpinned CHIA NSW's support for reforms to accelerate housing approvals, including access to the State Significant Development pathway to which CHPs are generally ineligible due to minimum thresholds, and to the Homes NSW Self-assessment pathways. Reducing unnecessary delays and improving the capacity and expertise of assessment authorities can reduce the cost of delivering social and affordable housing, while retaining appropriate planning, environmental and community input.

We also recommend that, consistent with reform direction 3.4, the Commission's final report call for approval-timeframe reporting to be disaggregated so that it captures not just total homes approved, but social and affordable homes approved, commenced and completed. Without this, governments and the Commission will not be able to tell whether faster approvals overall are translating into faster delivery of the housing that is in shortest supply.

5. Delivering housing-enabling infrastructure

Place-making is core to the mission and purpose of community housing providers. CHP-delivered social infrastructure – open space, community facilities and other amenity delivered alongside CHP housing – is often integral to the outcomes CHPs are funded to achieve, not a discretionary add-on to a housing project.

This has direct implications for how developer contribution frameworks treat social and affordable housing. Consistent with the interim report's own principles for developer contributions, we recommend that contribution frameworks recognise the different economics of capped-rent, not-for-profit housing, including through:

- **Exemptions or discounts for social housing**, and discounted or deferred payments for affordable rental housing, reflecting that revenue from this housing is capped and cannot be increased to recover contribution costs in the way market housing can.
- **Infrastructure offsets** where a CHP directly delivers community or social infrastructure as part of a project, recognising the public benefit already being provided.
- **Contribution waivers on public land** where affordability is retained over the long term, so that public land contributed for social and affordable housing is not eroded by contribution charges levied by another arm of government.

In response to **information request 4.2** (how to balance developer feasibility against the need for upfront infrastructure funding), we support reform direction 4.4's proposal that contribution payments be staged or due later in the development process. This is especially important for CHPs, which typically operate on capped rental revenue and time-limited funding agreements or concessional finance terms, and are therefore particularly exposed to cashflow pressure from upfront charges.

In response to **information request 4.5** (the role of the Australian Government), we strongly support a Commonwealth role in underwriting infrastructure shortfalls and providing bridging finance to local government, as proposed in the interim report. We recommend the Commission go further: Commonwealth infrastructure finance and risk underwriting should be explicitly linked to delivery against a long-term national social and affordable housing pipeline, so that Commonwealth support for enabling infrastructure is coordinated with, rather than siloed from, Housing Australia's investment programs for social and affordable housing.

Social and affordable housing should itself be recognised as a form of critical social and economic infrastructure – as identified by AHURI research, it is long-lived, spatially fixed and delivers essential services and underpins the economic participation of its tenants[5], consistent with the infrastructure-like financing and feasibility features discussed in section 3.2. On this basis, we recommend that social and affordable housing be explicitly recognised as a priority category in strategic infrastructure planning and sequencing (reform directions 4.1 and 4.2): CHP-delivered projects, bound by funding deadlines and concessional finance terms, are especially exposed to sequencing risk that market housing – with more flexible timelines – is better placed to absorb.

6. Best practice regulatory design

We consider the Commission's four best-practice principles are broadly sound, but there are important considerations for social and affordable housing supply.

Principle 1 – **Adopting a 'build' mindset**, such that development should only be restricted where the benefits, including the impact on housing supply and affordability, clearly outweigh the costs – moves in the right direction, but does not fully capture the overarching goal we are proposing. A best-practice regulatory system should be judged on whether it increases both total housing supply and the supply of social and affordable housing specifically, not affordability in the abstract.

Principle 2 – **only regulate where necessary** – has relevance for social and affordable housing in particular; minimum building performance standards for social and affordable housing should be considered within the category of necessary regulation for the sector.

Capped rents limit cost recovery, regardless of how beneficial the building performance proves to be over time. AHURI research has identified this as a split-incentive market failure, occurring in Australian rental housing more broadly, where tenants responsible for paying energy bills are not the same entity as those making the capital investment decisions[6].

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[5] Flanagan, K., Martin, C., Jacobs, K. and Lawson, J. (2019) A conceptual analysis of social housing as infrastructure, AHURI Final Report No. 309, Australian Housing and Urban Research Institute Limited, Melbourne, http://www.ahuri.edu.au/research/final-reports/309

[6] Daniel, L., Moore, T., Baker, E., Beer, A., Willand, N., Horne, R., and Hamilton, C. (2020) *Warm, cool and energy-affordable housing policy solutions for low-income renters*, AHURI Final Report No. 338, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/338

Poor building performance drives higher ongoing energy and utility costs that social and affordable housing tenants in particular – drawn from low- and moderate-income households – are least able to absorb: Victorian renters, for example, have been found to spend up to 400 per cent more on heating and cooling energy than equivalent owner-occupiers[7].

Performance standards set out at construction are recovered many times over across the asset's life, so a cost-benefit assessment that stops at construction cost will understate the case for regulating this stock – a case that only grows stronger as the social and affordable housing task expands in scale.

This outcome can be achieved through program design (noting the National Construction Code is out of scope for this Inquiry): the National Housing Accord 2022 attaches performance requirements directly to program funding, committing the Commonwealth to fund additional affordable dwellings "at an energy efficiency rating of seven stars or greater," and the National Planning Reform Blueprint's commitment to closing gaps in "housing design guidance and building certification processes" reflects the same recognition that build quality is an important goal for national housing policy.

The Productivity Commission should consider how future funding, approval and delivery programs for social and affordable housing can build on the Accord's precedent by consistently attaching minimum building performance requirements. A program-funding approach also has the advantage of applying consistently regardless of variation in state and territory planning reform capacity and appetite.

7. Conclusion

The interim report makes a sound case that land-use regulation, slow and complex approvals processes, and poorly sequenced infrastructure are all constraining Australia's housing supply. We support the Commission's broad direction of travel on each of these fronts, and the evidence in this submission is intended to help the Commission calibrate that agenda so that it delivers more homes and more affordable homes.

But regulatory reform alone will not close Australia's affordable housing gap. Social and affordable housing needs to reach at least 6 per cent of total housing stock in the medium term, and as high as 10 per cent in the long term. Reaching that target will require sustained investment in subsidy, land, finance and stewardship, alongside – not instead of – the land-use, approvals and infrastructure reforms canvassed in this interim report. We are urging the Commission's final report to make that connection explicit, and to adopt the recommendations set out in this submission and in ACH's initial joint submission with CHIA Victoria, CHIA Queensland, CHIA South Australia and CHIA New South Wales to this Inquiry.

ACH looks forward to continuing to work with the Commission, including through further consultation with our state and territory CHIA colleagues, ahead of the final report.

[7] Crowe, A. and Rowley, S. (2024) *Measuring housing affordability: Scoping the real cost of housing*, AHURI Final Report No. 427, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/427