

Legislative Council Select Committee on Victoria Planning Provisions Amendments VC257, VC267 and VC274

Property Council of Australia submission

24 April 2025

Foreword

As a signatory to the Victorian Government's Housing Statement and key contributor to the recently released *Plan for Victoria*, the Property Council of Australia welcomes the opportunity to provide feedback to the Legislative Council Select Committee on Victoria Planning Provisions Amendments VC257, VC267 and VC274.

The Property Council's submission confirms that the industry, while dealing with significant taxation and economic challenges, requires the expedited planning outcomes all three planning scheme amendments enable. These will help to provide greater speed and certainty for planning outcomes, which supports the required level of investment needed to meet Victoria's housing needs. It is our view that the planning scheme amendments are a legitimate and appropriate response to a housing crisis that contribute to the objectives of the *Planning and Environment Act*.

Our submission will briefly explain our position on each amendment and provide context on the overall planning environment to inform the committee's recommendations and the overall direction of future necessary planning changes.

About the Property Council of Australia

The Property Council is the leading advocate for Australia's property industry, an industry that accounts for 13 per cent (\$202.9 billion) of Australia's GDP, and the largest Australian employer, contributing to over 1.4 million employees.

In Victoria, property contributes \$58.1 billion to Gross State Product, making up to 12.1 per cent of the Victorian economy. It employs one in four working Victorians, employing more than 393,000 people directly and supporting more than 516,000 workers in related fields. It pays 62 per cent, or \$23.6 billion, in tax revenue, and generates approximately 29.8 per cent of wages and salaries paid to Victorian workers.¹

Our members develop, invest in, design, build and manage the places that matter most to Australians – our homes, shopping centres, office buildings, industrial areas, retirement villages, education, research and health precincts, tourism, and hospitality venues and more.

As the most significant sector in the state economy, Victoria's property industry offers the greatest potential for economic growth and social impact. The property industry develops our most liveable communities and builds sustainable homes for families of all shapes and sizes to live in. It creates world-leading precincts, redefines the way we work, and keeps the state moving through innovative logistics hubs and future-focused transport infrastructure.

¹ AEC Group, 'Economic Significance of the Property Industry in the Victorian Economy' (2023).

The strength of Victoria's property industry will be crucial in the years ahead to ensure that our economy, cities, and communities grow and thrive, supporting our state's economic aspirations as well as addressing the growing issue of housing availability and affordability. Victoria faces significant economic challenges and has the chance to capitalise on future-defining fiscal opportunities as it continues to emerge from the global pandemic.

Key to meeting these challenges and opportunities is ensuring that Victoria remains an attractive place to live and to do business. In an increasingly competitive national and international environment, Victoria must be prepared to kickstart a conversation about broad state taxation reform and the opportunities that will arise, to be proactively positioned for growth.



Cath Evans
Victorian Executive Director
Property Council of Australia

Summary: Housing Supply in Victoria

In September 2023, the government released *Victoria's Housing Statement: The Decade Ahead 2024-2034*, setting an ambitious target of delivering 800,000 homes across the state over the next decade. As a signatory of this initiative, the Property Council supports the vision for increasing housing supply and improving affordability.

To further this vision, the government also introduced formal housing targets for local councils, providing municipal requirements that facilitate the statewide construction of 2.24 million new homes by 2051. We welcome these targets which acknowledge that housing growth is required in all parts of the state.

However, despite these commitments, Victoria is on track to fall well short of its housing targets, delivering just over 60,000 new homes in the 12 months to December 2024 – nearly 20,000 homes below the government’s annual target.² This shortfall is contributing to record levels of housing unaffordability in Victoria, with a median income household able to afford just 12 per cent of homes sold in the 2023-24 financial year.³

The shortfall of homes doesn’t just apply to Greater Melbourne. In Greater Bendigo, weekly median rental prices rose by 44 per cent in the five years to September 2024, with Ballarat and greater Geelong recording increases of 31 per cent and 30 per cent respectively over the same period. These figures underscore the impact that reduced supply is having on affordability in key regional cities.⁴

Unlocking the potential for new homes requires strong collaboration between the government and the private sector to overcome key barriers to development. High interest rates, rising construction costs, excessive red tape, state government taxes, stalling precinct processes and planning inefficiencies are all severely limiting the private sector’s ability to deliver new housing.

The Need for Planning Reform in Victoria

Victoria’s planning system has needed modernisation for many years. In her report *Turning best practice into common practice*, released in 2021, the then Commissioner for Better Regulation, Anna Cronin, stated:

“...planning approvals processes have become more complex with many decision-makers and decision points, some of them repetitive or no longer necessary. This has resulted in concerns about delays and the quality of decisions.

“For applicants, (individuals, families or developers) time is money. The harder it is to navigate the system, the more costs are incurred at the expense of efficiency and the system’s overall effectiveness.

“...there is scope for immediate improvement in how we assess and approve land use and development proposals and scope for more fundamental improvements in the medium term.”

“Promoting better and faster approvals processes will not only bring forward residential, commercial and industrial construction but also dwelling occupation, delivering economic

² [Building Activity, Australia, September 2024 | Australian Bureau of Statistics](#) (see TABLE 38. Number of Dwelling Unit Completions by Sector, States and Territories)

³ [PropTrack-Housing-Affordability-Report-August-2024.pdf](#)

⁴ [Department of Families Fairness and Housing Victoria | Rental report](#) (see ‘Quarterly median rent by local government area – September quarter 2024 (Excel)’)

benefits associated with household expenditure for goods and services and increased employment.”

The Property Council has long advocated for planning system reform and modernisation. In our 2022 Victorian election platform, we called for a range of policy reforms including the adoption of code-based assessment, the introduction of local housing targets and bolstering the resources of key decision makers such as VCAT, Melbourne Water and the Victorian Planning Authority.

In 2023, the Victorian Government released its Housing Statement, which pleasingly picked up many of our policy recommendations on planning reform, as well as key items from Ms Cronin’s 2021 report in the ‘*Good decisions, made faster*’ category of actions.

From that point on, the Property Council has participated in formal consultation processes and made written submissions to the Victorian Government on both the activity centres and townhouse and low-rise code initiatives, as well as the recently released *Plan for Victoria*.

Our positions are informed by ongoing industry feedback about the need to reduce risk and uncertainty during the planning process for landowners and developers, in order to attract the level of investment required to meet the state’s broader housing needs.

Planning and Environment Act objectives, and relation to the housing crisis

We acknowledge the committee’s terms of reference specifically inquire as to whether the three planning scheme amendments “give property effect to the objectives of planning in Victoria, and the objectives of the planning framework, as set out in section 4 of the *Planning and Environment Act 1987*”. Those objectives of planning are stated as:

- to provide for the fair, orderly, economic and sustainable use, and development of land;
- to provide for the protection of natural and man-made resources and the maintenance of ecological processes and genetic diversity;
- to secure a pleasant, efficient and safe working, living and recreational environment for all Victorians and visitors to Victoria;
- to conserve and enhance those buildings, areas or other places which are of scientific, aesthetic, architectural or historical interest, or otherwise of special cultural value;
- to protect public utilities and other assets and enable the orderly provision and co-ordination of public utilities and other facilities for the benefit of the community;
- to facilitate development in accordance with the objectives set out [above];
- to facilitate the provision of affordable housing in Victoria;
- to balance the present and future interests of all Victorians.

Objectives of the planning framework include:

- to ensure sound, strategic planning and co-ordinated action at State, regional and municipal levels;
- to establish a system of planning schemes based on municipal districts to be the principal way of setting out objectives, policies and controls for the use, development and protection of land;

- to facilitate development which achieves the objectives of planning in Victoria and planning objectives set up in planning schemes;
- to encourage the achievement of planning objectives through positive actions by responsible authorities and planning authorities;
- to establish a clear procedure for amending planning schemes, with appropriate public participation in decision making;
- to ensure that those affected by proposals for the use, development or protection of land or changes in planning policy or requirements receive appropriate notice;
- to provide an accessible process for just and timely review of decisions without unnecessary formality.

The objective we focus on for the purposes of our submission is “balancing the present and future interests of all Victorians”, in the context of a generational housing crisis that cannot be solved by a ‘business as usual’ approach to planning systems or planning decisions.

As previously stated, Victoria needs 20,000 homes extra per year based on current dwelling completion levels, while the length of time needed to save for a deposit on a home takes more than a decade on average, and the number of Victorians – owners and renters – in housing stress increases.

Planning reform that meets the needs of current and future Victorians has been and must continue to be focused on how to deliver a greater number of new homes, while maintaining appropriate rights of appeal and local consultation for applications outside approved codes and standards.

VC257 – Activity Centres

The VC257 amendment introduces the Housing Choice and Transport Zone (HCTZ) at Clause 32.10 and the Built Form Overlay (BFO) at Clause 43.06 of the VPP to “support the development of additional housing in and around activity centres and other well-serviced locations”.

The activity centres program was initially announced as part of the Victorian Government’s Housing Statement in September 2023, with 10 pilot sites announced across metropolitan Melbourne. Two rounds of stakeholder consultation took place, and the Property Council participated in each, including providing a comprehensive submission to the Department of Transport and Planning in September 2024. We gave substantial feedback on the proposed planning tools, requirements and policies outlined across the ten draft plans, which was considered as part of the consultation process. We have included that submission as an appendix.

We observe that significant changes were made between the draft plans for the 10 pilot sites and what was formalised in February 2025, which we understand was in response to a wide range of stakeholder and community feedback.

Conceptually, the Property Council supports the development of activity centres as a strategic initiative to enhance urban growth, promote sustainable development and foster economic vitality across Melbourne. We recognise the importance of well-designed, accessible and vibrant activity centres in delivering key and affordable housing options, diverse employment

opportunities and improved community outcomes, which better maximise the capacity of existing social and transport infrastructure.

Initiatives designed to provide more housing in locations which have existing services are to be encouraged and are especially important during a time where there is a housing shortage and budget constraints which will limit state infrastructure delivery.

At the same time, we acknowledge the activity centres program needs to carefully balance the needs of existing communities. We also observe that the first 10 activity centre plans are light on detail about the non-housing growth required within each centre, such as longer-term social and community infrastructure requirements including catering for increased vehicular and pedestrian traffic, plus local employment opportunities through commercial and retail development.

Given the difficulty in the economic environment in Victoria, the overwhelming feedback from developer members is that feasibility of projects within activity centre sites will remain enormously challenged over the medium term, unless substantive tax relief is offered. However, when feasibility becomes more possible the provisions within the activity centre planning controls do create further opportunity for the desired higher density development that maximises existing transport infrastructure.

A broad change to the VPP was in our view the best instrument to implement a consistent framework for activity centres in metropolitan Melbourne. Council-led efforts to implement activity centre frameworks in strategic locations have been very mixed, with a mixture of excellent sub-par outcomes, while other attempted plans were ultimately abandoned. This highlighted the need for a new approach to activity centre planning.

The new HCTZ is for the time being a zone that can only be applied within defined activity centres, with another 50 activity centre plans set to be finalised over the next 12 to 18 months. The Property Council notes that while the HCTZ framework is broadly positive, it may lead to increased complexity in the system in the short-term with new zones and overlays needing to be prepared. Our preferred view would be for broader consistency to apply across the planning framework rather than bespoke new controls for each circumstance.

The BFO has not yet been specifically applied within the centres and as such the unintended consequences cannot be known yet. There is an extensive list of both mandatory and optional matters left to be specified in a schedule to the overlay. Therefore, we will need more time and data before the full impact of the BFO can be considered.

VC267 – Townhouse and Low-Rise Code

Amendment VC267 implements new residential development planning assessment provisions to boost housing construction, known as the new townhouse and low-rise code.

The Property Council believes the new code is a significant enhancement for future housing delivery in that it promotes quality, protects liveability and makes more efficient use of underutilised land. This approach promises to reduce average permit assessment times provided projects meet specific criteria such as setbacks, open space, and sustainability measures. The code's emphasis on sustainability, internal amenity, and landscaping aligns with

the industry's goals of delivering high-quality housing. The streamlined process is expected to support developers and landowners to consider undertaking infill projects.

Through industry representatives, the Property Council participated in technical workshops and provided written feedback to inform the development of the new code.

We consider the code to be a positive step that supports the intent of Victoria's planning system while responding to the urgent need for housing supply and affordability for the following reasons:

- **Supports sustainable and efficient development:** the code enables more efficient use of underutilised land in established areas by streamlining the planning process for compliant developments. This delivers faster approvals, reduces holding costs, and helps support growth in established areas, contributing to sustainable and orderly development outcomes.
- **Drives greater housing diversity and affordability:** by reducing red tape for medium-density typologies such as townhouses and low-rise apartments in well-located areas, the code supports increasing housing choice and improves affordability. It directly supports objectives in Clause 16 of the Planning Policy Framework, encouraging more homes in established areas.
- **Lifts quality without compromising feasibility:** importantly, the code embeds sensible standards for internal amenity, landscaping, and sustainability, ensuring new homes meet the expectations of residents and the broader community. These measures improve liveability without introducing onerous or unclear requirements that would undermine development viability.
- **Delivers much-needed clarity and consistency:** one of the industry's key concerns has been the uncertainty caused by discretionary assessment pathways. The code addresses this by providing objective, measurable criteria that improve transparency for applicants, councils, and communities, reducing the risk of delay and dispute.
- **Aligns with government strategy but is grounded in delivery:** while the Code reflects the aims of the Planning Scheme, Plan for Victoria and the Victorian Housing Statement, it provides the potential to enable on-the-ground delivery more efficiently by making it easier to deliver more homes in established areas sooner.

While the code aims to expedite approvals, local councils can still impose additional rules, such as heritage overlays, which might slow down the process. This could lead to inconsistencies and delays, undermining the code's objective of reducing red tape.

The Property Council is aware of some council and community concerns regarding the removal of third-party appeal rights for developments that comply with the code and that it strips communities of their rights to challenge developments that may not align with local character. We submit that the code embeds sensible standards for internal amenity, landscaping, and sustainability, ensuring new homes meet the expectations of residents and the broader community, and that there are other planning mechanisms that can protect areas with a recognised special character.

The inclusion of clear 'deemed to comply' standards in the code (also a part of the activity centres program) has been a long-time priority for the property industry. This code provides a 'deemed to comply' pathway for residential developments (typically 2-3 storeys and on land greater than 600sqm) where certain standards of Clause 55 are met in full (e.g. street setback, site coverage, private open space). If the proposal meets all the "deemed-to-comply" standards without variation, it can avoid public notice, third-party appeal rights, and VCAT hearings. In this case, permit applications must be decided within 60 days.

Developers going beyond the deemed-to-comply envelope subject themselves to full appeal rights. Clause 55 still forms the foundation of medium-density residential development in Victoria. The Code is essentially a parallel assessment tool: if you meet the Code, you can enter the fast track, whereas if you don't you will be assessed under Clause 55, including discretion and public notice.

The Property Council supports these exemptions as they will remove vexatious objections and appeal rights but preserves legitimate rights. This will provide for a more streamlined process and encourages developers to comply with the code. Victoria has traditionally had a far more expansive set of third-party appeal rights compared to other jurisdictions, which has created too many opportunities for third parties to use tribunals to stall developments even when they meet all local planning requirements. This compares to a jurisdiction like Western Australia where there are traditionally no third-party appeal rights, and reviews are carried out by an independent body instead.

The financial implications of managing vexatious third-party appeals means developers can often incur tens – and sometimes hundreds – of thousands of dollars in associated costs, which disincentivises the development of new homes. The new code provides extra certainty that code compliant developments will always proceed.

The Property Council firmly believes not only was the code required but it had to be delivered on a statewide scale to ensure consistency in its application. There will need to be further planning changes to ensure inadvertent conflict between state and local planning schemes is avoided. In the planning industry, proposals that comply with codes have faced rejection on neighbourhood character grounds due to the subjective nature of character assessments. The Property Council suggests that further changes to planning schemes may need to be made to ensure removal of conflicting policies such as policies relating to neighbourhood character, to reduce ambiguity and make it easier for responsible authorities and applicants to understand and comply with the requirements.

While we strongly support the code, we note that the retention of a Garden Area Requirement (GAR) continues to hinder development feasibility and undermines some of the benefits of a new 'deemed to comply' system.

The GAR which mandates that a certain percentage of the site must be allocated as garden space, can limit the overall site coverage. For example, in the General Residential Zone (GRZ), lots exceeding 650 sqm must have 35 per cent of the site as garden area. This can restrict the ability to achieve higher site coverage, such as the desired 65 per cent.

While the garden area requirements aim to enhance green space and liveability, they can also add complexity to the planning and approval process. Ensuring compliance with these

requirements can impose design constraints, particularly on smaller lots. Developers may find it challenging to balance the need for sufficient garden space with other design elements like building footprint, parking, and amenities.

The amendment ought to consider how the code applies on sites that continue to be impacted by garden area requirements and the Property Council submits that garden area mandatory requirements should be removed altogether. Open space, permeability and site coverage, along with setback requirements sufficiently allow for the principles of providing for garden areas.

VC274 – Precinct Zone

VC274 is the amendment that introduces the Precinct Zone (PRZ) at Clause 37.10 of the VPP. The PRZ is a special purpose zone that provides a framework for the implementation of strategic work (such as structure plans) in priority precincts. These are zones that we expect to roll out across the Suburban Rail Loop East station precincts (noting structure plans are currently under development), and across other identified priority precincts.

Victoria has had a number of defined priority precincts, which have been reaffirmed in the state's most recent strategic plan, *Plan for Victoria*. These precincts largely focus on existing metropolitan areas where large-scale urban renewal can be accommodated, including the creation of new housing and employment land. Current priority precincts are Arden, Docklands, East Werribee, Fishermans Bend, Footscray, Parkville, Sunshine and the Richmond to Flinders Street corridor.

The Property Council has been a long-term active supporter of a statewide precincts agenda. In our 2020 report *Principles of Successful Precincts*, we advocated that precincts should have a planning framework that “enables good development and good design” and “maximises the positive outcomes for the State in terms of social amenity but also, importantly, economic development”. While ideally retaining a form of flexibility that enables bespoke precinct identities to be fostered, precinct planning should contain differences from everyday planning processes that recognises both scale and statewide economic importance.

In our view, the creation of the new PRZ does conceptually enable this, with its streamlined planning assessment processes that provide for a consistent planning framework, helping to attract the required level of investment needed to generate urban renewal outcomes. Its application remains to be tested, but the Property Council believes that the PRZ should retain sufficient flexibility for development in a variety of property sectors and types of residential redevelopment to cater for future market trends.

Similar to activity centres, there's no detail within this amendment yet on how to adequately address other social infrastructure requirements that will be required if resident populations increase in these zones, such as schools, parklands and medical facilities, that will be crucial to their success.

Other comments on housing supply

The Property Council has been highly engaged with Victorian Government ministers and senior representatives through the current term of government to discuss solutions to the delivery of new homes in Victoria, across all segments of the market.

While we again reaffirm that the planning changes made including the three PSAs subject to this inquiry are broadly beneficial for the industry, the more significant barrier to industry delivery is the volume and complexity of Victoria's property taxes. Several new taxes have been introduced in recent years that impact both land and housing development, including windfall gains tax, vacant residential land tax (including its impending application on vacant undeveloped residential land), foreign purchaser additional duty, absentee owner surcharge and the additional Covid land tax levy in place until 2033.

The Property Council has put forward a range of suggested and informed solutions to the Victorian Government for the upcoming 2025-26 Victorian Budget to support the industry to deliver an increased volume of quality new homes, including:

- **Extending off-the-plan stamp duty concessions:** These concessions are critical to reviving Victoria's apartment and townhouse markets by providing developers with the certainty they need to initiate new projects.
- **Boosting the First Homeowner Grant:** A temporary but targeted increase to the grant will help more Victorians realise their homeownership dreams while driving demand in growth areas and unlocking housing supply.
- **Reforming the foreign investor surcharges:** These taxes have made Victoria uncompetitive, deterring international capital that is essential for housing supply, including build-to-rent, student accommodation, and retirement living projects.
- **Providing relief for developers building housing at scale:** Reforms to the Windfall Gains Tax and Vacant Residential Land Tax are necessary to remove financial barriers that are delaying housing delivery and driving up costs, with deeper relief to be made available for developers delivering a quantum of affordable housing.
- **Implementing Special Economic Zones:** Combining tax incentives and streamlined planning processes, these zones would unlock development in key metropolitan and regional precincts, maximising the impact of upcoming planning initiatives.
- **Introducing tax incentives for active development projects:** Providing targeted land tax exemptions and other incentives during the active development phase would bridge the feasibility gap and encourage higher-density residential projects.