



THE PADDINGTON SOCIETY INC
FOR COMMUNITY AND HERITAGE
EST 1964

29 September 2026

Housing Supply Regulation Inquiry
Productivity Commission
By email: housing.supply@pc.gov.au

Dear Commissioners

Interim report - Housing supply regulation

On behalf of The Paddington Society, I note the following in this submission on the Productivity Commission's July 2026 interim report, *Housing supply regulation*.

The Society's interests lie in protecting and celebrating the very distinctive qualities of Paddington, an early Victorian suburb in Sydney, NSW. Its heritage significance has long been recognised beyond local government: Paddington was classified by the National Trust of Australia (NSW) as its first Urban Conservation Area in 1979, and much of the suburb is now protected as a statutory Heritage Conservation Area under NSW planning law.

Paddington's distinct character reflects its history, from its origins as a village supporting the construction of Victoria Barracks, to its growth throughout the nineteenth century, evident today in the terrace houses that dominate the suburb. Its significance lies not simply in individual buildings, but in its collective townscape: repeated groups of nineteenth-century terraces and cottages, consistent scale and rhythm, fine-grain subdivision, narrow streets and lanes, sandstone walls, mature trees, public spaces and views. Paddington is also an important example of low-rise, relatively high-density urban living.

This collective character is reflected in the planning controls that guide development in Paddington. The Society was involved in preparation of the Development Control Plan for the suburb, which sets detailed controls for the scale, form and design of development, including height, bulk, setbacks, site coverage, roof forms, additions and materials. By setting these expectations in advance, the Plan provides greater certainty for applicants and helps suitable development to be designed and assessed more efficiently.

1. Heritage conservation areas should not be treated as indiscriminate "blanket" protection

The interim report proposes replacing broad heritage protections, including heritage conservation areas, with more targeted listings for specific buildings or small areas, supported by cost-benefit analysis and stronger review and delisting mechanisms (Interim report, p. 55).

Heritage conservation areas are not simply informal local designations. In NSW, their establishment involves a formal statutory planning process involving both local councils and the State planning system.

Councils ordinarily begin with heritage studies that assess the significance of a place against recognised heritage criteria. Where area-based protection is proposed, the resulting planning proposal and draft local environmental plan (LEP) provisions proceed through the State planning process and public exhibition. Submissions are considered before the LEP is finalised and gazetted. Councils may also prepare development control plan (DCP) provisions to guide how the LEP controls are applied in practice; these are also exhibited for public comment before adoption. Any proposal to remove land from a Conservation area goes through the same LEP amendment process.

That history matters. A heritage conservation area reflects a conclusion, reached through evidence, statutory planning and public participation, that the collective character of an area warrants protection. This does not place an area beyond review, but it argues against treating area-based protection as an arbitrary 'blanket' restriction, or replacing it without an equally careful assessment of the significance and public value that the designation was intended to protect.

In Paddington, the conservation area is itself the heritage asset. Its significance lies not simply in individual buildings, but in the relationships between them as outlined above.

Protecting only selected individual buildings would not protect those relationships. It could preserve isolated buildings or façades while allowing the wider historic fabric that gives them context and meaning to be progressively eroded.

This distinction is important when considering the evidence relied upon in the interim report.

The report cites Peter Tulip's 2026 paper, *Reform of Heritage Legislation*, in its discussion of heritage controls (Interim report, pp. 41–42). Several of the examples used to illustrate problems with heritage controls involve car parks, vacant or remnant structures and other sites argued to have little heritage or amenity value. These are extremely rare in a place like Paddington.

Those examples may support a strong case for better processes to review erroneous, obsolete or clearly low-value protections. They do not, by themselves, establish a case for dismantling coherent and demonstrably significant heritage conservation areas.

Indeed, Tulip himself recognises the argument that the heritage value of an area can be greater than the value of its individual buildings considered separately. We believe that distinction is particularly important in a place such as Paddington.

The Society is also concerned by the report's broader reform recommendations to relax or remove built-form controls, including maximum floor-space ratios, site coverage ratios, setback requirements and height restrictions (Interim report, pp. 55, 58). In a heritage conservation area such as Paddington, these controls are not separate from heritage protection; they are some of the principal means by which the collective character of the conservation area is maintained. Their value should therefore be assessed by reference to the purpose they serve in a particular place, rather than simply by the additional development that might become feasible if they were relaxed.

2. Cost-benefit analysis should give proper weight to what heritage controls preserve

Heritage cannot be valued in monetary terms; once heritage is gone, it is gone forever.

The Commission acknowledges that heritage protection can preserve historic, architectural, cultural and community values. The question is how those benefits are given proper weight when decisions are made.

There are established ways of assessing the benefits of heritage that are not captured by development value. These can include assessing the value communities place on conserving heritage, as well as the contribution heritage makes to neighbourhood amenity, tourism and the wider character and attractiveness of an area.

The Productivity Commission itself considered ways of assessing these benefits in its 2006 inquiry, *Conservation of Australia's Historic Heritage Places* (Productivity Commission 2006, pp. 141–145). It recognised both their usefulness and their limitations, including the difficulty of applying broad estimates of community value to particular places.

That difficulty calls for careful use of evidence, not for heritage benefits to be left out of the assessment. Where a benefit is difficult to express in monetary terms, other evidence of its value should still be considered.

Paddington provides a practical example. Its heritage and character form part of Sydney's visitor economy. Destination NSW promotes Paddington for its leafy streets, Victorian terrace houses, heritage places and village atmosphere, alongside its shops, markets, galleries and restaurants.

Tourism Australia likewise promotes Paddington as a visitor destination in which boutiques occupy restored Victorian terraces. This suggests that Paddington's conserved streetscape has a value extending beyond individual property owners: it forms part of the visitor experience being promoted and should therefore be considered alongside the potential redevelopment value of individual sites (Sydney.com, 'Paddington'; Tourism Australia, 'Shopping in Sydney: an insider's guide').

Paddington is considered to be one of the most significant Victorian terrace house suburbs in the world. It is priceless.

Suggested refinements to the final report

The Paddington Society recommends that the final report:

1. **Retains heritage conservation areas**, as heritage significance arises from the collective character, streetscape, urban form or setting of a place.
2. **Targets review and delisting at clearly low-value or erroneous protections**, rather than using those cases as a basis for weakening area-based protection more generally.
3. **Notes that all Heritage assessment should focus on heritage significance.**
Established heritage assessment practice does not treat heritage value as equivalent to property value or development potential.

The Australia ICOMOS Burra Charter, recognised by Australia ICOMOS as a best-practice standard for managing cultural heritage places, defines cultural significance in terms of aesthetic, historic, scientific, social and spiritual values and requires all aspects of significance to be understood before decisions about change are made.

Its accompanying Practice Notes recognise that heritage conservation provides continuing economic, cultural, social and environmental benefits to communities.

Accordingly, an assessment of the economic consequences of heritage protection should not be confined to the development value that might be realised if controls were relaxed. It should also account for the cultural and social value of the place, its contribution to community identity and amenity, environmental benefits from retention and reuse, and the cumulative effects of incremental change to a heritage conservation area.

This is consistent with contemporary ICOMOS/UNESCO impact-assessment methodology, which considers social, cultural, economic and other impacts and requires cumulative effects and reasonable alternatives to be examined.

4. **Assess heritage conservation areas at the area level** before recommending replacement with individual listings, taking account of the evidence and statutory process through which the area was established, and what would be lost in collective character, streetscape, urban form and setting.

This is what Conservation areas are in the Heritage system.

The Society supports the Commission's objective of improving housing supply and making the planning system work more effectively.

However, we believe the interim report requires refinement in its treatment of heritage conservation areas and, in particular, in the balance it gives to the costs and benefits of heritage protection.

We would be pleased to provide any further information that may assist the Commission.

Yours sincerely



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President

The Paddington Society

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