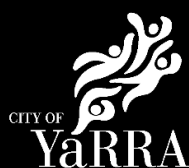




Submission to:

**Productivity
Commission Inquiry
into Housing Supply
and Availability**

October 2026



Introduction

Please accept this submission prepared for the City of Yarra. It represents an officer-level submission from a Yarra perspective and has not been endorsed or adopted by Council. It is provided in addition to the Melbourne 9 (M9) submission to highlight matters of specific relevance to the City of Yarra.

Yarra City Council supports reforms that genuinely increase housing supply, improve housing affordability and facilitate well-located housing growth. Yarra has accommodated substantial residential growth over recent decades and continues to plan for additional housing in activity centres and strategically justified sites/locations.

The Productivity Commission's interim findings place disproportionate emphasis on planning controls, particularly heritage controls, as barriers to housing delivery. Yarra's experience suggests that while planning controls can influence the location and form of development, they are not the primary determinant of when housing is being delivered. Many of the most significant barriers to housing delivery currently relate to construction costs and financing conditions. Taxation conditions influence who is able to deliver housing or enter the housing market, which also relates to the housing affordability issue.

The general comments and detailed submission on some reform directions below focus on reform directions of the draft report by the Productivity Commission and are most relevant to strategic planning and community infrastructure planning in Yarra. They highlight the importance of balancing housing delivery objectives with heritage protection, employment land preservation and infrastructure provision.

General comments

Planning capacity

Planning capacity does not equate to housing delivery. The inquiry assumes that increasing theoretical development capacity will directly translate into increased housing supply. Yarra's experience suggests otherwise (also see submission on direction 2.5 below).

Yarra has historically had significant development capacity across a range of locations, including major and neighbourhood activity centres, mixed-use precincts and former industrial areas in or around Smith, Brunswick, Johnston, Victoria and Swan Street. Despite

this capacity, housing delivery has not occurred at a rate consistent with theoretical planning capacity. Planning capacity alone should not be assumed to result in housing delivery.

The municipality provides numerous examples where development potential has existed for extended periods, but redevelopment has not occurred due to market and feasibility considerations. Conversely, development has concentrated in locations where land ownership, site consolidation, market conditions and financial returns have been favourable.

Accordingly, reforms should distinguish between:

- Planning capacity;
- Site / urban context conditions;
- Approved development;
- Commenced development; and
- Completed housing supply.

Heritage Overlays

Heritage controls are not a primary constraint on housing supply. The Commission's interim finding that removing broad heritage controls could increase significant infill development near central Melbourne by approximately 17 per cent should be treated cautiously.

Yarra has spent decades implementing heritage protections that balance growth with housing growth. Yarra contains one of Melbourne's most extensive heritage overlay networks, with roughly 2/3rds of land covered by either precinct or individual overlays. Despite this, the municipality has accommodated substantial housing growth across several decades and continues to experience significant residential development.

Examples throughout Fitzroy, Collingwood and Richmond show that substantial residential and mixed-use development can occur in heritage-rich environments when sites are designed and assessed appropriately.



Development (residential and commercial) within a heritage precinct and Major Activity Centre
Smith Street, Collingwood 26 January 2025 – Credit: Matt Krumins Photography 2025



Development (residential and commercial) partially within heritage overlays and Activity Centre
Lower Johnston Street, Abbotsford 19 January 2025 – Credit: Matt Krumins Photography 2025



Development (residential and commercial) partially within heritage overlays

Victoria Street, Abbotsford / Richmond 26 January 2025 – Credit: Matt Krumins Photography 2025

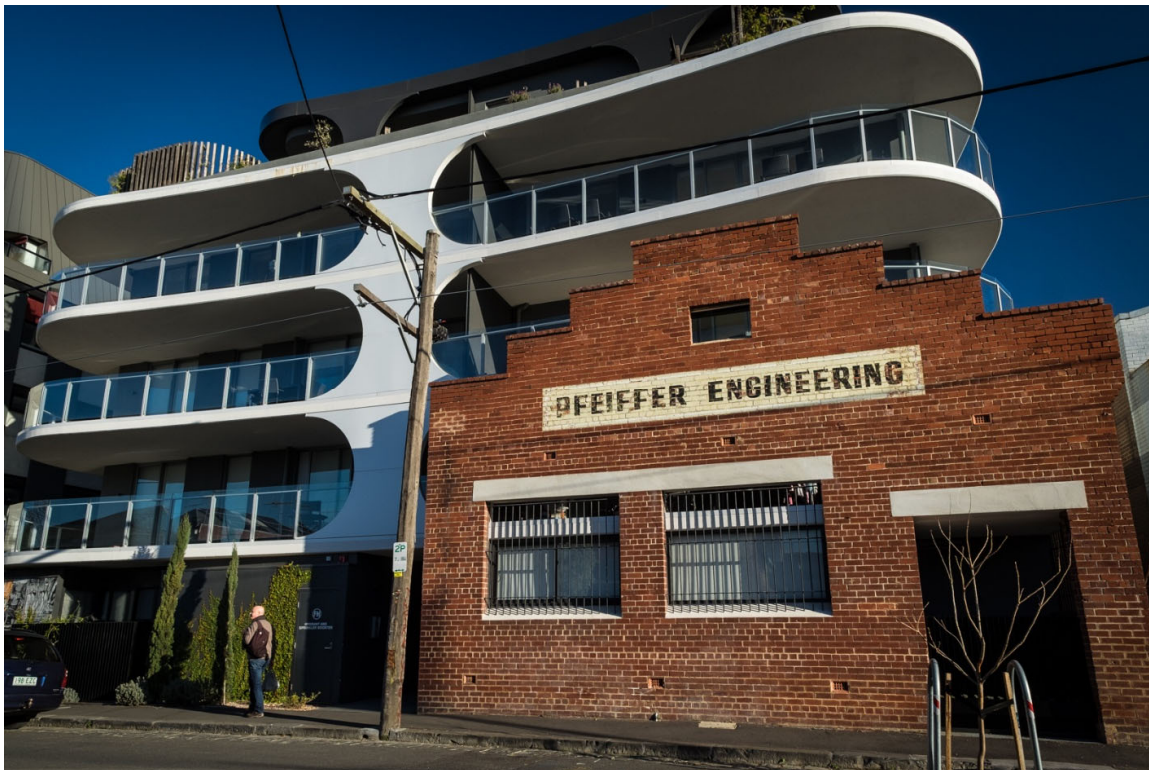


Development (residential and commercial) within heritage precinct

Swan Street, Richmond 19 January 2025 – Credit: Matt Krumins Photography 2025



Development (residential and commercial at ground) within heritage precinct
NE Corner Peel and Oxford Streets, Collingwood



Heritage Industrial Building converted to residential apartments within heritage precinct
159 Argle Street, Fitzroy

Heritage controls influence how growth occurs and ensure new development responds to the valued character and significance of established neighbourhoods.

Precinct-based heritage protection remains important.

Yarra's heritage precincts use a grading system that enables the appropriate development of 'significant' and 'contributory' buildings while also retaining their heritage characteristics. The grading system provides greater flexibility for redeveloping 'non-contributory' buildings while maintaining the precinct's heritage character.

The inquiry recommends moving away from broad heritage overlays and replacing them with protection limited to individual buildings or small groups of buildings. Yarra does not support a wholesale shift away from precinct-based heritage protection. In many inner-city areas, heritage significance is derived not from isolated buildings but from:

- Consistent streetscapes.
- Historical subdivision patterns.
- Collective built form character.
- Public realm qualities.
- The cumulative contribution of groups of buildings.

Individual listings cannot adequately protect these broader heritage values. Replacing precinct-based controls with building-by-building protection risks incremental erosion of heritage significance over time, ultimately diminishing the very attributes that contribute to the identity, attractiveness and liveability of established urban areas which have made Yarra so attractive and successful in balancing significant growth and heritage fabric

Heritage vs. Housing

Yarra City Council does not consider heritage and housing to be competing objectives. Many heritage precincts have successfully accommodated:

- Adaptive reuse of buildings.
- Upper-level additions.
- Rear additions.
- Infill development.
- Larger redevelopment opportunities on appropriate sites.

The challenge is not whether heritage areas can accommodate growth, but how that growth is designed and integrated into valued urban environments. Good designers and architects are able to navigate this balance and deliver intensification in these areas.

Cost-Benefit Assessment of Heritage

In Victoria, applying a Heritage Overlay involves a rigorous, evidence-based process. Heritage experts must establish a place's heritage significance. Council then assesses it against relevant state planning policies, including objectives relating to housing. Proposed overlays are subject to public exhibition, consultation and expert review before being incorporated into a planning scheme.

Yarra supports evidence-based heritage assessment processes. However, heritage significance should not be assessed solely through economic cost-benefit frameworks.

Heritage places provide a range of benefits that are difficult to quantify through traditional economic analysis, including:

- Cultural value.
- Community identity.
- Sense of place.
- Tourism and visitation benefits.
- Urban character.
- Long-term environmental benefits associated with building retention and adaptive reuse.

Any review framework should recognise these broader community benefits rather than relying primarily on redevelopment value assessments.

Infrastructure and Community Infrastructure Provision

Growth should be accompanied by coordinated investment in infrastructure.

Inner Melbourne municipalities such as Yarra are approaching practical capacity limits across components of existing infrastructure networks, including:

- Local roads.
- Drainage systems.

- Open space networks.
- Community facilities.

Accommodating additional growth will require innovative solutions and significant investment (including financial) from all levels of government.

Planning reforms that increase development potential without corresponding infrastructure investment risk placing additional pressure on already constrained urban systems and local governments.

Combined with an erosion of heritage fabric that acts as an attractor for an area, this would lead to a less desirable area for people to live in, likely reducing the level of housing delivery in that area in turn.

Submission on Reform Directions

Reform direction 2.1: allow up to three-storeys across residential land

- This reform direction appears to have limited relevance in Victoria.
- Three-storey development is already generally permissible within the General Residential Zone, subject to appropriate assessment against planning controls and standards.
- Accordingly, this reform is unlikely to materially increase housing supply within Yarra.

Reform direction 2.2: allow mid-rise and high-rise apartments in high-demand areas

- Yarra supports directing housing growth to appropriate locations, including activity centres and areas with excellent access to jobs, services and public transport.
- Yarra City Council and the Minister for Planning have approved a significant number of planning permits for substantial development. However, Council's experience over the past two years is that relatively few planning approvals have translated into construction commencements, including approvals issued through the State Government's Development Facilitation Program. A similar pattern is evident for permits issued by Council.

Council tracks extensions of time to planning permits as an indicator of approved housing that has not yet proceeded to construction. In 2025–26 alone, Council granted 219 extensions of time for planning permits relating to new dwellings, representing approximately 1,270 approved dwellings that had not commenced construction.

- However, increasing allowable heights should not be assumed to directly increase housing supply.
- Yarra's experience demonstrates that development outcomes are heavily influenced by market feasibility and are often outside of planning requirements' remit to change.
- Developers increasing supply in the same area to address the affordability and supply crisis is not occurring, as it is against their self-interest to flood the market with dwellings.
- Until recently, large parts of Yarra had relatively limited local built form controls. Despite this, many sites with significant development potential remained undeveloped

for extended periods because development opportunities elsewhere offered higher returns and lower risks (e.g. recently rezoned larger land parcels in one ownership).

- Examples include parts of Brunswick Street, Fitzroy and various strategically located sites throughout the municipality.
- Allowing greater height and density may increase development capacity theoretically, but this does not result in additional housing delivery.

Reform direction 2.3: reduce or remove lot size requirements

- Lot size requirements are not a constraint on housing delivery within Yarra, as evidence from development trends has shown that small lot dimensions (area or width) are not a barrier to development in Yarra.
- This reform is unlikely to materially affect housing outcomes within the municipality.

Reform direction 2.4: allow residential development in commercial zones

- Yarra's diverse mix of land uses supports a sustainable and self-sufficient municipality, enabling people to live, work and play in close proximity. The Mixed Use Zone and Commercial 1 Zone provide for housing alongside commercial land uses. Yarra has experienced significant residential development in both these zones, particularly within its activity centres.
- Yarra does not support a blanket approach to introducing residential uses across commercial-only employment areas (e.g. Commercial 2 Zones, Industrial zones).
- While mixed-use outcomes are often desirable, employment precincts serve important economic functions and frequently require separation from sensitive residential uses.
- Potential issues include:
 - Noise and odour conflicts;
 - Operating hour restrictions;
 - Servicing and freight impacts;
 - Industrial and commercial amenity impacts;
 - Land contamination considerations.
- Once employment land transitions to residential use, it is rarely recovered for future economic activity – this would be in direct conflict with Yarra's adopted *Spatial Economic and Employment Strategy 2025* to retain our commercial land.

- Ensuring a balance between housing and employment creates vibrant and diverse cities and allowing them to withstand and adjust to changes more sustainably.
- Planning policy should continue to recognise the importance of protecting strategically significant employment areas while facilitating housing in appropriate locations.

Reform direction 2.5: review, reduce and remove land use controls

- Yarra's planning scheme already provides substantial capacity for additional housing.
- Evidence prepared through recent strategic planning work and amendments, specifically through the Standing Advisory Committee Hearing for Amendment C271yara, demonstrates that existing planning controls provide opportunities for significant future growth.
- Planning permits issued through accelerated or alternative pathways such as the Victorian State Government's Development Facilitation Program demonstrate that planning capacity and scheme requirements allow for the delivery of housing. The issue is that most of these approvals have not proceeded to construction.
- The Commission should therefore exercise caution in assuming that further deregulation of planning controls will result in materially higher rates of housing delivery.

Reform direction 2.6: relax built form controls

- The removal of standards relating to dwelling amenity, including apartment sizes, balcony provision and storage requirements, should not be assumed to increase housing supply or housing affordability.
- These standards play an important role in ensuring housing quality and long-term liveability.
- There is limited evidence that reducing these requirements would materially improve development feasibility let alone lead to significant increases in housing delivery.
- Housing supply reforms should seek to balance quantity and quality objectives rather than treating them as competing priorities.

Reform direction 4.3: ensure developer contributions reflect infrastructure costs

- Yarra supports the principle that growth-related infrastructure should be appropriately funded.
- The Inquiry identifies circumstances where broader taxation mechanisms may be more appropriate than developer contributions where a direct nexus cannot be established.
- Local governments face significant limitations in funding major infrastructure through rates revenue alone. Alternative funding mechanisms, including direct government investment and grant programs, remain essential for delivering infrastructure required to support continued housing growth.
- Under current regimes, the contributions often do not cover the likely cost of infrastructure delivery that is necessary.

Reform direction 4.4: enhance developer contributions frameworks

- Yarra does not support reforms that would routinely defer infrastructure contributions until after development has commenced or residents have occupied dwellings.
- Residents require access to infrastructure from the point of occupation, and infrastructure delivery should not lag significantly behind population growth.
- A more effective approach would be to enable earlier infrastructure delivery through:
 - Commonwealth funding mechanisms.
 - State government infrastructure partnerships.
 - Infrastructure financing arrangements that support upfront delivery.
- Such approaches would better align housing growth objectives with community infrastructure needs and improve the liveability of growing communities.

Conclusion

Yarra City Council supports reforms that increase housing supply and improve affordability. However, the Inquiry's interim findings place undue emphasis on planning controls, particularly heritage overlays, as barriers to housing delivery.

Yarra's experience demonstrates that:

- Significant planning capacity already exists.
- Heritage protection and housing growth can successfully coexist. Heritage places provide a range of benefits and are a key drawcard for community and placemaking.

- Housing delivery is more strongly influenced by feasibility and market conditions than planning controls.
- Employment land protection is vital to long-term economic productivity and to creating vibrant, attractive cities.
- Infrastructure provision must be integrated with housing growth so that our communities are supported and can thrive.

The Productivity Commission should therefore focus on reforms that address genuine barriers to housing delivery while retaining appropriate heritage protections, preserving strategic employment land and ensuring infrastructure keeps pace with growth.