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Legislative Assembly Environment and Planning Committee,
Parliament House, Spring St
East Melbourne, 3002

28 March 2025

Dear Legislative Assembly Environment and Planning Committee,

Re: Victorian Government's Inquiry into the Supply of Homes in Regional Victoria

The Australian Institute of Architects (the Institute) welcomes the opportunity to contribute to the Victorian Government's Inquiry into the Supply of Homes in Regional Victoria. As the peak body for the architectural profession, the Institute advocates for sustainable, well-designed, and affordable housing solutions. Architects play a vital role in shaping livable communities by designing climate-responsive, contextually appropriate, and resilient housing. They work closely with councils, developers, and local communities to develop housing while ensuring high-quality design outcomes. Regional architects are well placed to further understand local community concerns and aspirations and to optimize response to local conditions.

In addition to their design expertise, architects play a crucial role in coordinating diverse stakeholder interests, balancing regulatory requirements, community needs, and sustainability goals. Architects also navigate budgetary constraints, ensuring that housing solutions remain both financially viable and contextually appropriate.

The Institute's submission outlines key reforms in zoning, planning, infrastructure, and affordability, emphasising the need for integrated strategies that align economic feasibility with long-term sustainability for a thriving regional Victoria. This submission has been developed in close coordination with Institute members who live and practise in regional areas, as well as those who specialise in housing delivery across the state, ensuring the recommendations reflect both on-the-ground realities and system-wide expertise.

Key Policy Recommendations

1. Modernising Zoning and Unlocking Land for Diverse Housing
Revise zoning to enable diverse housing types, support strategic infill, and unlock underutilised land. Affordable housing outcomes should be locally negotiated, not mandated, and guided by design quality, feasibility, and the involvement of architects.

2. Streamlining Regulatory Approvals and Reducing Delays
Accelerate housing approvals through fast-track processes for well-consulted proposals. Expand VicSmart and pilot eComply in regional areas. Resource councils through shared planning support, improving consistency, speed, and transparency while reducing costs and uncertainty for developers and communities. Building permit processes also need to be streamlined with an improved efficiency between local planning authorities, heritage, water and fire authorities. Regulatory processes should work to the benefit of the community and the long-standing asset of housing while not unnecessarily delaying its construction.

3. Investing in Affordable and Social Housing
Increase investment in social and affordable housing across all regional areas. Support Community Housing Associations, standardise the definition of affordability, and involve architects to ensure housing is climate-resilient, cost-effective, culturally appropriate, and integrated into regional communities.

4. Aligning Housing Growth with Infrastructure and Services
Coordinate housing development with essential and social infrastructure delivery. Establish a Regional Housing Infrastructure Fund, pilot Transit-Oriented Developments, and mitigate project impacts on local housing markets by delivering temporary worker accommodation convertible to long-term housing post-construction.

5. Fostering Long-Term Workforce and Economic Sustainability
Strengthen the regional construction workforce through TAFE expansion and secure project pipelines. Support modular building innovation and community-led housing models. Prioritise architects in procurement to ensure quality, context-sensitive housing that reflects and supports regional identity.

6. Enhancing Governance and Collaboration
Create Regional Housing Taskforces to align stakeholders and lead delivery. Develop a state-wide housing strategy with measurable targets. Empower councils with design capacity and embed regional architects to improve outcomes, build trust, and coordinate planning with infrastructure priorities.

The Australian Institute of Architects believes that through bold reform, collaborative governance, and sustained investment, Victoria can transform its regional housing landscape. The state has an opportunity not only to meet its housing targets but to create stronger, more inclusive, and better-designed communities. The Institute stands ready to support this vision through its expertise in planning, urban design, and architecture—helping ensure that regional Victoria is a place where people can afford to live, work, and thrive.

Yours sincerely,

David Wagner FRAIA
Victoria State President
Australian Institute of Architects

Position Paper

The Australian Institute of Architects (the Institute) welcomes the opportunity to contribute to the Victorian Government's Inquiry into the Supply of Homes in Regional Victoria. As the peak body for the architectural profession, the Institute advocates for sustainable, well-designed and affordable housing outcomes that meet the distinct needs of regional communities. Its submission offers a comprehensive response to the growing housing crisis in country Victoria, drawing on lessons from domestic and international policy, architectural expertise, and a commitment to design excellence.

Victoria's regional housing market is under considerable strain. Housing demand is outpacing supply, with only 61,000 new homes delivered across the state in 2024—well below the 80,000 required annually to meet targets. In regional areas, the crisis is especially acute, with rental vacancy rates falling to as low as 0.3% in some towns. This shortage has pushed up both rents and home prices, forcing many residents—including essential workers—out of the communities they serve. As the Australian Bureau of Statistics and the Australian Housing and Urban Research Institute (AHURI) have observed, the combination of tight markets, limited policy reform, and underinvestment has created a persistent affordability and access problem.

Importantly, reforms should include local architectural expertise. Regional architects bring a nuanced understanding of local climate, settlement patterns, and community expectations, making their early involvement essential in ensuring that development reflects both the practical needs of the region and the broader vision for sustainable growth. Engaging architects at the planning stages ensures that the housing growth not only meets functional and regulatory requirements but also embodies thoughtful, well-integrated design that aligns with the character and needs of regional communities.

The Institute's submission provides a roadmap to reverse these trends. It calls for an ambitious, coordinated approach that integrates zoning reform, planning efficiency, infrastructure alignment, affordability initiatives, skills development, and improved governance. The aim is not only to increase housing supply, but to ensure that growth strengthens communities, enhances liveability and protects the unique character of regional Victoria.

1. Modernising Zoning and Unlocking Land for Diverse Housing

Restrictive zoning remains one of the key structural barriers to meeting housing demand in regional Victoria. Many towns and smaller settlements are subject to outdated planning schemes that limit housing diversity and density, often prohibiting the types of homes most needed today. The Institute recommends a comprehensive modernisation of Victoria's planning schemes to allow for more flexible and context-sensitive land use. This includes rezoning suitable land on the outskirts of regional settlements in tandem with infrastructure delivery and enabling moderate increases in density in existing neighbourhoods—such as dual occupancies, townhouses, and small apartment developments—particularly in areas already well-served by transport and public amenities.

Current planning controls around lot size, height limits and car parking often impede sensible, responsive development. These regulations must be reviewed to better reflect the varied contexts of regional Victoria—from compact regional cities to remote agricultural townships. Recalibrating these settings to allow for more efficient land use will facilitate the growth of housing stock without compromising local character. Where rezonings deliver significant uplift, local governments should be supported to negotiate affordability outcomes on a case-by-case basis, using planning agreements, incentives, or public land contributions. Rather than a blanket application of inclusionary zoning, any requirement for affordable housing contributions should be evidence-based, locally calibrated, and assessed for development feasibility and design quality—consistent with the Institute's Density Done Well paper.

The Institute sees significant opportunity to better utilise land within regional cities and towns by enabling mixed-use development in existing commercial and light industrial zones. Rather than displacing their intended function, these developments should retain and enhance the primary commercial or industrial use, with residential components introduced as a complementary addition. Local zoning provisions or schedules could support this through a defined cap on residential proportion, ensuring balance. This approach would unlock housing supply zoning without expanding urban boundaries, ease pressure on infrastructure, and diversify regional housing options, including more affordable and adaptable living formats than are typically available.

Regional councils should also be empowered with new tools to unlock underutilised land, particularly in areas close to town centres. Many infill projects are blocked due to fragmented land ownership or long-vacant industrial sites. Establishing Urban Development Corporations or joint-venture delivery models—similar to Germany's Baulandmodelle—would support local authorities to consolidate and redevelop strategic sites for housing.

A key barrier to higher-density housing in regional areas is the lack of incentives for developers to build to the full capacity of zoned sites. While land may be zoned for up to six storeys, developers sometimes deliver only two due to construction costs, planning delays, or market uncertainty. This undermines strategic goals for increased density near activity centres and transport nodes. The state should support councils to incentivise density through reduced infrastructure contributions, expedited approvals, or targeted grants. Planning frameworks must prioritise developments that align with structure plans and deliver well-designed, higher-density housing where infrastructure and services already exist.

2. Streamlining Regulatory Approvals and Reducing Delays

Planning approval delays are a persistent obstacle to increasing housing supply across regional Victoria. Many councils face serious under-resourcing, outdated systems, and complex multi-agency referral processes. These inefficiencies result in delays of 12 months or more for development approvals, adding significant costs to housing projects. As a result, the financial feasibility of some developments is undermined, while others proceed with inflated costs that are ultimately passed on to buyers or renters—worsening the affordability crisis in already pressured markets.

To address these challenges, the Institute supports reforms that enhance both the efficiency and predictability of the planning system. Applications that demonstrate robust, early-stage community consultation and proactive engagement with referral authorities—such as the CFA, VicRoads, and utility providers—should be eligible for a streamlined approval process. Early coordination helps identify key constraints and design requirements upfront, reducing the likelihood of late-stage objections or referral delays. A more responsive, risk-based assessment pathway should be developed to reward well-prepared, consultative proposals with faster processing.

Recognising the staffing limitations faced by many regional councils, the Institute recommends the establishment of a shared regional planning support network or technical assistance unit, coordinated by the Department of Transport and Planning. This model would provide additional expertise to councils processing high volumes or complex applications, promoting consistency and avoiding duplication of effort across jurisdictions. Councils should also be supported to adopt more efficient internal systems and better inter-agency coordination.

The Institute recommends expanding the VicSmart permit system to encompass a broader range of small-to-medium scale housing proposals in regional areas, particularly those that align with local structure plans. Furthermore, Development Victoria's eComply system intended for single dwelling projects, could be trialled in regional areas. This performance-based, digitised assessment tool has the potential to significantly reduce turnaround times for low-risk residential developments. Testing its application in a regional setting would help refine the model and create a scalable system for broader roll-out. Together, these measures would accelerate

housing delivery while maintaining transparency and design quality—key to restoring confidence in the regional planning system.

3. Investing in Affordable and Social Housing

Private sector development alone cannot resolve the housing crisis in regional Victoria. A significant and sustained investment in affordable and social housing is required to address the needs of low-income households and essential workers. The Institute supports the continued expansion of programs such as the Big Housing Build, with clearer and more ambitious targets for regional and rural areas. Importantly, this expansion must include smaller towns where little to no public housing currently exists, despite growing demand. Even a modest injection of social housing in these communities can stabilise housing markets, reduce displacement, and support workforce retention.

The involvement of local architects from the outset can ensure that such investments are truly sustainable and equitable. Architects can assist with managing budgets by creating designs that are both cost-effective and aligned with long-term sustainability goals. Their role can ensure that even modest budgets are stretched further, preventing over expenditure on impractical designs and optimising resource allocation. This can be particularly valuable in smaller towns where housing investments must make a meaningful impact without excessive cost burdens on developers or public resources.

The role of Registered Community Housing Associations (CHAs) is critical to delivering these outcomes. CHAs such as Beyond Housing are regulated, not-for-profit organisations governed by professional Boards and with a strong record of delivering and managing affordable housing in regional settings. Their work extends well beyond development, encompassing long-term tenancy management, alignment with the Victorian Housing Register, and mechanisms such as Director of Housing mortgage interests that secure properties as affordable stock. Their locally embedded presence allows them to respond sensitively to community needs while offering tenants security, support and housing continuity. The Victorian Government should increase support to CHAs through dedicated funding streams, access to surplus public land, and streamlined planning processes for community-led projects.

A persistent barrier to coordinated delivery remains the lack of a single, clear definition of affordable housing in Victoria. At present, different definitions are used across the Planning and Environment Act 1987, the National Rental Affordability Scheme, the ATO, and Homes Victoria's own programs—varying between income-based and market-rent benchmarks. This fragmentation causes confusion for planners, investors and providers alike. The Institute strongly recommends the establishment of a consistent, statewide definition that can guide policy, eligibility, and assessment across all housing initiatives.

Design is also key to successful outcomes. Local architects should play a central role in designing affordable housing in regional contexts. Their understanding of climate, culture, and local form can result in smaller, more sustainable and liveable homes. Unfortunately, many LGAs continue to default to design-and-construct models that prioritise speed and budget over quality. Encouraging councils and CHAs to engage with architects local to regional areas from the outset will ensure durable, fit-for-purpose homes that strengthen local identity and meet community expectations.

Building permit processes also need to be streamlined with an improved efficiency between local planning authorities, heritage, water and fire authorities. Regulatory processes should work to the benefit of the community and the long-standing asset of housing while not unnecessarily delaying its construction

4. Aligning Housing Growth with Infrastructure and Services

The delivery of new housing in regional Victoria must be planned in tandem with the provision of infrastructure. Too often, housing developments are approved without adequate access to water, sewerage, roads, public transport, energy, or social services, leading to delays, underutilised land, or poorly serviced communities. The Institute advocates for an "infrastructure-first" approach to regional development—ensuring that all enabling and social infrastructure is delivered either ahead of or alongside housing growth. To support this, a dedicated Regional Housing Infrastructure Fund should be established. This fund, modelled on the Growth Areas Infrastructure Contribution (GAIC), would provide targeted investment in roads, utilities, and public services across growing regional settlements, particularly where councils have limited capacity to finance such works independently.

Transport infrastructure must also be better integrated into land use planning. Continued investment in regional rail and bus services, aligned with areas designated for housing growth, will provide long-term benefits to accessibility and economic participation. The Institute recommends piloting a Transit-Oriented Development (TOD) model in at least one regional city, where medium-density housing is co-located with train stations, green space and community facilities. International precedents, including those from Copenhagen and Singapore, show the transformative potential of such models in building connected and resilient neighbourhoods.

Social infrastructure—schools, health services, childcare, and recreational facilities—must also be delivered in line with housing. A co-funded delivery framework involving state, federal and local governments could ensure coordinated roll-out across growing regions. Green infrastructure, including open space and water-sensitive design, should also be embedded at the masterplanning stage to support health, climate resilience and biodiversity.

Crucially, major regional infrastructure projects themselves often place significant pressure on local housing markets. In places like Albury-Wodonga, large-scale works have exhausted local rental and short-stay housing, as non-local construction workers occupy limited stock. This displaces local residents and drives up rents. Where external labour is unavoidable, the state should lead the development of temporary worker accommodation—such as modular housing close to project sites—which can later be converted into long-term rental stock. This approach would ensure that infrastructure projects do not undermine local housing supply and instead contribute a lasting benefit to the regional housing system.

5. Fostering Long-Term Workforce and Economic Sustainability

A sustainable regional housing strategy must be underpinned by a local workforce capable of delivering and maintaining new homes. One of the most significant barriers to increased housing supply in regional Victoria is the shortage of skilled labour in the construction industry. The Institute recommends that the Victorian Government prioritise the identification and pre-qualification of regional builders who already possess the skills and capacity to deliver medium- and higher-density housing. By supporting these local firms through procurement and project pipelines, the state can ensure faster and more consistent delivery while also strengthening local economies.

Complementing this, there must be greater investment in vocational education and training to expand the regional construction workforce. TAFE and apprenticeship programmes in building, carpentry, plumbing, electrical trades, surveying and planning should be expanded or reinstated in regional centres. These should be aligned with a guaranteed pipeline of public and private housing projects over the next decade, providing security and incentives for both employers and trainees. A clear, regionally distributed schedule of upcoming housing projects would help signal long-term demand and drive local investment in skills and capacity.

Innovation in building methods is also key to boosting supply. Modular, prefabricated, and panelised construction techniques can reduce costs and timelines, while also generating new manufacturing and logistics jobs in regional areas. Architects play a critical role in integrating these construction methods with high-quality, sustainable design principles, possessing the optimal training and skillsets to understand and coordinate the various stakeholder imperatives alongside regulatory frameworks and design outcomes. The Institute recommends targeted government support for offsite construction facilities and training in regional locations, in line with successful international examples in Canada and northern Europe.

Regional housing strategies should also encourage and support community-led housing models—such as cooperatives, land trusts, and "Baugruppen" (building groups)—which empower residents to develop housing tailored to their local context. These models are often better suited to smaller towns or cohorts overlooked by volume developers, such as older women, First Nations communities or single-person households.

6. Enhancing Governance and Collaboration

Delivering long-term, regionally responsive housing outcomes requires strong governance, clear accountability, and collaboration across all levels of government and industry. The current fragmentation between state departments, councils, and delivery agencies has led to inefficiencies, slow progress, and misalignment of infrastructure and housing outcomes. The Institute recommends the creation of dedicated Regional Housing Taskforces across Victoria to coordinate planning, monitor delivery, and bring together key stakeholders—including local government, state departments, developers, community housing providers, infrastructure agencies, and local architects.

These taskforces would serve as central forums for problem-solving, investment prioritisation, and sharing of regional intelligence. They should be resourced to lead the implementation of local housing strategies, identify bottlenecks, and report annually on delivery outcomes. Crucially, they must include representation from those with deep regional expertise—not only housing bureaucrats and developers, but also community organisations, local trades, and design professionals. This ensures that decisions are not only top-down but informed by lived experience and place-specific knowledge.

At a statewide level, the Institute supports the development of a coordinated Housing Strategy for Victoria, integrated with the broader Plan for Victoria. This strategy should set clear housing supply and affordability targets for each region, link housing growth with infrastructure priorities, and establish transparent metrics for evaluating progress. It should also include provisions for regular review and the flexibility to adjust in response to population shifts, climate risk, or economic shocks—lessons that have become even more pressing in the wake of COVID-19's regional migration effects.

The Victorian Government should introduce financial incentives to reduce the number of vacant or underutilised homes in regional areas. With high housing demand and low vacancy rates, it is critical to activate existing stock. Small grants or low-interest loans for essential repairs and safety upgrades could enable owners—particularly investors—to bring homes back to the rental market quickly. Targeting high-demand towns would deliver immediate benefits at lower cost than new construction. This approach not only boosts supply efficiently, but also supports local trades and improves housing quality. Incentivising reactivation, rather than penalising vacancy, offers a positive, pragmatic policy lever.

Local government must also be empowered to play a more active and proactive role in high-density development through the strategic use of Design Review Panels. Since 2011, South Australia's State Design Review process has provided expert, independent advice on significant development proposals, supporting better design outcomes across complex sites. Managed by the Office for Design and Architecture SA, the program applies to projects

assessed by the State Commission Assessment Panel (SCAP) and referred to the South Australian Government Architect. Eligible developments include those over $10 million in the City of Adelaide, over $3 million in Port Adelaide, or five storeys or more in designated urban and district centres. Projects within the Planning and Design Code's Design Overlay also qualify, reinforcing design quality in strategic locations.

By establishing clear governance structures and fostering cross-sector collaboration, Victoria can transition from fragmented planning to coordinated delivery—ensuring that housing supply meets demand while strengthening the social, economic and design fabric of regional communities.

International Jurisdictions

The challenges facing regional Victoria's housing supply are not unique – many jurisdictions around the world have confronted similar issues of planning, affordability, and infrastructure in balancing regional growth. There is much to learn from international best practice. Below we highlight five case studies that demonstrate effective strategies relevant to this inquiry:

Germany – Revitalising Regions with Infrastructure and Community Initiatives: Germany offers valuable insights into addressing regional housing imbalances. While cities like Munich and Berlin face housing shortages, many rural areas—particularly in the former East Germany—have experienced depopulation and housing surplus. To revitalise these regions, the German Government has implemented rural development and digital infrastructure programmes to make smaller towns more attractive. Initiatives like Digitale Dörfer (Digital Villages) have invested in broadband and e-services, acknowledging that improved connectivity enables people to live outside major cities while accessing education and employment opportunities.

Infrastructure is central to Germany's regional strategy. Investments in public transport, schools, and training centres are viewed as essential to attracting families and businesses. In northern Bavaria, the "Space for Doers" campaign supported local startups and community projects to repurpose vacant buildings. Nationally, the Jung kauft Alt ("Young People Buy Old") programme offers low-interest loans to help young families purchase and renovate older rural homes, while Von Alt zu Neu ("From Old to New") encourages the subdivision of large, ageing dwellings into multiple homes.

Germany also supports community-led housing models, such as Baugruppen (building groups) and cooperatives, which empower citizens to co-develop and repurpose properties. Local cooperatives have successfully transformed derelict buildings into affordable housing using government seed funding.

For regional Victoria, Germany's approach provides a template: invest in infrastructure, foster local innovation, reuse underutilised assets, and support relocation through incentives. Revitalisation must go beyond housing supply—strengthening transport, digital access, and community-led regeneration will help ensure regional towns are liveable, resilient, and appealing places to stay and grow.

Canada – National Strategy, Rural and Indigenous Housing Programmes: Canada's approach to housing affordability, particularly in rural and remote areas, offers valuable lessons for Victoria. In 2017, Canada launched its National Housing Strategy (NHS)—a 10-year, C$70+ billion initiative—which explicitly includes dedicated streams for rural, northern, and Indigenous housing. This marked a return to large-scale federal involvement in housing after decades of limited engagement. Central to the NHS is partnership: federal funding typically requires provincial, territorial, and local contributions, and projects are delivered with community housing providers and Indigenous organisations.

Key programmes include the National Housing Co-Investment Fund, which provides low-cost loans and grants to support energy-efficient and accessible housing projects. A dedicated Rural and Northern Housing stream recognises the higher construction costs and unique challenges of remote areas. To address overcrowding and housing disrepair in Indigenous communities, Canada introduced the Urban, Rural and Northern Indigenous Housing Strategy, funding Indigenous-led initiatives for off-reserve housing.

Another notable initiative is the Rapid Housing Initiative, launched during the pandemic to expedite housing delivery through modular, factory-built construction—particularly effective in remote areas. Provinces also contribute: Ontario and Alberta, for example, run specific programmes supporting rural and Indigenous housing, such as Alberta's Indigenous Housing Capital Program.

Canada's experience highlights the critical role of senior government leadership and funding in addressing regional housing challenges. It affirms that rural housing markets often require public intervention—a finding echoed by AHURI in the Australian context. For Victoria, Canada's model of multi-level governance, public investment, and social inclusion reinforces the need for a strategic, well-funded approach that leaves no community behind.

Canada - The Whistler Housing Association (WHA): The WHA in Canada provides an exemplary model for addressing regional housing affordability and workforce retention. As a high-demand tourism region, Whistler faced extreme housing shortages, forcing local workers into precarious living conditions. In response, WHA was created as a non-profit housing authority to develop and manage deed-restricted, permanently affordable housing for local employees. The model relies on employer-supported housing contributions, zoning regulations that prioritize local workers, and innovative financing mechanisms to ensure that housing remains affordable in perpetuity.

This workforce housing strategy aligns directly with Victoria's regional challenges, where essential workers in healthcare, education, and tourism struggle to find housing near their workplaces. The WHA model demonstrates how zoning reforms, public-private partnerships, and inclusionary housing policies can create long-term affordability. Victoria could establish workforce housing programs in high-need regional towns, ensuring that local economies remain strong and that key workers are not priced out of the communities they serve.

References:

Australian Institute of Architects - *Density Done Well*

Municipal Association of Victoria – *Housing Taskforce Submission to a Plan for Victoria*

Regional Australia Institute – *Submission to Inquiry into Housing Affordability and Supply*

MAV Deputy President Cr. Anderson – comments on planning permits and developer delays

SGS Economics & Planning – *Shaping Regional and Rural Victoria Discussion Paper* (COVID-19 impacts)

AHURI Final Report No. 424 (Beer et al. 2024) – *Disruption in regional housing: policy responses*

Victoria's Housing Statement 2024 – *Good Decisions Made Faster* (Planning reforms)

Maddocks Planning Update – *Victoria's Housing Statement – Decade Ahead* (zoning and targets)

World Bank – *Lessons from Singapore's public housing*

REFIRE – *Germany's empty apartments reveal urban-rural divide* (Klara Geywitz strategy)

Government of Canada – *National Housing Strategy* and CMHC Indigenous Housing Strategy