



Prosper Australia

Submission on housing supply regulation

Response to the Productivity Commission interim report

October 2026

Summary

Prosper Australia welcomes the Productivity Commission's Housing supply regulation interim report. We support enabling more homes in well-serviced locations, clearer planning rules and better coordination of infrastructure. The final report should give equal attention to who receives the value created by reform and how housing responsibilities align with government finances.

Our central concern is the treatment of land. Public decisions can create valuable development rights and confer substantial gains on existing landowners. Leaving those gains in private hands while funding enabling infrastructure from the wider community has consequences for inequality and public finances. A policy can increase housing supply and still distribute its benefits unfairly.

The Commission should assess planning reform alongside land value capture and the fiscal incentives facing governments. This submission draws on Prosper's research into development rights and rezoning windfalls. It also examines fiscal incentives for governments and identifies a specific evidentiary problem in the report's discussion of Housing First. References to the interim report use its printed page numbers.

Recommendations

1. **Assess distribution alongside supply.** Report effects on landowners, renters, prospective buyers and taxpayers, distinguishing inequality within generations from inequality between generations.
2. **Pair additional development rights with predictable value capture.** Capture a share of publicly created land-value uplift alongside broad land value taxation.
3. **Separate infrastructure cost recovery from windfall capture.** Preserve efficient infrastructure price signals and assess the combined incidence of contributions, uplift charges and affordable housing obligations.
4. **Align housing responsibilities and financial returns.** Examine a longer-term shift from personal income tax towards broad land taxation, including a federal minimum with credits for state land taxes and a corresponding intergovernmental funding arrangement.
5. **Clarify the evidence on Housing First.** Correct Box 1.2 to distinguish established housing-retention benefits from less certain employment and other non-housing outcomes.

1. Share the value created by planning reform

The interim report recognises that upzoning may increase the value of affected land, but says this is not necessarily a problem where supply increases and land costs per dwelling fall.¹ This addresses only a narrow view of efficiency. The choice of what to tax also affects economic efficiency. For a given revenue requirement, giving away publicly created land value means relying more heavily on taxes on work, investment and enterprise. Capturing that value can reduce the need for taxes that discourage productive activity.

The report also leaves a distributional question unanswered: who should receive the value of additional development rights created by government? Granting these rights without a corresponding public payment confers a windfall gain on incumbent landowners. This can widen intragenerational inequality between owners receiving the gain and otherwise similar households that own no land or receive no uplift. It can also reinforce intergenerational inequality by increasing the wealth of existing owners relative to younger households entering the market, with unequal advantages passed on through inheritances and family assistance.

Blanket upzoning can increase a site's option value even where redevelopment is not yet commercially feasible. The owner acquires the opportunity to build more intensively when market conditions improve, and that future opportunity can be reflected in today's land price. Normalising blanket upzoning can also increase expectations of further rounds of upzoning, strengthening the incentive to hold land for another planning windfall.

Prosper's preferred approach is to allow appropriate upzoning while charging for the additional development rights when they are exercised. A predictable charge tied to the value of those rights can capture a substantial share of the uplift and reduce the speculative premium capitalised into land prices. This can reduce the planning-generated value of waiting for further windfalls, putting a brake on speculation and strengthening the incentive to put land to productive use.²

Prosper's Pricing Development Rights estimates roughly \$11 billion annually in planning-related uplift and approximately \$8 billion in potential additional revenue from a 75 per cent capture model. These are estimates extrapolated from ACT experience, adjusted for dwelling prices and development activity. The Commission should test the assumptions and produce its own estimates.³

2. Apply a consistent analysis to development charges

We support the report's emphasis on predictable contributions and efficient infrastructure provision. The final report should distinguish the purpose of each payment from its legal label and from who ultimately bears its economic cost. Calling a charge a tax, a contribution, or a price does not answer the incidence question.

Infrastructure cost recovery allocates the attributable cost of roads, utilities and other services. Its justification depends on additional costs, beneficiaries and an appropriate allocation between new development and the wider community. Capturing a rezoning windfall addresses a different question: the value conferred by additional development rights. Full cost recovery can coexist with a substantial private windfall.

The report already supplies an important part of the economic analysis. On page 99, it explains that predictable contributions can reduce the price developers bid for land, with normal development returns restored as land prices adjust. It also discusses Australian evidence that contribution waivers increased land

¹ Productivity Commission (2026). Housing supply regulation. Interim report, July, p. 40. [Source](#)

² Helm, T. and Williams, H. (2026). Pricing Development Rights. Prosper Australia, May, pp. 20, 24–25. [Source](#)

³ Helm, T. and Williams, H. (2026). Pricing Development Rights. Prosper Australia, May, pp. 8, 27, 34. [Source](#)

values without significantly reducing house prices.⁴ This makes a blanket assumption that development charges are passed forward to purchasers untenable.

The treatment of inclusionary zoning should use the same framework. The interim report warns that affordable housing obligations can act as a tax on new housing.⁵ Such obligations can create costs and uncertainty, but an announced, consistent requirement can also affect land bids. The Commission should distinguish predictable obligations from unexpected changes after acquisition, and broad rules from negotiated project-by-project conditions.

There are limits to capitalisation. A project may already be close to its value in existing use; a developer may have bought under different rules; a poorly measured charge may exceed the available uplift. Finance constraints and uncertainty can delay adjustment. The appropriate response is to assess these conditions and design the policy carefully. Neither universal cost pass-through nor universal neutrality is an adequate assumption.

We recommend a combined assessment of infrastructure contributions, uplift capture and affordable housing requirements. A residual land valuation should allow for construction, finance and a normal risk-adjusted development return, with existing obligations deducted before assessing the remaining uplift. Publish valuation methods, review procedures and the treatment of existing commitments. Any deferral should address genuine liquidity constraints while preserving the public claim.

3. Align housing incentives with government finances

Housing incentive payments need a stronger evidence base. For England's New Homes Bonus, the National Audit Office found that projections of additional housing rested on limited evidence.⁶ A subsequent evaluation found greater strategic attention to housing in some councils, but modest direct effects on local plans and a limited role in planning decisions.⁷ Bonuses may work, but additional homes should not be assumed.

Alongside discretionary incentive payments, the Commission should examine whether governments retain a sufficient continuing fiscal return from accommodating housing. The Commonwealth collects personal income tax, including tax on net rental income, company tax, and tax on taxable capital gains. State and local governments carry much of the cost of schools, hospitals, transport and local facilities for growth. States receive stamp duty, land tax, and payroll tax; councils receive rates.

Even governments supporting development cannot assume retained revenue will cover expenditure, particularly upfront infrastructure. Developer contributions provide only part of the answer: NSW's Housing and Productivity Contribution is not designed to recover the full cost of state and regional infrastructure for new development.⁸

International evidence supports the proposition that these continuing fiscal incentives influence land-use decisions. Büttner's study of Bavarian municipalities uses a threshold in equalisation arrangements to identify their effects. Municipalities outside those arrangements, which retained more of the fiscal return from an expanding tax base, expanded land allocated to residential use about twice as fast.⁹

⁴ Productivity Commission (2026). Housing supply regulation, p. 99. [Source](#)

⁵ Productivity Commission (2026). Housing supply regulation, pp. 56–57. [Source](#)

⁶ National Audit Office (2013). The New Homes Bonus. 27 March. [Source](#)

⁷ Department for Communities and Local Government (2014). Evaluation of the New Homes Bonus. December, executive summary, pp. 3–4. [Source](#)

⁸ NSW Department of Planning, Housing and Infrastructure (2026). Housing and Productivity Contribution Works-in-Kind Guideline. June, section 1.3, p. 5. [Source](#)

⁹ Büttner, T. (2023). Taxation, Fiscal Redistribution, and Local Land Use Regulation. *Land Economics*, 99(4), 573–593. Linked author manuscript, especially pp. 18 and 39. [Source](#)

OECD research draws a sharp distinction between spending and taxing autonomy. Greater state and local government autonomy over housing spending decisions is associated with a weaker housing supply response to rising prices, while greater autonomy over property taxation is associated with a stronger response. The authors suggest that local control over housing decisions can amplify opposition from existing residents, whereas the prospect of retaining additional property-tax revenue gives governments an incentive to accommodate new development.¹⁰ For Australia, this supports aligning housing responsibilities with a stronger financial return from allowing housing.

Danish evidence provides further, indirect support: municipal mergers reduced housing permits and completions, particularly where they reduced tax-base volatility and the incentive to attract taxpayers.¹¹

One longer-term reform direction is to reduce personal income tax in exchange for broad land taxation. Although detailed tax design extends beyond this inquiry's regulatory focus, the Commission should recognise its implications for housing incentives. A Commonwealth minimum tax on unimproved land values, with state land taxes credited dollar for dollar against the federal liability, warrants consideration. States would then have a strong incentive to levy at least that minimum and retain the revenue. Funding Commonwealth income-tax cuts would require a negotiated adjustment to intergovernmental transfers, while preserving a meaningful state fiscal return from accommodating housing.

Such a system could give states a continuing financial interest in the land value created by better access, infrastructure and productive use. A tax on land value excludes the value of buildings, so constructing additional homes would not itself increase the taxable base through their construction value. It also raises the cost of holding valuable land underused. Higher land prices alone must not become the success measure: scarcity can raise prices too. Evaluation should track occupied housing, affordability and access to services.

4. Clarify the evidence on Housing First

Box 1.2 overstates the evidence linking Housing First to employment and other non-housing outcomes.¹² The review it cites describes limited evidence on employment and states that "finding employment is not an expected outcome of Housing First programs".¹³

The final report should distinguish the strong evidence for housing retention from mixed or inconclusive findings on employment, health, substance use and social integration.¹⁴ This would preserve the case for Housing First while accurately describing what the evidence supports.

Priorities for the final report

Prosper urges the Commission to pair planning reform with the capture of publicly created land value, assess development charges according to their economic effects, and strengthen the continuing fiscal return to

¹⁰ van Hoenselaar, F., Cournède, B. and Dougherty, S. (2023). Housing supply responsiveness across levels of government: Novel evidence on tax and spending autonomy. Chapter 7 in Bricks, Taxes and Spending. OECD, sections 7.3–7.4, Tables 7.1–7.2. [Source](#)

¹¹ Larsen, M. V. and Kettel, L. (2026). Reassessing the Impact of Local Control: When Smaller Local Governments Permit More Housing. *Perspectives on Politics*, 24(2), 782–798. First published online in 2025. [Source](#)

¹² Productivity Commission (2026). Housing supply regulation, p. 26. [Source](#)

¹³ Roggenbuck, C. (2022). Housing First: An evidence review of implementation, effectiveness and outcomes. AHURI, p. 25. [Source](#)

¹⁴ Roggenbuck (2022). Housing First: An evidence review of implementation, effectiveness and outcomes, pp. 18–25. [Source](#); Baxter, A. J., Tweed, E. J., Katikireddi, S. V. and Thomson, H. (2019). Effects of Housing First approaches on health and well-being of adults who are homeless or at risk of homelessness: systematic review and meta-analysis of randomised controlled trials. *Journal of Epidemiology and Community Health*, 73, 379–387. [Source](#)

governments that accommodate housing. These reforms should expand housing opportunities while sharing their benefits more fairly within and between generations.