Mecone

SUBMISSION

Productivity Commission Inquiry into Housing Supply Regulation

TO	Productivity Commission — Housing Supply Regulation Inquiry
FROM	Ben Hendriks, Founder and Executive Chair, Mecone Group
DATE	June 2026
RE	Creating and maintaining development-ready and commercially feasible capacity: priorities for housing supply regulation reform

Executive summary

Mecone is an urban planning, analytics and policy consultancy working across Australia. We advise government on land supply, infrastructure and policy, and the private sector on development approvals. This submission draws on that work and on our own analysis of housing demand, capacity and the development pipeline.

Problem. Australia's housing shortfall is substantially a failure to create and maintain development-ready, commercially feasible capacity across the delivery pipeline:

- Approvals reform matters, but no approval can fix land that is unserviced, unviable, fragmented in ownership, or held up by unresolved corridors and funding gaps.
- A site is not real supply unless the housing on it can be financed, approved, commenced and built under realistic market conditions.
- The Commission's three inquiry areas, approvals, land use and capacity, and housing-enabling infrastructure, are one delivery system rather than three separate topics.

Evidence. NSW is approving homes in volume but not converting them into completions:

- Nationally, approvals and commencements are each up around 17% since the Housing Accord began, yet the 1.2 million goal is now expected only around 2030, beyond the Accord period.
- NSW approved 52,427 dwellings in 2025 but completed around 45,042 – just 5.2 homes per thousand residents, the lowest of any large state, and falling. It is running roughly 30,000 homes a year below its Accord trajectory.
- Across the Greater Sydney Megaregion, the pipeline had refilled only about 27% of its five-year target by early 2024–25. Determination times improved while lodgements fell – so faster assessment will not fix it; what feeds approvals is the depth of the pipeline behind them.

Recommendation. Measure, report and manage development-ready, commercially feasible capacity, not zoned counts or theoretical yield, and hold a buffer of around seven to ten years of it across the right mix of dwelling types. The barrier differs by location:

- **Established areas:** zoning that locks in low-density detached housing and rules out the missing middle, plus built forms that are permitted but not viable.

- **Growth areas:** land zoned on paper but not yet serviced.

Our recommendations set out how: a common set of capacity terms, routine public reporting with a standing feasibility layer (a regular test of whether the intended built form is commercially deliverable, by sub-market and dwelling type), quantified intervention triggers, and a requirement that reform areas have servicing and funding pathways identified before their capacity counts toward targets.

Structure of this submission

The submission follows the three areas the Commission is examining. For each, the table sets out the core problem and the evidence we draw on.

Inquiry area	Core problem	Primary evidence
Approvals	Inefficient placement of effort between strategic and statutory planning, late discovery of servicing and corridor issues, and weak measurement of whether approvals convert to commencements.	NSW approved 52,427 dwellings in 2025 but completed ~45,042 and delivers just 5.2 homes per 1,000 residents; national approvals and commencements up ~17% yet completions ~27% below required pace and now falling; the development funnel.
Land use and capacity	Established areas: zoning that locks in low density and rules out the missing middle. Growth areas: zoned land that is not yet serviced.	LGA delivery against 2021–26 targets; NSW Low and Mid-Rise policy; Appin dwelling cap; the Auckland Unitary Plan upzoning evidence.
Housing-enabling infrastructure	Long-lead infrastructure cannot be planned on a short 0-5 year horizon; the timing and cumulative weight of contributions can make feasible housing unfeasible.	Macarthur water and wastewater servicing; Upper Nepean and Upper South Creek timelines; NHFIC analysis of developer contributions; Queensland growth-monitoring and NSW UDP models.

1. Zoning is not the same as supply

Housing underpins a person's security and opportunity, and the test of housing policy is sufficiency: enough homes, of the right types, in the right places. Australia is failing that test. It has fewer dwellings per thousand people than France, Spain, Japan, the UK or the US, and two decades of under-delivery have compounded into a large shortfall. Home ownership among 25 to 34 year olds has fallen from around 60% in the early 1980s to under 40% today. Fewer homes per head and fewer young owners are the same shortfall, counted two ways. A large part of the cause is that the planning system too often treats theoretical capacity as supply.

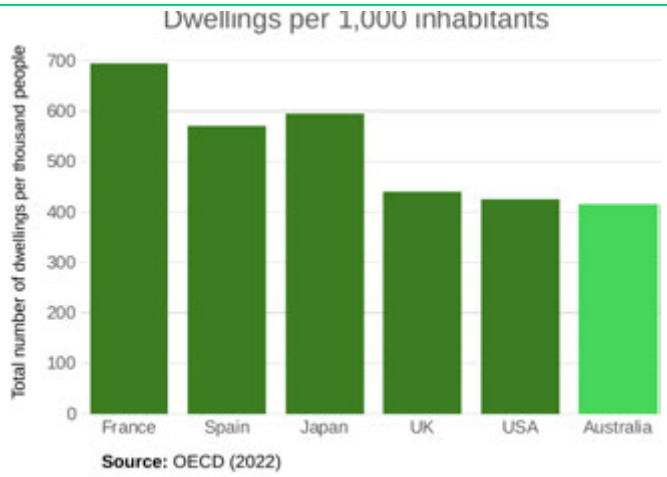


Figure 1: Dwellings per thousand people, selected countries. Source: OECD (2022).

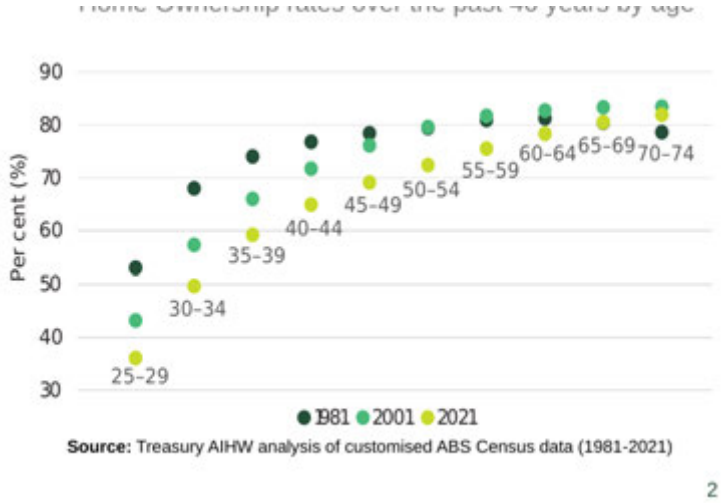


Figure 2: Home ownership rates by age cohort, 1981–2021. Source: Treasury / AIHW analysis of ABS Census data.

Output falls short even where land appears available because zoning a parcel does not make it buildable. Mecone describes the gap as a development funnel. Once land is zoned it must clear a series of tests, and at each one capacity drops away:

- **Zoned but not serviced** – lacking water, wastewater or road access, with the real question being how many years until that infrastructure arrives;
- **Serviced but not feasible** – unable to sell or rent for enough, after costs and charges, to be viable;
- **Fragmented ownership** – unable to be consolidated into a developable parcel;
- **Land banking** – capacity held back rather than released; and
- **Approved but not commenced** – consent granted but construction not started, depending on feasibility, finance and market conditions.

Figure 3: The development funnel. Capacity drops away at each stage between zoning and a completed home. Source: Mecone.

Only capacity that survives every stage produces homes. Approvals and commencements are up around 17% since the Accord began, but completions are still well short of the pace the target needs. Improving the first stage of the funnel will not lift completions if capacity is lost at later stages.

The funnel also exposes a problem at the very top, in how capacity is counted. Local housing strategies sometimes book theoretical capacity that the market will never realise. A common case is an established suburb where existing dwellings sit, say, 20% below their permitted yield: on paper a suburb of 1,500 homes carries another 300 dwellings of capacity, and that number flows through to the strategy and the target. But where the highest and best use of each lot is already the house that stands on it, those controls will only ever produce renovations and additions, not 300 new dwellings. The capacity is real in the planning instrument and absent on the ground. Counting it inflates the apparent pipeline and masks the true shortfall, which is why theoretical capacity should be reported as scenario potential only and never counted toward delivery.

Figure 4: Sydney dwelling demand and supply against successive strategic-plan targets, 1999–2029. Source: Mecone, using NSW Government data.

Because so much zoned land is never serviced, feasible, released and approved at the same time, planning only for the homes needed guarantees a shortfall. **Our analysis indicates the planning system needs to hold around seven to ten years of development-ready capacity in the pipeline at all times.** Leading jurisdictions apply the same discipline in more conventional language: Scotland's "effective supply" (land counts only where infrastructure is funded), Victoria's and Queensland's multi-year serviced-land targets, and approved-pipeline triggers. The buffer is the target. These are how it is delivered. It must also be the right capacity. A dwelling count can be met on paper with floor space ratios that will never be built, or the wrong types in the wrong places. The capacity that counts is development-ready supply across the whole continuum, from crisis and social housing through affordable and build-to-rent to market rental and ownership. Government's direct role there has fallen from about one in ten new homes in the 1980s to under 3% today, leaving the market to carry almost the entire load.

1.1 Common terms for describing capacity

Honest measurement starts with agreement on what is being counted. Mecone groups housing capacity into the categories below. The line that matters most is between the upper categories, which describe potential, and development-ready capacity, the only one that reliably turns into homes in the short term. Counting the upper categories as supply, as headline zoned-capacity figures do, overstates how much housing can be delivered.

Capacity category	What it means – and how it should be used
Theoretical	Nominal dwelling yield permitted by strategy, zoning or standards before infrastructure, constraints, feasibility or ownership are tested. Includes yield that will never be built where the highest and best use of the land is the existing dwelling. Useful for long-term scenarios only; should not be counted as supply.
Strategic	Land identified in a regional, district or local plan as a potential future housing area, but not yet zoned or infrastructure-committed. Used to start long-lead infrastructure and constraint investigations.
Zoned	Land where housing is permitted and a notional yield exists, but infrastructure, feasibility and ownership are not necessarily resolved. Meaningful only alongside servicing and constraint status.
Serviced or funded	Zoned land where essential infrastructure is delivered, or funded and committed to a delivery program. Forms part of near-term pipeline assessment.

Capacity category	What it means – and how it should be used
Constraint-resolved	Capacity where biodiversity, hazard, heritage, utility and corridor constraints are mapped and resolved or funded for resolution. Required before land is development-ready.
Feasible	Capacity commercially deliverable under current or reasonably expected market conditions, after accounting for construction and land costs, finance, contributions, infrastructure and affordable-housing obligations, design requirements, sales or rental revenue, risk and absorption. Feasibility should be tested by sub-market and dwelling type, not assumed from zoning.
Development-ready	Zoned, serviced or funded, constraint-resolved, feasible and available capacity, capable of consent and commencement in the short term. Should be counted toward housing targets only where the permitted built form is commercially feasible under realistic market conditions. The primary benchmark for housing-supply performance.
Approved	Dwellings with development approval, complying certificate or equivalent consent. An important leading indicator, but must be tracked through to commencement and completion.
Commenced / completed	Dwellings under construction or delivered – the only stages that ultimately count as homes.

2. Approvals do not equal completions

The problem is mostly conversion rather than approval. The gap between what NSW approves and what it completes is widening, and completions are the only output that houses anyone: on the latest data the state approves homes in volume but completes far fewer.

On ABS data for the 2025 calendar year (with resident population at June 2025), NSW approved 52,427 dwellings, second only to Victoria but well below its 2017 peak of around 76,000. On totals it ranks second nationally for both approvals and completions:

Figure 5: Dwelling approvals against completions, 2025 calendar year, four largest states. Victoria's approvals and completions are close; New South Wales shows a gap of around 7,000 homes. Source: Mecone, using ABS Building Approvals (Dec 2025) and Building Activity (Dec 2025) data.

In 2025 Victoria recorded a similar number of approvals and completions, while New South Wales completed around 45,042 against 52,427 approved, a gap of roughly 7,000 homes. This is not a project-level conversion rate, since completions reflect approvals from earlier years, but it is a

useful system-level indicator of relative delivery. Nationally, completions are now falling rather than rising. The December 2025 quarter was lower than a year earlier, which makes the problem more acute, not less. Measured against population, the truer test, the gap widens further.

Per capita delivery: NSW last among the large states

Per thousand residents, NSW delivers fewer completed homes than any other large state, despite strong approval volumes:

Figure 6: Dwelling completions per 1,000 residents by state, 2025 calendar year. New South Wales ranks last among the large states. Source: Mecone, using ABS Building Activity (Dec 2025) and ABS estimated resident population (June 2025).

NSW completes around 5.2 homes per thousand residents, against 6.0 in Queensland, 7.1 in SA, 7.3 in WA and 7.7 in Victoria. Strong approvals are not translating into delivery at the rate its population requires.

New South Wales' National Housing Accord target is 377,000 homes over five years, around 75,400 a year. At the current completion rate of about 45,000 a year, NSW is running roughly 30,000 homes a year below the Accord trajectory. Lifting New South Wales to merely match Western Australia's per-capita delivery would raise completions to around 62,000 a year, and matching Victoria's would lift them to around 66,000. More approvals alone will not close that gap. The block is in converting approved dwellings into built homes. That turns on feasibility, finance and delivery certainty: servicing, contributions, costs and the availability of development-ready land. Those are the subject of the sections that follow.

2.1 The pipeline is not refilling

Mecone's monitoring with UDIA NSW shows the same conversion problem across metropolitan Sydney. Tracking determined local development applications and complying development certificates against the Greater Sydney Megaregion's Housing Accord target of 322,000 dwellings, the analysis found that by the first quarter of 2024–25 the region had refilled only around 27% of its five-year pipeline, the gap widening each quarter. This cuts against the idea that approval speed is the main barrier. Average residential determination times had improved to around 109 days, below the relevant ministerial expectation, yet lodgements and determinations were falling. A faster process applied to a thinning pipeline does not deliver more homes. What feeds approvals is the depth and readiness of the pipeline, a question of serviced, feasible, development-ready capacity, not statutory clocks.

2.2 Feasibility is a regulatory problem, not just a market one

A major reason the pipeline is thinning is feasibility, which the Commission should treat as regulatory as much as an external market condition. Many permitted projects are simply not feasible. A site can be zoned, serviced, constraint-resolved and even approved, yet deliver no home if the product cannot be built at a profit. Planning controls, contributions, parking, design standards, affordable-housing obligations, infrastructure charges, assessment risk and post-approval delay all affect whether a project can be financed and commenced.

The NSW Productivity and Equality Commission's 2024 review of housing supply confirms feasibility as a central constraint, finding many Sydney projects unfeasible as high interest rates and construction costs outrun achievable sale prices. Analysis for the review by the Centre for International Economics put the indicative cost of building a new apartment in a typical mid-rise Sydney block at about $905,000 in 2023, up 36% from around $666,000 in 2018, against an estimated sale price of roughly $885,000. Many permissible projects therefore cannot be financed, however much capacity the zoning appears to create. Feasibility must be measured and managed alongside servicing and constraint resolution, not assumed once land is zoned.

3. Managing the development pipeline

Measuring capacity by development readiness rather than zoning needs an agreed way to describe how far a parcel has progressed toward delivery. Land does not jump from "identified" to "developed". It moves through stages, each defined by whether infrastructure, environmental constraints and approvals are resolved. Classifying it this way, and managing the stock at each stage, turns a static supply figure into a pipeline that can be planned and funded.

Mecone classifies residential land across five stages, mapped to the time horizon over which each can realistically deliver homes. The time horizons matter because land at the back of the pipeline cannot be brought forward quickly. Keeping near-term supply healthy requires decisions on strategic and zoned land years earlier.

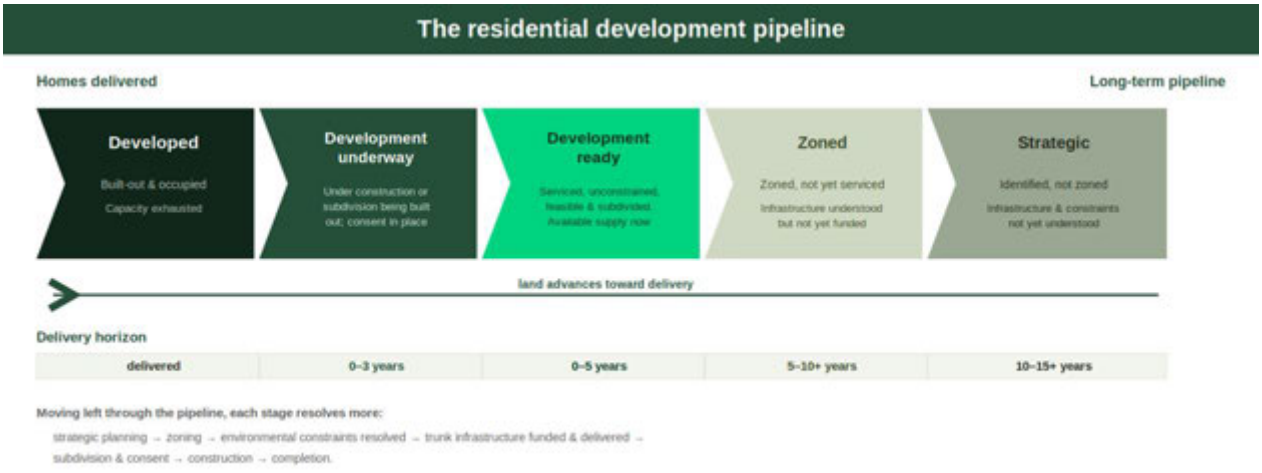


Figure 7: The residential development pipeline. Developed land sits at the left; moving right, each stage is further from delivery – development underway, development-ready, zoned, and strategic land at the far horizon. Land advances back toward the left as servicing, constraints, approvals and construction are resolved, and each stage carries a realistic delivery horizon.

Only development-ready land, that is, land that is zoned, serviced, constraint-resolved and feasible, reliably converts into completions inside five years, which is why it, not the sum of everything nominally zoned, is what should be reported to the market and counted toward targets. Zoned land is the stage most often mistaken for available supply: it permits housing, but its infrastructure is understood and not yet funded, so it sits years from delivery. Appin, in section 9, is exactly this case, zoned for up to 12,900 homes but releasable only as servicing and funding are confirmed.

Short-term delivery comes from development-ready land, which is replenished from land where development is underway, then zoned, then strategic. A blockage at any stage surfaces as a shortfall years later. Because the longest-lead infrastructure takes about a decade, the investigations and funding for strategic and zoned land must begin long before the land is needed. A pipeline that only acts once land reaches the zoned stage has already locked in a future bottleneck. Holding enough stock at each stage to keep the next replenished is what the reforms in section 11 are built to do.

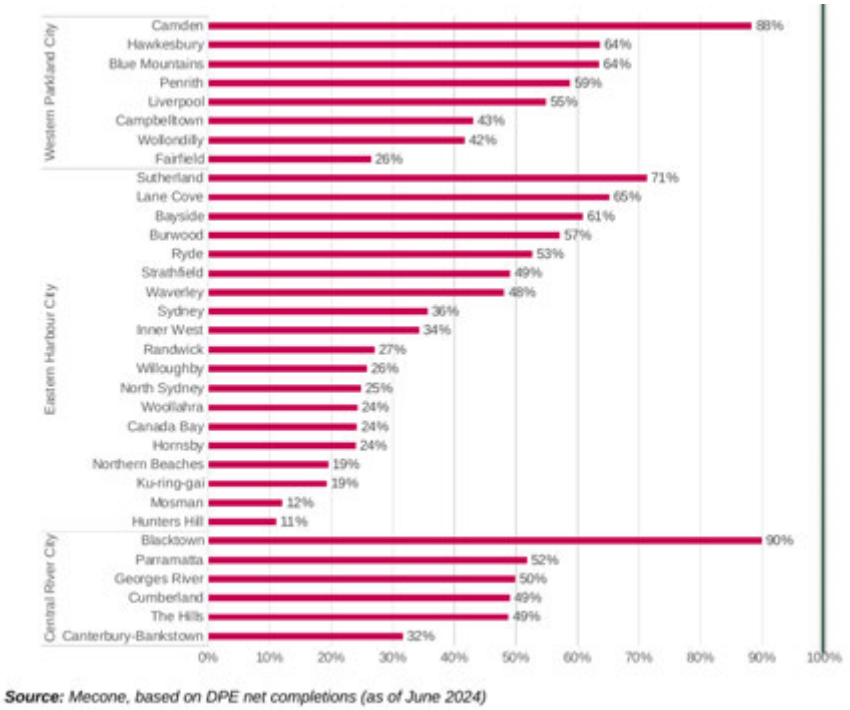
4. Land use and capacity

The land-use task differs fundamentally between established areas and growth areas, and treating them as one obscures the reform that each requires.

4.1 Established areas: low-density zoning and the missing middle

In established, well-located areas the main barrier is controls that lock in low-density detached housing and prohibit the missing middle, namely terraces, townhouses, dual occupancies and low-rise apartments. That limits household movement through the market. Downsizers stay put because there is nowhere smaller to move to nearby, families cannot trade up, and younger households cannot enter. On the NSW Government's own account, only two of 33 Greater Sydney councils allowed terraces and townhouses in low-density (R2) zones, and residential flat buildings were barred in around 60% of medium-density (R3) zones.

Delivery against the 2021–26 targets shows that the worst under-delivery is not in greenfield areas but in established, high-amenity councils that resist density. Some growth-area councils did well, with Camden around 88% and Blacktown around 90% of target, while established inner and northern councils delivered a fraction of theirs: Hunters Hill around 11%, Mosman around 12%, Ku-ring-gai and the Northern Beaches around 19%, and Woollahra, Canada Bay and North Sydney each around 24%. These have the best access to jobs, transport and services, where new housing would do most for affordability.



Source: *Mecone, based on DPE net completions (as of June 2024)*

Figure 8: Delivery against 2021–26 housing targets by Greater Sydney LGA. Established, high-amenity councils dominate the lagging end. Source: Mecone, based on DPE net completions (June 2024).

The NSW Low and Mid-Rise Housing Policy is a serious, directionally correct response: within 800 metres of around 171 centres and stations it permits dual occupancies, terraces, townhouses and low-rise apartments, and is projected to enable up to 112,000 homes over five years. Tellingly, its site-selection criteria already weigh access to services, transport, infrastructure capacity and hazards, an admission that “capacity” only counts once filtered through servicing and constraint. It should be judged on homes commenced rather than projected.

What separates effective upzoning from simply being rezoned is feasibility. Missing-middle reform should be targeted where the resulting product is commercially feasible, testing lot sizes, floor space ratios, height, parking, tree retention, setbacks and design against real development economics. A permission that cannot be built profitably on a typical lot adds nothing to supply. The zoning change that counts is the one that yields a built form that can be financed and delivered in the relevant sub-market.

The NSW Transport Oriented Development program is designed to address this point. Across 25 station precincts its controls permit residential flat buildings and shop-top housing, with height limits of 22 and 24 metres, a maximum floor space ratio of 2.5:1, a 21-metre minimum lot width, no minimum lot size, and a 2% in-perpetuity affordable-housing requirement. The direction is sound. More people should be able to live near rail, metro, jobs and services. But early monitoring found applications in the upzoned precincts still dominated by detached housing and low-impact complying development, not the higher-density buildings the reform was meant to enable. That should be treated as a feasibility signal, not only as a slow market response. Where higher-density applications are not emerging, the government should test whether the controls produce viable projects on real lots once land assembly, construction costs, finance, affordable-housing requirements, parking, design and contributions are counted. If they do not, the binding constraint is not permission, and zoning reform should be paired with feasibility testing.

4.2 Growth areas: enabled but not serviced

In growth and release areas the barrier is different: land is zoned and strategically endorsed, but not yet serviced. Capacity exists on paper and is counted toward targets, but cannot convert because trunk water, wastewater and transport infrastructure has not been delivered or funded. This is addressed directly in section 6 and illustrated in the Appin case study.

5. What Auckland shows: upzoning works, but not on its own

Auckland is the most relevant international comparator for this submission. Over the past decade it has gone further than almost any comparable city: metropolitan-scale governance under a single "super city" council, large-scale upzoning across established suburbs through the Auckland Unitary Plan, and zoned capacity for roughly a million additional homes within the existing urban footprint. The results show upzoning working as a supply lever, and they show where it stalls when infrastructure, location and policy stability do not keep pace. The reforms also did not sit alone: New Zealand's National Policy Statement on Urban Development requires councils to provide sufficient development capacity, to make room for growth both up and out, to maintain an evidence base on demand, supply and prices, and to coordinate planning across urban areas. Auckland should not be read as a simple deregulation case study. It is upzoning embedded in capacity monitoring, sub-market analysis, infrastructure planning and sequencing. The evidence below draws on analysis presented by Auckland Council's Chief Economist Unit and published research on the reforms.

5.1 The upzoning was large

The Auckland Unitary Plan, made operative in 2016, fundamentally rezoned the city's residential land. Before the plan, around 96% of residential land was zoned for low-density housing. Afterwards, low-density fell to about a quarter, with medium-low rising to roughly 45% and medium and high-density together accounting for almost a third. This is upzoning at a scale rarely attempted, and it is the necessary precondition for everything that followed.

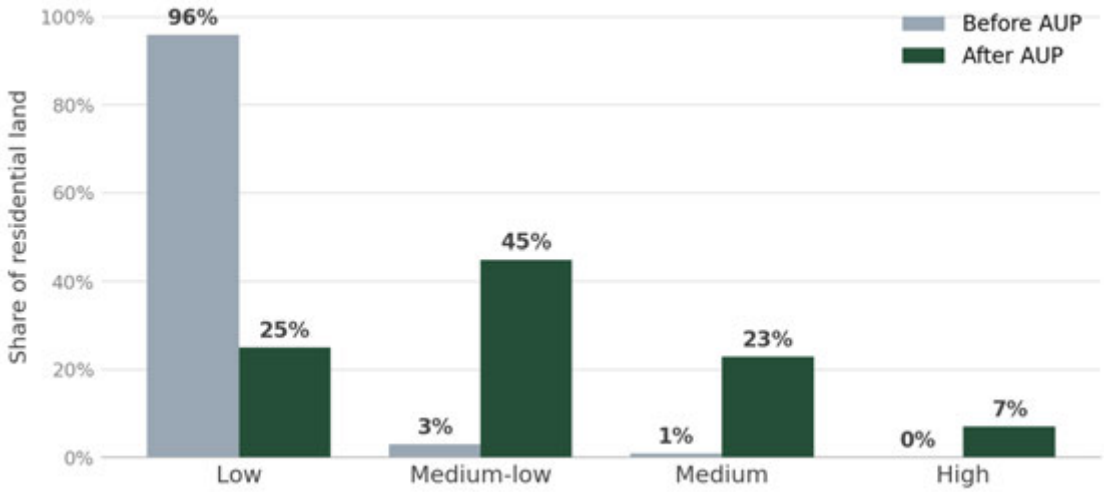


Figure 9: Composition of Auckland residential land by permitted density, before and after the Auckland Unitary Plan. Source: Mecone, based on data from Greenaway-McGrevy and Jones (2025), Urban Studies, and Auckland Council Chief Economist Unit.

5.2 Supply responded – in volume, type and location

The market responded quickly and materially. Building consents per capita rose sharply: Auckland moved from around 5.9 new dwellings per thousand residents in the two decades to 2016 to about 9.3 in the period since, the largest proportional increase of any jurisdiction shown and a rate now approaching Victoria's. By comparison, New South Wales barely moved, from around 6.6 to 6.9 over the same period, which points to the importance of planning, infrastructure and feasibility settings rather than market size or geography.

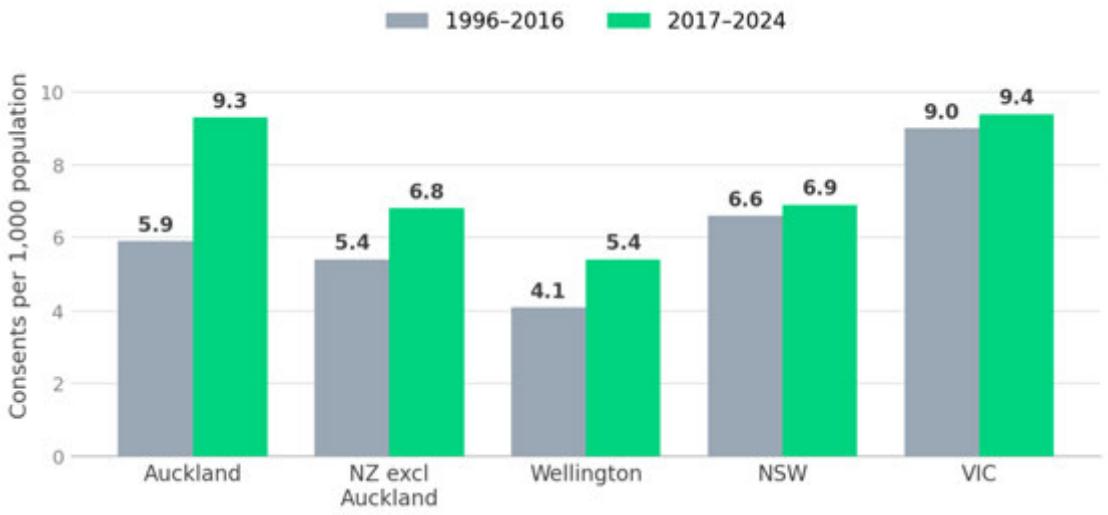


Figure 10: New dwellings consented per 1,000 population, 1996–2016 against 2017–2024, selected jurisdictions. Auckland records the largest proportional gain; New South Wales is close to flat. Source: Mecone, based on Stats NZ and ABS data via Auckland Council Chief Economist Unit.

The response was not only in volume. The composition of new housing shifted decisively toward townhouses and apartments, the "missing middle" that established-area zoning in New South Wales still largely prohibits. And the new supply was better located. In the seven years after the plan, dwellings consented within 14 kilometres of the city centre rose roughly threefold against the seven years before, so growth concentrated in accessible, well-serviced locations rather than dispersing to the fringe. Auckland built more homes, of the right types, in the right places.

5.3 But affordability was not "fixed"

Even upzoning at this scale, with a strong supply response, has not by itself fixed affordability. That is the central lesson for Australia. Auckland's median house price to median household income ratio sits around 7.4, below its peak of roughly 11, but well above the 5 of the early 2000s, and still near a million-dollar median. Rental affordability has improved measurably, though: peer-reviewed analysis estimates that, some years after the plan, three-bedroom rents were about 22 to 35% below what they would otherwise have been, with smaller and less certain falls for two-bedroom dwellings. Auckland rents have grown more slowly than in comparable cities. Supply reform moves affordability the right way without, on its own, delivering it.

Figure 11: Auckland ratio of median house price to median household income, 1998–2024. The ratio has eased from its peak but remains well above the early-2000s level. Source: Mecone, based on REINZ and Stats NZ data via Auckland Council Chief Economist Unit.

5.4 Five lessons for Australia

Upzoning is necessary but not enough on its own, and Auckland shows what has to go with it. The reforms worked where they created feasible, well-located capacity at scale, which took more than permitting density: the system also had to monitor demand, assess feasible capacity, plan infrastructure and sequence growth. Five lessons carry directly to Australia:

- **Coordination matters.** Aligning planning, transport and infrastructure is what allowed the supply response; fragmented governance holds it back.
- **Upzoning has limits.** It lifts supply and shifts housing types, but cannot resolve affordability by itself.
- **Location matters as much as volume.** The gains came from building in accessible, serviced places, which depends on the infrastructure being there.
- **Consistency matters.** Frequent policy resets from central government created uncertainty and made delivery at scale harder, which is why we argue for plans that re-prioritise but do not de-commit.
- **Intensification has diminishing returns.** It delivers strong early gains, then slows if infrastructure and community acceptance do not keep up.

Planning reform can shift supply meaningfully and quickly, but only inside the broader, coordinated system this submission sets out.

6. Housing-enabling infrastructure

In release areas, servicing is the stage of the funnel where most capacity stalls, and the reasons are lead time, funding and sequencing.

6.1 Lead times for infrastructure delivery

Major water and wastewater infrastructure has very long lead times. A new treatment or water-recycling facility typically takes around a decade from concept, through environmental assessment,

approval, funding, procurement and construction, to operation. That is simply how long such assets take to build. It is not an inefficiency to be reformed away.

The mismatch is structural. When land release, monitoring and infrastructure planning all run on a five-year horizon, the system cannot commission what is needed to unlock the next tranche of land, because that work had to start a decade earlier. The result is a brittle, just-in-time model of servicing, where any surge in demand or slip in delivery constrains supply at once. Transport corridors, with their own long lead times, behave the same way.

6.2 Funding and sequencing

Whether trunk infrastructure leads or lags release comes down to funding and sequencing. Arrange it to arrive ahead of, or alongside, release and the pipeline flows. Let it follow demand and zoned land piles up behind a bottleneck. **Servicing capacity ahead of growth is not free, but once the buffer exists, investment can settle back to historic norms tracking projected growth.** The aim is to run several active, funded growth fronts at once, with transparent sequencing and room to reprioritise without de-committing infrastructure that industry has already relied on.

Rationing serviced land also wastes it. Because serviceable supply is rationed to meet fixed annual dwelling numbers, developers competing for a limited pool of development-ready land frequently develop it at lower yields and in less dense formats, because that is what they can feasibly deliver within the constraints and timeframes available. Scarce, expensively serviced land is then used inefficiently. Constraining supply does not only slow delivery. It drives the under-utilisation of the very land the system has made ready.

Part of the answer is to treat three kinds of infrastructure differently, rather than loading them all onto individual projects:

- **Local infrastructure** serving a specific development or precinct: fund through local works, works-in-kind and transparent contributions.
- **Regional trunk infrastructure** unlocking multiple precincts: too large and too shared for any one project; fund through state and Commonwealth co-investment, utility capital programs and long-term servicing plans.
- **Major social and transport infrastructure** – schools, hospitals, major public transport: benefits the wider community and should not be loaded onto individual developments in ways that make housing infeasible. Often these are in State Government forward budget estimates and are based on population growth and therefore may be double-counted if charged via state contributions.

6.3 Contributions: timing and cumulative cost burden

Development contributions are a necessary part of the planning and development system. New housing creates a real need for local infrastructure, and user-pays is reasonable. But the system has become one of the more serious drags on feasibility, and the debate fixes too narrowly on the headline charge. Three things matter at least as much as the dollar amount: when contributions fall due, how they stack up together, and how far their scope has drifted from infrastructure with a direct link to the development.

Timing is the most under-appreciated of these, and where the cost of capital bites. Several charges, including in NSW the Housing and Productivity Contribution on apartments, fall due at or before the start of construction, when a project is most geared and has earned nothing. Paid up front, a contribution costs more than its face value: the developer funds it, through equity or debt, across the whole build and sales period before a single dwelling settles. On a large project, at today's finance rates over the years to settlement, the cost of capital on contributions alone can add millions and tip a marginal scheme into an unviable one. The same charge bites very differently depending on when it falls due.

A practical, largely revenue-neutral reform follows: charge on occupation, when dwellings settle and revenue arrives, not on commencement. This matches the payment to cash flow and to when the infrastructure need arises, removing the financing penalty without reducing what is collected. Where funds are needed earlier, government or utility capital recovered on settlement is a better bridge than forcing every project to carry the charge through its most cash-constrained phase.

The cumulative impact also matters, because no charge is levied in isolation. A new home attracts local and state infrastructure contributions, the Housing and Productivity Contribution, utility headworks charges, affordable-housing requirements, holding-period land tax, stamp duty and GST, on top of the construction and feasibility pressures already described. National Housing Finance and Investment Corporation analysis put developer contributions alone at up to around $85,000 per home, and found they have become "inconsistent, lack transparency and have broadened in scope", increasingly funding social infrastructure, such as schools, hospitals and community facilities, once paid from state budgets, with up to 88% of some Sydney councils' contributions going to social rather than essential infrastructure. Contributions, it found, "increasingly act like a tax on new housing". Each charge may be defensible alone, but they are set by different bodies, on different bases, at different times, and no one tests the stack against whether the project can still be built. Government should assess the combined burden on a representative project, by sub-market and dwelling type.

Finally, the system should be realistic about value-capture. Funding infrastructure by capturing a share of the rezoning uplift is attractive in theory, but it misreads development risk. That uplift is not always a simple windfall. In many cases it is the reward for carrying land, planning, construction, finance, holding and sales risk over a long, uncertain period, and it is what attracts the equity that makes a project happen at all. If too much of that margin is removed, marginal projects will not proceed. Blunt waivers fail the mirror way. As the NSW Productivity and Equality Commission review noted, a waiver can be capitalised into higher land value rather than producing more homes. The more durable answer is not broad waivers or poorly calibrated value capture. It is contributions that are certain, timely, proportionate, charged on occupation and tested for cumulative feasibility, with state and Commonwealth funding where regional infrastructure unlocks development-ready capacity across many projects.

6.4 Environmental constraints handled in isolation

Environmental constraints, including riparian, biodiversity and koala corridors, flood- and bushfire-prone land and heritage, are legitimate and worth protecting well. The difficulty is that the planning system tends to deal with them one at a time rather than together. Riparian corridors can be set wider than needed. Biodiversity corridors can be placed without regard to where infrastructure must go, and infrastructure corridors are then layered on top. The result can be a "spaghetti junction" that carves developable land into pieces too small or awkward to use, where the share of a site nominally affected looks modest, but the way it is cut up renders the rest unusable.

This runs against the objects of the *Environmental Planning and Assessment Act 1979*, which call for the orderly and economic use and development of land and the proper coordination of natural and built resources. A more systematic, integrated approach can deliver better environmental outcomes and preserve far more developable land at the same time. Where corridors, offsets and infrastructure alignment are resolved together, at precinct scale and early, environmental values can be protected more coherently, as a connected system rather than a patchwork, while the developable land that remains is kept in usable parcels. Offsets and approvals carry multi-year lead times, a further reason to resolve them up front rather than at development application stage.

7. Where approval delay and cost arise

Approvals reform should focus on where delay and cost actually arise, and on whether approvals turn into commencements, not on average determination time alone. The most expensive problems are repeated steps at different stages, servicing and corridor issues that surface late, and the absence of any measure of whether an approval ever converts to a start on site. Resolving servicing and constraints up front, at precinct scale, takes that uncertainty out of individual applications. The cost of simply demonstrating compliance, separate from the real design work, is itself substantial and can be cut.

8. Growth monitoring in practice: Queensland and NSW

These reforms are not hypothetical. The arrangements already exist in Australian jurisdictions, unevenly applied. The Commission can draw on two domestic models when recommending a nationally consistent approach to measuring and managing development-ready capacity.

8.1 Queensland's Growth Monitoring Unit

Queensland operates the most developed model. Its Growth Monitoring Unit, set up under ShapingSEQ and continued under the 2023 regional plan, tracks housing and employment land use, supply and development activity in South East Queensland against regional-plan benchmarks, and feeds that data into infrastructure and land-use decisions. South East Queensland is expected to take most of the state's growth, and Queensland is committed to one million new homes by 2044, including 53,500 social and community homes, so consistent monitoring is how the government decides where and when to unlock more land. The framework also recognises changing need, such as smaller, more diverse households and rising demand for attached and smaller homes, and ties land use to infrastructure. Notably, on the Committee for Sydney's review, South East Queensland held a minimum 15 years of zoned land serviceable with lead-in infrastructure and a minimum four years of approved supply: concrete buffers of exactly the kind we recommend.

8.2 NSW Urban Development Programs

NSW has a comparable model on paper in its Urban Development Programs, though it is not yet operating as intended. The framework is designed to manage land supply and coordinate infrastructure through four parts: a UDP committee, an annual housing land audit, an annual monitoring statement, and supporting data. The committees are intended as forums for finding where housing land has stalled, identifying the barriers and coordinating a fix, while the audits and statements would give infrastructure agencies and utilities the forward view of housing locations

and yields they need to plan servicing ahead of time. In practice the committee structure is not yet up and running, so the coordination function the model promises is largely unrealised. This is a gap the Commission should note, since the design is sound but depends on actually standing up the committees and the routine reporting behind them. The NSW material is candid that much zoned land cannot be made development-ready because of unresolved infrastructure, feasibility, labour, materials and environmental constraints, the same funnel logic we urge the Commission to adopt nationally.

Every high-growth region should have a live development-ready capacity system that is public enough to support accountability, detailed enough to underpin infrastructure business cases, and governed by a forum empowered to identify and resolve the binding constraint. Queensland shows the model working. NSW shows the design in place but not yet stood up. Making this consistent across jurisdictions, as a condition of Commonwealth housing and infrastructure funding, would do more than any other administrative reform to improve how supply is measured and managed.

9. Case study: Appin and Greater Macarthur

Appin is the clearest illustration in NSW of the gap between zoned capacity and development-ready capacity.

9.1 Zoned capacity far exceeds serviceable capacity

The Appin (Part) Precinct in the Greater Macarthur Growth Area was rezoned in December 2023 and is planned for up to 12,900 new homes. A dwelling cap of around 2,499 homes currently applies, because that is all that existing infrastructure and committed upgrades can service, and the public planning material is explicit that the cap will rise only when additional capacity and delivery pathways are confirmed. Rezoned capacity is around 12,900 dwellings, but releasable capacity is roughly a fifth of that. The land is zoned, but it is not development-ready.

9.2 Servicing is a decade away

The long-term wastewater solution for the Menangle-to-West-Appin precincts is a proposed new facility, the Upper Nepean Advanced Water Recycling Centre, with an indicative operational date around 2031 that is not yet funded and committed and will need substantial further capital. The nearby Upper South Creek Advanced Water Recycling Centre, serving the South West Growth Area and Aerotropolis, moved through environmental assessment from around 2021, its operational date slipping from 2025 to 2026. These are ten-year-lead assets that a five-year horizon cannot commission in time. Land zoned now, with servicing not funded now, cannot deliver homes on the timeframe the targets assume.

9.3 Constraints and corridors compound

Appin also shows constraint fragmentation. The precinct sets aside around 470 hectares for environmental conservation including koala corridors, and the adjoining North Appin precinct around 56 hectares, alongside new transport corridors and the future Greater Macarthur Transit Corridor. Each is individually justified, but planned in isolation they overlap and fragment the developable land between them. Counting the full rezoned capacity of areas like this toward housing targets, before servicing and funding pathways are confirmed, is exactly the false comfort the Commission should guard against.

10. Responses to the Commission's information requests

IR1 – Which regulatory reforms should be prioritised? Measure and report development-ready capacity rather than zoning alone; hold a seven-to-ten-year buffer expressed as diverse types across the continuum; enable the missing middle in established areas; and mandate integrated, funded infrastructure planning aligned to the pipeline (sections 1, 3, 4, 11).

IR2 – Which approval steps are most onerous? Duplicated studies at different planning stages (ie rezoning, concept DA, DA etc), planning and sequencing of land for public purposes such as riparian corridors, open space and linear infrastructure, the late discovery of unresolved servicing and corridor issues, and the burden of demonstrating compliance, together with weak approval-to-commencement measurement. Resolving servicing and constraints up front removes the costliest uncertainty (sections 6, 7).

IR3 – Which recent approvals reforms have been most and least effective? Coordination and fast-track pathways such as HDA's and the LMR and TOD reforms are directionally important, but should be judged by whether they create housing commencements, not projected theoretical capacity; rationing of water and sewer infrastructure pushes development toward lower-yield formats (sections 2, 4, 7).

IR4 – Which zoning and land-use controls most limit supply, and what are the trade-offs? In established areas, controls that lock in low density and ban the missing middle; in growth areas, the absence of servicing behind enabled land; throughout, the fragmented provision for environmental corridors. The key test is not whether controls technically allow more dwellings, but whether they allow a feasible built form in the relevant market. The environmental objectives are legitimate; integrated provision protects them while preserving developable land (sections 4, 6).

IR5 – How important are land release and sequencing relative to other controls? Decisive in growth areas. Release not sequenced to funded infrastructure produces zoned-but-unserviceable land, as the Macarther South cap shows; sequencing release to funded servicing across multiple fronts is the central lever (sections 6, 9). It should be noted in a City the size of Sydney, not servicing all areas at all times still means multiple development fronts.

IR6 – How do development contributions and frameworks affect feasibility and supply? Significantly, and through timing and cumulative costs as much as the rates. Contributions that fall due on commencement of construction, before any revenue is earned, must be carried at the cost of capital across the whole build and sales period, which can add millions to a large project and tip marginal schemes into unviable ones; charging on occupation rather than commencement would remove that penalty largely without reducing revenue. The combined burden of all charges should be tested on a representative project, not each charge in isolation. Value-capture and value-sharing mechanisms will not fill the gap, because the uplift they target is the reward for development risk and removing it deters the very investment supply depends on (sections 6, 9).

IR7 – What other infrastructure regulations should be a reform priority? Economic-regulation settings that cap utility capital investment at the point servicing is needed; the absence of a requirement to plan and fund across multiple fronts; and the absence of an obligation to commit long-lead decisions on the ten-year horizon those assets demand (sections 6, 11).

11. Recommended implementation actions

The following package treats the three inquiry areas as one delivery system. Each reform is paired with the problem it addresses, the trigger or test that activates it, and who should act.

Reform	Problem addressed	Trigger or test	Responsible action
Adopt common capacity terminology	Zoning counted as supply; inconsistent measures across jurisdictions	Used as a condition of Commonwealth housing and infrastructure funding	Commonwealth, with states and territories
Measure development-ready and feasible capacity, not zoning alone	Theoretical capacity overstates real supply	Land counts only where serviced or funded, constraint-resolved, realisable and commercially feasible	State and territory planning agencies
Publish rolling capacity statements with a standing feasibility layer	No transparent, current view of the pipeline; feasibility not measured	Annual or biannual report by category, type, sub-market, infrastructure and constraint status, with feasibility tested by sub-market and type	State agencies via UDP or growth-monitoring bodies
Hold a seven-to-ten-year development-ready and feasible buffer	Pipeline runs thin and completions fall	Buffer embedded in regional, district and local plans; adjusted up where feasibility or ownership-conversion is weaker	State and local strategic planning
Impose quantified intervention triggers	Monitoring without consequences	Below 7 years: identify the binding constraint and publish an action plan. Below 5 years: prioritise infrastructure funding or amend controls. Approved capacity not converting: diagnose and address	State governments, with Commonwealth funding support
Require servicing and funding pathways before counting capacity	Zoned-but-unserviceable land counted toward targets, as at Appin	Reform and release areas need identified servicing and funding pathways before capacity counts	State agencies and infrastructure providers
Treat approval reform as feasibility reform	Speed measured; feasibility and conversion ignored	Predictable pathways, concurrent referrals, standard requirements, enforceable timeframes; judged on commencements, not projected dwellings	State and local consent authorities
Bring infrastructure decisions forward and reform how contributions are charged	Long-lead servicing and the timing and cumulative weight of contributions block feasible housing	Commit trunk decisions on a ten-year horizon; charge contributions on occupation not commencement; test the cumulative charge stack for feasibility	State and Commonwealth governments and utilities

Reform	Problem addressed	Trigger or test	Responsible action
Provide for environmental constraints as an integrated system	Fragmented, late constraint resolution renders developable land unusable	Resolve corridors, offsets and infrastructure alignment together, at precinct scale and early	State agencies, consistent with the EP&A Act 1979
Apply the same discipline to employment land	Industrial-land shortages compound housing-delivery costs	Extend development-ready measurement and sequencing to employment land	State and local planning agencies

Mecone welcomes the opportunity to discuss this submission and the underlying analysis with the Commission.

Yours sincerely,

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Mecone Group

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