

PRODUCTIVITY COMMISSION HOUSING SUPPLY REGULATION

Inquiry into regulatory barriers on housing supply. Apart from the escalation of construction costs, raised are the following matters which impact on costs and housing supply for both rental and purchase.

This submission relates primarily to the State of Victoria.

1. Clarity and Certainty in Planning Controls – Mandatory controls

A critical factor in regulation is the need for clarity and certainty. Regrettably, much of planning law in Victoria is overly discretionary. This which undermines both clarity and certainty. Discretion was less a problem in a stagnant property market as in the 1980-1990s. However, increasing demand for property spurred by taxation changes, population growth and foreign investment, has placed pressures on a planning system based on discretionary controls. This lack of clarity and certainty is exposed as a key contributor to escalating costs and to unaffordable housing!

Mandatory controls on height, setback, building standards, plot ratios provide certainty and clarity when developed through Council strategic planning analysis where Council planners have local knowledge of heritage protections, neighbourhood character, appropriate areas for growth and density, community needs and examine these in consultation with the impacted community, many of whom have planning expertise and nous and add value. Councils then develop local controls through this knowledge tested against State policy, community engagement, and development vision and seek Ministerial approval of proposed planning Scheme amendments. This is reflected in the planning scheme including DDOs. Clarity and certainty in these controls speeds up planning approvals, reducing site holding costs and contributes to achieving faster construction outcomes.

Councils are often blamed for planning delays when State agencies (for water, power, transport including roads) as mandatory referral authorities take excessive time to deal with aspects of a planning application referred to them under t State legislation. Requiring a mandatory time limit for such referral authorities to assess an application would assist. However, Ministers themselves often hold up planning decision when referred to them taking an inordinate time. In my experience, it can take years for an outcome needing to be determined by a Minister!

Centralising planning applications for housing in a central state body is not expected to speed planning approvals or their quality. In excess of 90% of percentage of planning applications have been dealt with by Councils who have local knowledge of applications and input by community members which helps with decision quality and outcomes. A central department dealing with a vast number of applications from up to 79 Councils in Victoria, does not have the resources and knowledge to effectively deal with the large body of applications it would need to process. As already mentioned applications are often delayed when referred by Councils to referral authorities; delays

also apply when matters are referred to planning departments where departmental planners and consultants are not familiar with the locality and issues and lack the resources to handle the volume of matters across Melbourne and Regions Cities. Speeding up the decision making process if resources are not also applied to be well informed about the local planning context, will undermine the quality of decisions.

The Inquiry is asked to obtain data from the Victoria State government on timeframes for decision making under the new planning rules which centralise designated decision making in the Department and test this against Council decision making.

It is submitted that far more would be achieved through regulations enabling greater certainty in local planning controls than in centralising decision making in the State

2. Planning permits not acted upon should lapse with sale/transfer of the property

Restricting a planning permit to a particular applicant with the permit lapsing on sale would deter developers achieving an approval only to on-sell the site with its permit to secure a profit without even needing to build. Key sites have thus remained undeveloped while being on-sold multiple times. A key site in North Fitzroy on St Georges Road comes to mind changing hands five times with bankruptcy of a later owner!

That the permit was in place at each sale was irrelevant because the new purchaser having paid an escalated higher price because of that permit sought a new planning application anyway to achieve a higher site yield. The same applied to subsequent purchasers resulting in new permit applications with further increased height & scale so as to cover costs with of the increased site value at each sale.

Without the permit lapsing in the above circumstances, neighbours, Council planners and Councillors “tear their hair out” responding to the “merry go round” of multiple planning applications for the same site. Resources and productivity are wasted in the process at Council assessment approval, community members engaging planning advice and representation, especially when the matter is taken to VCAT.

The Productivity Commission is asked to support a regulation that a permit lapse on sale of the property.

3. Escalation of Government charges on Property

State governments have failed to respond to submissions on the negative impacts of planning control uncertainty due to conflict of interest in seeking revenue from escalating land values. Governments have added taxes, fees and charges in the past 20 years on property. These have contributed significantly (30%+) to building and housing costs.

The trajectory of land taxes in particular, is such that that within the next decade, land tax on the average property rented out will exceed rental income, such that it will not be economic for owners to rent properties.

Prior to 2005, State fees and charges were a small proportion of Council rates. Since then, States fees and charges have increased far higher than Council rates. While States have capped Council rates, land tax has escalated and new charges on property had added to property holding costs. Land tax applying CPI increases to escalating property values means land taxes are not capped like Council rate increases, but have increasing substantially.

Further from July 2023 in Victoria, the State applied a \$975 flat surcharge plus a .1% increase in the rate of land tax to rental properties exceeding \$300,000 in value. Note the average home rented now exceeds \$1M. The impact on owners renting properties is significant and many landlords especially in Victoria have been selling properties as a result with the number of rental properties drastically reduced.

This is evident from the below table – data not available in the 30/09/26 time where blank as only aware of submission today.

Escalation of Land Tax compared with Municipal rates

	Vic Regional Town		Vic Metropolitan 1		Vic Metropolitan 2	
Year	Land Tax	Rates	Land Tax	Rates	Land Tax	Rates
2000	50.13		223.75	966.53		
2005	320.34		585.13	1245.19		
2010	2,673.54		2,062.82	1567.92		1,380.28
2015	2,804.83		2,555.93	1911.82	2,950.00	1,975.37
2020	3,055.67	1,036.00	3,308.26	2,184.15	6,335.00	2,574.80
2023	3,767.42	1,281.97	5,163.48	2,939.35	7,775.00	2,703.25

Apart from Victorian land tax, land and development charges, other fees and charges have increased in the last two decade adding to high property costs. These added charges are particularly adverse to the availability of housing for rental. There is need to examine these regulatory impacts on capacity to deliver housing. The vertical and horizontal fiscal imbalances between federal and state funding has forced States to increasingly rely on a range of taxes having adverse implications (gambling, property). Apart from land tax and development charges, the range of government fees and charges on housing (excluding federal taxation) include:

Council rates but capped around CPI
STATE CHARGES
Insurance Stamp Duty
Fire Service - Emergency Services Levy
Annual Parks Charge
Biannual Electricity Report
Biannual Gas Report
FEDERAL CHARGES (directed to States)
GST on insurance
GST on repairs, reports

Owners have been offloading investment properties for several years now as the returns are greater through investing in a share portfolio or interest bearing deposit with far less overheads. Understandably the number of properties available for rent are thus substantially reduced and those remaining are unacceptably costly for renters due to high demand and low supply. With less investors competing for properties being sold, this is a good outcome for home buyers having less competition at property sales. While home buyers have less competition, home buyers are still faced with property prices which have escalated over near two decades and are seen to be overvalued and whose values are falling.

4. Supply of urban land

The Productivity Commission is also urged to consider the many federal and state government sites which are vacant or underutilised which could be developed for housing and whether these should be subject regulation via being included in the recent levies on vacant sites. Sites which come to mind are the vacant Commonwealth Munitions Site in Maribyrnong sought to be cleaned up for housing for over two decades and government owned railway land around and along many rail stations which could accommodate higher density. An example is the rail land around Victoria Park Collingwood, just kms from the Melbourne CBD and well served by rail and bus. Indeed, former Premier Steve Bracks in 2003/04 launched a project that this land would be redeveloped for housing including public housing. But there has been nought action since.

For your consideration. Less regulation or centralisation of regulation is no easy fix, the issue is the clarity certainty, quality and objective of regulation.

[Redacted]
30 September 2026