

# Inquiry into the supply of homes in regional Victoria

MAV sector submission – April 2025



No one understands the challenges and opportunities facing Victoria in the 21st century better than local councils. From rapidly evolving technology to social changes, shifting economies to environmental pressures, our local communities and the governments that represent them—are at the forefront of multiple transformations happening simultaneously.

As the peak body for the Victorian local government sector, the Municipal Association of Victoria (MAV) offers councils a one-stop shop of services and support to help them serve their communities.



## **ACKNOWLEDGEMENT OF COUNTRY**

We acknowledge the traditional custodians of the land on which we live. We recognise their continuing connection to land, waters and culture and pay our respects to their Elders past, present and emerging.

## **DISCLAIMER AND COPYRIGHT**

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## Table of contents

1	<i>Executive Summary</i> .....	3
	<i>MAV's role</i> .....	3
	<i>Recommendations table</i> .....	5
2	<i>Introduction – on the housing spectrum</i> .....	8
	<i>MAV's local government and homelessness project</i> .....	9
3	<i>Supplying homes in regional Victoria</i> .....	11
	<i>Barriers to regional housing supply</i> .....	11
4	<i>Emerging challenges in regional planning</i> .....	14
5	<i>Local innovations to boost housing supply</i> .....	18
	<i>Local Government's Housing Innovation Program</i> .....	18
6	<i>Conclusions</i> .....	19
7	<i>Attachments</i> .....	20

# 1 Executive Summary

Local government stands ready to help deliver the homes all Victorians need.

The Municipal Association of Victoria (MAV) welcomes this opportunity to provide advice to the Legislative Assembly Environment and Planning Committee on overcoming barriers to delivering more homes in regional Victoria.

This submission expands on the MAV's ongoing work and leadership in housing policy and delivery, including but not limited to:

- MAV's homelessness project
- advocacy related to ongoing reforms to the Victorian planning system to unlock the supply of new homes
- reforms to infrastructure contributions
- housing innovation in local government

## MAV's role

The MAV is the legislated peak body for Victoria's 79 councils. We support our member councils and advocate on their behalf. Our policies are formed by those councils working together, drawing on research and thought leadership from across the sector, academia and civil society.

We know that many parts of rural and regional Victoria face a shortage in the supply of housing. From limited infrastructure, poor quality existing housing stock, to excess demand in high-amenity areas and a lack of competitive private development markets, the challenges to overcome the housing shortage are steep for rural and regional communities and their councils.

In response, rural and regional councils have taken innovative steps—such as partnering with not-for-profits and community housing providers, improving planning and business processes improvement, land swaps, or even acting as developers themselves—to meet local housing needs. However, due to limited financial and personnel resources, it is not feasible to expect all councils to take on expansive roles beyond their core service provision to their community.

Targeted models and support mechanisms are needed to help rural and regional local government play an active role in housing delivery where appropriate – the MAV submission seeks to outline recommendations to this effect.

The MAV understands that local governments from across rural and regional Victoria have already submitted and presented to this inquiry. We commend their research work and submissions to you.

## Background work of the MAV

Four papers commissioned or published recently by the MAV will also be directly relevant to the work of your inquiry:

1. Following the release of the Victorian Government's Housing Statement in September 2023, the MAV formed a Housing Taskforce consisting of CEOs from across a diverse range of Victorian councils as well as industry thought leaders.

The Taskforce commissioned research and made [a submission](#) to the *Plan for Victoria* process. This commissioned research – attached to that submission – considers questions of housing affordability and supply in Victoria, the role of housing capacity targets, the mismatch between infrastructure delivery, services and housing growth, the role of local government planning in delivering housing supply, housing diversity and quality.

2. In December 2023, SGS Economics & Planning published a discussion paper commissioned by the MAV: [Shaping regional and rural Victoria: A Discussion Paper](#). The paper sought to influence the development of *Plan for Victoria*. It identifies regional and rural planning challenges and proposes planning and infrastructure reforms to ensure that regional housing growth occurs within a clearly understood strategy, considers rural and agricultural economic activities, produces housing diversity, affordability and sustainable neighbourhoods, and matches infrastructure with growth.
3. The MAV will soon publish a local government sector submission: *Reforming Victoria's Planning System*. While the barriers to housing supply in Regional Victoria go well beyond planning rules and processes, to the extent that planning is relevant to questions of supply and affordability, this sector submission will make recommendations about how to overcome them.
4. The MAV has engaged expertise to assist with local government-led action to end homelessness. The first phase of work was to identify the issues councils are experiencing with local homelessness, and consider solutions to address them.

The MAV will soon publish this report which will explain the opportunities for local government to end homelessness, and outline key findings relating to local government's role, responsibilities and responses to rising homelessness in Victoria. Including the acute homelessness issues in the regions.

A copy of this report can be made available upon request when the report is published by the MAV.

The MAV has prepared and presented to government on a number of other related inquiries and consultations that we consider interact with this inquiry:

- [MAV submission to the National Housing and Homelessness Plan Issues Paper \(2023\)](#)
- [MAV submission to the Inquiry into the rental and housing affordability crisis in Victoria \(2023\)](#)
- [MAV submission to the Parliamentary inquiry into housing affordability and supply \(2021\)](#)

## Recommendations table

The MAV sector submission does not seek to duplicate the local government sector’s submissions to the inquiry already, nor respond to their specific local issues. Rather, this submission outlines the MAV’s policy work relating to housing and local government, specifically planning system and related infrastructure contributions reforms, as well as homelessness. The submission makes 17 recommendations to the inquiry:

Recommendations	
1	<p><b>Maintain and expand investment in social and affordable housing</b></p> <p><i>Continue and increase targeted investment in social and affordable housing across regional and rural Victoria to ensure the availability of secure, long-term housing options and reduce housing stress among vulnerable populations.</i></p>
2	<p><b>Introduce mandatory inclusionary zoning</b></p> <p><i>Implement mandatory inclusionary zoning provisions to require a consistent proportion of social and affordable housing in all new residential developments and precincts, ensuring an ongoing and predictable supply.</i></p>
3	<p><b>Amend the definitions of affordable and social housing in legislation</b></p> <p><i>Update the definition of affordable housing and social housing in the Planning and Environment Act 1987 to better reflect income-based needs and housing costs in different geographic contexts, supported by amended head powers to strengthen implementation at the local level</i></p>
4	<p><b>Embed housing capacity targets within broader strategic frameworks</b></p> <p><i>Ensure that housing capacity targets are implemented as part of integrated, long-term planning solutions that address infrastructure, workforce, and housing diversity—not as stand-alone measures.</i></p>
5	<p><b>Improve the economic viability of regional housing development</b></p> <p><i>Introduce financial incentives or subsidies to offset the lower commercial returns of regional housing projects compared to metropolitan areas, encouraging private sector investment.</i></p>
6	<p><b>Invest in enabling infrastructure for regional growth</b></p> <p><i>Increase state and federal investment in critical enabling infrastructure (e.g. roads, water, sewer, power) to unlock housing supply in regional areas. Strengthen the capacity of infrastructure-delivering authorities—both state and local—to plan, coordinate, and deliver infrastructure efficiently.</i></p>
7	<p><b>Sustain and expand support for regional planning capacity</b></p> <p><i>Continue to fund and strengthen the Regional Planning Hubs Program, and expand partnerships with the MAV to explore further programs that support the planning capability of rural and regional councils.</i></p>
8	<p><b>Introduce statewide legislation to regulate Short-Stay Accommodation</b></p> <p><i>Implement more consistent and enforceable statewide legislation around short-stay accommodation (e.g. Airbnb) to reduce housing stress and</i></p>

	<p>amenity impacts in high-pressure markets.</p> <p>Introduce a mandatory, state-wide tracking system to monitor the location and density of short-term rentals</p> <p>Consider introducing limits on the number of days a property can be used for short-stay purposes in areas with identified housing shortages.</p>
9	<p><b>Link Short-Stay Levy revenue to local investment</b></p> <p>Establish a clear and transparent link between revenue collected through the short-stay levy and reinvestment into the same local government areas and regions where it was generated, ensuring affected communities benefit directly</p>
10	<p><b>Modernise Regional Growth Plans</b></p> <p>Refresh and modernise regionally focused planning frameworks to replace the soon-to-be-retired Regional Growth Plans. These should be updated regularly and embedded in the planning system to reflect the unique economic, environmental, and social dynamics of each region.</p>
11	<p><b>Establish a systemic approach to regional planning</b></p> <p>Commit to a structured, long-term approach to regional planning that integrates land use, housing, infrastructure, and economic development, and supports evidence-based decision-making at both state and local levels.</p>
12	<p><b>Embed regional data collection and demand forecasting in planning processes</b></p> <p>Develop and maintain robust regional data systems that track housing demand and supply, population changes, and infrastructure needs to guide more responsive and accurate planning decisions.</p>
13	<p><b>Tailor planning system reforms to regional contexts</b></p> <p>Ensure that any new residential planning pathways—such as the Townhouse and Low-Rise Code—are adapted to suit regional, peri-urban, and growth area contexts, rather than applying metropolitan models uniformly across all areas.</p>
14	<p><b>Conduct regulatory impact assessments for regional areas</b></p> <p>Prior to implementing planning reforms, undertake comprehensive regulatory impact assessments to evaluate their potential effects on regional councils, communities, and housing outcomes.</p>
15	<p><b>Include regional voices in planning system reform processes</b></p> <p>Actively involve rural and regional councils in the design and consultation phases of planning system reforms to ensure local expertise and community needs are incorporated.</p>
16	<p><b>Preserve council autonomy in contributions collections</b></p> <p>Ensure councils retain autonomy over their contributions plans and infrastructure delivery to support financial sustainability and the provision of essential community services—particularly for rural councils, which may be disproportionately affected by centralisation.</p>
17	<p><b>Hypothecate developer contributions to local areas</b></p> <p>Any simplified contributions system must guarantee that developer contributions are transparently and adequately returned to the councils and communities where development occurs, to support population growth.</p>
18	<p><b>Maintain council authority to negotiate Works in Kind (WIK)</b></p> <p>Councils must continue to be empowered to negotiate WIK agreements with developers. These agreements are critical tools for enabling strategic</p>

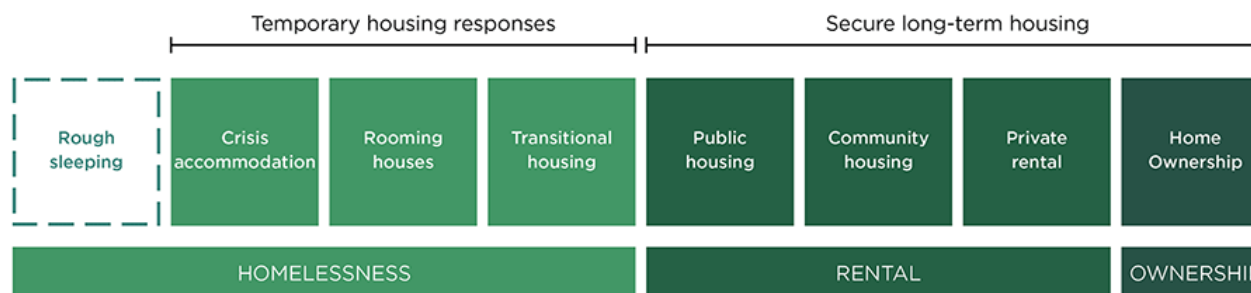
	<i>development sequencing and delivering community infrastructure, including sporting and recreational facilities.</i>
19	<p><b>Support Development in Rural and Regional Areas</b>  <i>The new system should actively incentivise and facilitate development in rural and regional communities. This includes ensuring rural councils retain flexibility in negotiating WIKs and shaping infrastructure delivery to meet local conditions.</i></p>
20	<p><b>Design reforms to reflect diverse local contexts</b>  <i>Infrastructure contributions reform should be flexible and responsive to Victoria’s varied development environments. A flat-rate or ‘one size fits all’ model risks undermining both council planning and local developer viability.</i></p>
21	<p><b>Ensure transparency and certainty for industry</b>  <i>Reforms must deliver a consistent, transparent, and predictable contributions system to support developer confidence and promote continued investment across all regions.</i></p>
22	<p><b>Identify, amplify and support local government housing innovation</b>  <i>Adopt and enable place-based approaches to housing and infrastructure delivery by supporting locally driven innovations and partnerships. The Victorian Government should remain responsive and flexible in backing council-led solutions that address specific regional and community needs.</i></p>
23	<p><b>Support the statewide rollout of the MAV’s Local Government Housing Innovation Program,</b>  <i>Support the statewide rollout of the MAV’s Local Government Housing Innovation Program, in partnership with the Victorian Government, to equip councils—particularly rural and regional councils—with practical tools, training, and strategies to address local housing challenges. Prioritise implementation in areas with limited resources to maximise early impact and share learnings across all municipalities.</i></p>



## 2 Introduction – on the housing spectrum

Safe and secure housing for all Victorians is a shared area of concern at all levels of government. The current crisis of access to secure and affordable housing options across the spectrum of housing is of paramount concern for all levels of government.

### *The Housing Spectrum:*



Source: City of Melbourne's Homelessness Strategy 2024-30, p22

Victorian local government has long raised concerns about the function and delivery mechanisms of our homelessness and housing systems. The MAV's State Council—comprised of representatives from all 79 Victorian councils—formally resolved to advocate for improvements to the homelessness service system. The State Council has for years called for stronger planning provisions to mandate social and affordable homes in new development.

The coordination between all levels of government plays a critical role in shaping what types of housing are delivered, and where. Limited availability of secure, long-term housing increases the number of people seeking crisis accommodation or, in the worst cases, resorting to rough sleeping. Increasing access to affordable rental homes or home ownership reduces demand for government-funded social housing.

As a start, introducing mandatory inclusionary zoning would help ensure a consistent pipeline of social and affordable housing as new developments are approved. In addition, amending the definition of affordable and social housing in the *Planning and Environment Act 1987*, with amended head provision powers, would provide a more accurate reflection of the needs of people on low incomes in different locations.

The recently released *Plan for Victoria* committed to further reviews of the legislative framework and exploring specific targets for social and affordable housing in precincts, and but was silent on what this would look like in regional Victoria.

## MAV's local government and homelessness project

In late 2024, the MAV conducted a statewide survey of Victorian councils to better understand local homelessness issues. 71 out of 79 councils (90%) responded, highlighting just how pressing this issue is at the local level. This strong response underscores the critical role councils can play in informing future policy responses that support Victorians in need of safe and secure housing.

The survey identified that councils across Victoria are experiencing the impacts of the growing shortage of affordable housing and rising levels of homelessness in their communities. Homelessness and unaffordable housing affects not only those directly experiencing it, but also the broader community in significant ways. These challenges are particularly acute in rural and regional areas. The local government areas of Swan Hill, Mildura, and Greater Shepparton report some of the highest rates of homelessness and overcrowded housing in Victoria.

The issues councils face are complex. Councils are often the first point of contact for community members seeking help, especially when people are rough sleeping in public spaces. Local governments are also among the first to identify emerging at-risk groups. Many councils are now seeing more individuals and families living in cars, camping in public spaces, or occupying vacant buildings – all signs of worsening housing stress.

While responsibility for homelessness and the bulk of service funding sits with federal and state governments, the delivery of new homes through planning and infrastructure investment is shared between all levels of government.

In Victoria, and particularly regional areas, a severe social housing shortage is occurring. The demand for social housing significantly exceeds the supply, despite the welcome investment of the Victorian Government's Big Housing Build. The waiting list for social housing in Victoria remains over 65,000 and wait times have increased considerably. A 2021 report prepared by SGS Economics and Planning for Rural Councils Victoria identified that that rural Victoria will need 87,400 new dwellings over the next 15 years to meet current market-rate housing demand<sup>1</sup>.

This diversity in both the causes of housing insecurity, unaffordability and homelessness and the communities affected reinforces the importance of tailored, place-based responses.

How local and state service systems, and systems of housing and wrap-around infrastructure coordinate and respond can significantly influence how people access housing.

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<sup>1</sup> SGS Economics and Planning (2021) Rural Victoria Housing Blueprint, accessed 12 April 2025, <https://sgsep.com.au/projects/rural-victoria-housing-blueprint>

## Recommendations

1	<b>Maintain and expand investment in social and affordable housing</b> <i>Continue and increase targeted investment in social and affordable housing across regional and rural Victoria to ensure the availability of secure, long-term housing options and reduce housing stress among vulnerable populations.</i>
2	<b>Introduce mandatory inclusionary zoning</b> <i>Implement mandatory inclusionary zoning provisions to require a consistent proportion of social and affordable housing in all new residential developments and precincts, ensuring an ongoing and predictable supply.</i>
3	<b>Amend the definitions of affordable and social housing in legislation</b> <i>Update the definition of affordable housing and social housing in the Planning and Environment Act 1987 to better reflect income-based needs and housing costs in different geographic contexts, supported by amended head powers to strengthen implementation at the local level</i>

### 3 Supplying homes in regional Victoria

Since the terms of reference for the inquiry were established, some major policy announcements have been made by the Victorian Government.

The most significant is the final *Plan for Victoria* (published 28 February 2025). The Plan includes final Housing Targets for each municipality. We welcome the clarity provided in the plan that the Housing Targets are to be understood as housing *capacity* targets.

Across Regional Victoria, the housing capacity targets seek to facilitate 525,700 new dwellings by 2051. By region, those targets are:

- 4,800 for Wimmera Southern Mallee;
- 11,600 for Wimmera;
- 14,150 for Great South Coast;
- 84,950 for Gippsland;
- 140,700 for Barwon South West;
- 61,450 for Loddon Campaspe;
- 91,500 for Goulburn;
- 31,700 for Ovens Murray; and
- 84,850 for Central Highlands.

These housing capacity targets for Regional Victoria assume an annual rate of construction of 20,220 new dwellings per year. *This exceeds all historical rates.* However, many rural and regional councils are willing and able to meet and exceed their municipal targets. These councils should be supported and rewarded for their efforts to unlock housing opportunity.

While housing capacity targets are likely to be a useful part of solving regional Victoria's housing supply and affordability crises, they can only be viewed as part of broader and integrated solutions. Housing capacity targets alone will not provide the solutions that address the terms of reference of this inquiry.

#### Barriers to regional housing supply

Our regional and rural member councils know the challenges of housing supply well. Some have formally declared a housing crisis.

While housing supply shortages are a general problem, different regions face different pressures: tourism towns, farming areas, and regional cities will share some challenges but not others. Within one council, the housing challenges facing one town can be vastly different to another 50km up the road.

Particular supply problems that are consistent across multiple municipal areas include the shortages of smaller dwellings (1-2 bedrooms), accessible housing for older residents and key worker accommodation. As the inquiry will hear, there is often a mismatch between housing availability and job opportunities. At the same time, some towns and regions currently experience sufficient (if ageing) housing supply but inadequate demand, driven primarily by the absence of, or relatively poorly remunerated, local jobs.

Our own research and advice from member councils has told us that the primary barriers to securing housing supply in Regional Victoria are:

1. The extraordinary increase in construction costs post-COVID
2. The economic feasibility of developing land for housing in regional areas remains less attractive than in the metropolitan market. We are concerned that recent planning reforms announced by the Victorian Government will not be enough to address this barrier.
3. The absence of enabling infrastructure (roads, sewer, water and power) prevents efficient and timely housing construction. Under-resourced state and local authorities responsible for providing that infrastructure (the cost of which has also greatly increased in recent years) are increasingly struggling to provide effective and coordinated infrastructure at speed
4. Planning delays in councils that either struggle to attract and retain statutory planners, or where assessments are reliant on referral authority responses from slow or under-resourced state government authorities.

The above said, the MAV strongly supports capacity building and partnership approaches Department of Transport and Planning's Regional Planning Hubs Program which seeks to lift council planning capacity. The program has successfully partnered with rural and regional councils to assist their statutory and strategic planning overload work, improved planning processes and supported stretched council planning departments post-flood and fire emergencies

5. Land banking by developers, especially during an unpredictable market and an unpredictable planning reform program
6. The use of privately owned dwellings as commercial short stay accommodation (facilitated by third party online providers) where those dwellings were previously, and could otherwise be, provided as homes. The effects of the Victorian Government's new short stay levy are still to be measured, but we believe that the rate will not be an adequate price signal to correct the market distortions caused by the short stay accommodation providers, and other market interventions will be necessary. We also wish to see a closer nexus between funds collected under the short stay levy and expenditure within the same municipal areas and regions.

Recommendations	
4	<p><b>Embed housing capacity targets within broader strategic frameworks</b>  <i>Ensure that housing capacity targets are implemented as part of integrated, long-term planning solutions that address infrastructure, workforce, and housing diversity—not as stand-alone measures.</i></p>
5	<p><b>Improve the economic viability of regional housing development</b>  <i>Introduce financial incentives or subsidies to offset the lower commercial returns of regional housing projects compared to metropolitan areas, encouraging private sector investment.</i></p>
6	<p><b>Invest in enabling infrastructure for regional growth</b>  <i>Increase state and federal investment in critical enabling infrastructure (e.g. roads, water, sewer, power) to unlock housing supply in regional areas. Strengthen the capacity of infrastructure-delivering authorities—both state and local—to plan, coordinate, and deliver infrastructure efficiently.</i></p>
7	<p><b>Sustain and expand support for regional planning capacity</b>  <i>Continue to fund and strengthen the Regional Planning Hubs Program, and expand partnerships with the MAV to explore further programs that support the planning capability of rural and regional councils.</i></p>
8	<p><b>Introduce statewide legislation to regulate Short-Stay Accommodation</b>  <i>Implement more consistent and enforceable statewide legislation around short-stay accommodation (e.g. Airbnb) to reduce housing stress and amenity impacts in high-pressure markets.</i>  <i>Introduce a mandatory, state-wide tracking system to monitor the location and density of short-term rentals</i>  <i>Consider introducing limits on the number of days a property can be used for short-stay purposes in areas with identified housing shortages.</i></p>
9	<p><b>Link Short-Stay Levy revenue to local investment</b>  <i>Establish a clear and transparent link between revenue collected through the short-stay levy and reinvestment into the same local government areas and regions where it was generated, ensuring affected communities benefit directly</i></p>

## 4 Emerging challenges in regional planning

There is no shortage of proposals from the Victorian Government to reform the planning system in the interests of housing supply. Most recent reforms, but not all, are foreshadowed in the September 2023 Housing Statement.

Not all reform proposals, however, have clear objectives or have been pursued in a way gives confidence that desired efficiency gains will be achieved in practice. Local Government wishes to see rapid increases in housing supply and so is directly concerned that planning reforms are designed well and deliver on their promise.

Emerging challenges with recent planning reform proposals already implemented (or under development) include:

1. The new *Plan for Victoria* does not facilitate the creation of subsidiary regional plans. Indeed, the Regional Growth Plans – which are now out of date – are soon to be retired, with significant content in regional level policies to be removed from planning schemes.

The MAV strongly submits that regional planning as an exercise is vital if government – in all of its state and local forms – is to accurately understand the regional economic, social and environmental opportunities and risks that influence land use and housing growth patterns. Without that understanding, economic and settlement plans for each region cannot be confidently developed and pursued.

One plan for the entire state cannot possibly consider the extraordinary diversity of Victoria’s regions, or the integrated labour markets that drive their economies, let alone provide an adequate framework for staged land release and timely enabling infrastructure.

Regional policy done well requires the continual evaluation of planning and expression of values and visions for the future. These are important exercises to generate shared purpose within government as well as to give legitimacy to the system through community participation. It is also a lifeline to small rural councils with one, two or three planners on staff.

*Plan for Victoria* also falls short of committing to data collection and forecasting that aligns regional housing supply with regional demand.

Without a systemic approach to planning at the regional scale – which the planning system currently caters for but which will soon be severely reduced – problems with the dislocation of government policy and expertise from local and regional realities will likely increase.

2. New residential housing planning pathways (especially the Townhouse and Low-Rise Code) and emerging proposals for broader planning system reform (presented by the Department of Transport and Planning to local government planners in closed workshops on 24-27 February 2025) appear to

be designed with middle metropolitan urban forms in mind.

We are concerned about unintended planning outcomes where these reforms will be applied to Growth area, peri-urban and Regional City councils, especially where local variations in planning policies and controls are being extinguished. We are not aware of any regulatory impact assessments of these reforms on regional areas.

3. Any program of planning system reform must consider the reality of planning at the regional scale across rural Victoria

Most reviews of the planning system have failed to consider the unique dynamics of regional towns and cities, the economics of scale in the regions, the rural suite of zones, agricultural land uses, the distinctive landscapes, natural resources, and environmental hazards.

Recommendations	
10	<p><b>Modernise Regional Growth Plans</b>  <i>Refresh and modernise regionally focused planning frameworks to replace the soon-to-be-retired Regional Growth Plans. These should be updated regularly and embedded in the planning system to reflect the unique economic, environmental, and social dynamics of each region.</i></p>
11	<p><b>Establish a systemic approach to regional planning</b>  <i>Commit to a structured, long-term approach to regional planning that integrates land use, housing, infrastructure, and economic development, and supports evidence-based decision-making at both state and local levels.</i></p>
12	<p><b>Embed regional data collection and demand forecasting in planning processes</b>  <i>Develop and maintain robust regional data systems that track housing demand and supply, population changes, and infrastructure needs to guide more responsive and accurate planning decisions.</i></p>
13	<p><b>Tailor planning system reforms to regional contexts</b>  <i>Ensure that any new residential planning pathways—such as the Townhouse and Low-Rise Code—are adapted to suit regional, peri-urban, and growth area contexts, rather than applying metropolitan models uniformly across all areas.</i></p>
14	<p><b>Conduct regulatory impact assessments for regional areas</b>  <i>Prior to implementing planning reforms, undertake comprehensive regulatory impact assessments to evaluate their potential effects on regional councils, communities, and housing outcomes.</i></p>
15	<p><b>Include regional voices in planning system reform processes</b>  <i>Actively involve rural and regional councils in the design and consultation phases of planning system reforms to ensure local expertise and community needs are incorporated.</i></p>



## 5 Reforming infrastructure contributions

The Victorian government is working through policy proposals to reform the way and amount councils and the state collect and distribute contributions made by developers towards community and growth-supporting infrastructure.

These reforms have been largely undertaken behind closed doors and participants, including 4 councils involved, have all signed non-disclosure agreements to not share information. A lack of clarity on the level of the charge, how money raised will be hypothecated to councils, as well as indexation, are driving uncertainty in the local government sector. The lack of information being shared by government is diluting the principles and details of reform, restricting local government's ability to advocate for fair and reasonable infrastructure contributions.

For rural and regional councils however, the current system presents unique challenges:

- Costs of infrastructure provision can be as high or higher than in metropolitan areas
- Land values and thus developer capacity to pay a charge are generally lower
- Rates of development are slower, exacerbating the timing challenges between development and infrastructure delivery
- Rural and regional councils generally also have less capacity to absorb shortfalls than metropolitan counterparts
- Councils can end up inheriting cashflow problems when there is a time-lag between contribution payment and the timely provision of infrastructure on the ground
- Implementing and managing contributions systems can become problematic for less resourced councils and those experiencing slow growth (ie rural councils)
- Administering and reporting on contribution schemes is a complex and resource intensive activity for councils. This often includes significant investment in technology to manage data and records, as well as ongoing administration

On behalf of the sector, the MAV wants to ensure our communities are not short changed, and council financial sustainability is assured.

Local government, through the MAV, has a number of concerns with the likely model and government's approach to reform:

- Centralising the contributions system and council autonomy to manage their contributions plans and infrastructure delivery will damage financial sustainability, as well as council ability to provide wrap around community services – this will be acutely faced by rural councils in particular
- Rural and regional councils often struggle to attract new development and even compete for it. Rural and regional councils in particular will want to ensure any new system still encourages more development in their towns. This will hinge also hinge on rural and regional council's ability to negotiate and implement WIKs
- While we cautiously support a more simple contributions system, any change must ensure developer contributions are adequately hypothecated to councils on behalf of growing communities

- Councils must retain their ability to negotiate Works in Kind (WIK) agreements with developers. WIKs unlock opportunities for development sequencing, as well as help fund key community and sport infrastructure that enable healthy and socially connected communities
- Any infrastructure contributions reform must account for different development contexts and community needs across Victoria – a ‘one size fits all’ approach in a flat-rate will not work for councils nor local developers
- The ability to provide a consistent and transparent system for the development industry is critical to ensure confidence in future investment

The MAV has engaged expert consultants to understand the issues presented by the reforms. This work is ongoing. We can share the project’s finding’s with the committee upon request once our work is complete (likely late-May).

<b>Recommendations</b>	
16	<b>Preserve council autonomy in contributions collections</b> <i>Ensure councils retain autonomy over their contributions plans and infrastructure delivery to support financial sustainability and the provision of essential community services—particularly for rural councils, which may be disproportionately affected by centralisation.</i>
17	<b>Hypothecate developer contributions to local areas</b> <i>Any simplified contributions system must guarantee that developer contributions are transparently and adequately returned to the councils and communities where development occurs, to support population growth.</i>
18	<b>Maintain council authority to negotiate Works in Kind (WIK)</b> <i>Councils must continue to be empowered to negotiate WIK agreements with developers. These agreements are critical tools for enabling strategic development sequencing and delivering community infrastructure, including sporting and recreational facilities.</i>
19	<b>Support development in Rural and Regional Areas</b> <i>The new system should actively incentivise and facilitate development in rural and regional communities. This includes ensuring rural councils retain flexibility in negotiating WIKs and shaping infrastructure delivery to meet local conditions.</i>
20	<b>Design reforms to reflect diverse local contexts</b> <i>Infrastructure contributions reform should be flexible and responsive to Victoria’s varied development environments. A flat-rate or ‘one size fits all’ model risks undermining both council planning and local developer viability.</i>
21	<b>Ensure Transparency and certainty for industry</b> <i>Reforms must deliver a consistent, transparent, and predictable contributions system to support developer confidence and promote continued investment across all regions.</i>

## 6 Local innovations to boost housing supply

Our member councils have been unanimous in their calls for place-based solutions and partnerships to deliver new homes and infrastructure.

The Victorian Government should recognise where proposals for local innovations are beneficial and be nimble enough to quickly support them.

### Local Government's Housing Innovation Program

The MAV, in partnership with the Greater Dandenong City Council, has launched the *Local Government Housing Innovation Program*.

This initiative, supported by a \$500,000 grant from the Commonwealth Housing Support Program, aims to assist councils in accelerating housing supply to meet the National Housing Accord target of constructing 1.2 million new, well-located homes over five years.

The program has engaged all councils in Victoria through four key projects:

1. *Leading Communities through housing change*: To help councillors navigate the changing landscape of housing supply and policy, the MAV has designed a bespoke professional development program for 'Leading Our Communities Through Housing Change' to equip councillors with the tools and strategies needed to successfully navigate the intricate landscape of local government leadership. This program also provides a holistic suite of resources designed to support, develop, and empower Councillors in their service to the public to build social license in communities.
2. *Advancing AI Innovation in Local Government (AAIL)*: This project focuses on the equitable and practical application of artificial intelligence and automated decision making into the planning process. The project is delivering an evidence base for guidance on AI procurement and usage in statutory planning.
3. *Exploring Underutilised Public Land for Housing*: The project identifies and assesses underused public lands that could be repurposed for housing, aiming to optimize land use for residential development.
4. *Expanding Knowledge for Adaptive Reuse of Existing Buildings*: This component explores the potential of repurposing existing council-owned buildings into residential spaces, promoting sustainable development practices.

Through these projects, the MAV aims to empower Victorian councils with innovative tools and strategies to address housing challenges effectively. Rural and regional councils, with their limited resources, have much to gain from the training and lessons learned through this innovative program of work. The MAV intends to showcase the outcomes of this program with all Victorian councils and will seek to partner with the Victorian Government to roll each of these pilot projects, state wide. Rural and regional councils would be a great starting point.

## Recommendations

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|----|---|
| 22 | <b>Identify, amplify and support local government housing innovation</b><br><i>Adopt and enable place-based approaches to housing and infrastructure delivery by supporting locally driven innovations and partnerships.<br/>The Victorian Government should remain responsive and flexible in backing council-led solutions that address specific regional and community needs.</i>  |
| 23 | <b>Support the statewide rollout of the MAV's Local Government Housing Innovation Program,</b><br><i>Support the statewide rollout of the MAV's Local Government Housing Innovation Program, in partnership with the Victorian Government, to equip councils—particularly rural and regional councils—with practical tools, training, and strategies to address local housing challenges.<br/>Prioritise implementation in areas with limited resources to maximise early impact and share learnings across all municipalities.</i> |

## 7 Conclusions

Ensuring a sustainable and sufficient supply of homes in regional Victoria requires a long-term, coordinated, and place-based approach.

The regional housing system must be underpinned by sustained investment in place-making infrastructure. This includes the long-term projects that shape our regions, and the enabling infrastructure that makes housing development possible.

At the same time, we know that regional communities need a diverse mix of housing types to meet the needs of their populations—young people, families, older residents, key workers, and vulnerable groups alike. The push and pull factors for people to move to rural and regional Victoria are diverse, and the housing supply offered needs to meet that.

Unlocking the housing potential of regional Victoria requires improved alignment across all levels of government, industry, and the community sector. Coordinated funding models, cross-sector partnerships, and improved demand forecasting will ensure housing supply is responsive, targeted, and equitable.

## **8 Attachments**

- A. MAV Housing Taskforce Submission to a Plan for Victoria (2024)**
- B. Shaping regional and rural Victoria: A Discussion Paper (2024)**
- C. MAV submission to the National Housing and Homelessness Plan Issues Paper (2023)**
- D. MAV submission to the Inquiry into the rental and housing affordability crisis in Victoria (2023)**
- E. MAV submission to the Parliamentary inquiry into housing affordability and supply (2021)**

MAV would be pleased to provide clarification on any information in this submission.  
For further information, please contact James McLean, Planning and Sustainable Development Lead at [jmclean@mav.asn.au](mailto:jmclean@mav.asn.au)

Municipal Association of Victoria  
Level 5, 1 Nicholson Street, East Melbourne VIC 3002  
PO Box 24131, 6 Southern Cross Lane, Melbourne VIC 3000  
Telephone: 03 9667 5555 Email: [inquiries@mav.asn.au](mailto:inquiries@mav.asn.au)  
[www.mav.asn.au](http://www.mav.asn.au)