Creating a more dynamic and resilient economy inquiry

Questionnaire response 100

Name: Urban Taskforce Australia

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Urban Taskforce strongly support a reduction in Company Tax and a commensurate shift towards the more investment friendly GST.

Urban Taskforce has long advocated for the abolition of Stamp Duty – a transfer tax that actively works against the efficient operation of the housing market. One alternative tax option would be to raise the rate of the GST. Another would be to widen its application. A third option would be to support the States transition from Stamp Duty to Land Tax. The benefit of Land Tax is it effectively acts as a broad value capture mechanism. If governments fund infrastructure or improvements to local amenity, this lifts the land value. A proportion of this is captured by a land tax. Stamp Duties simply constrain sales, force people to remain in homes that are distant from their workplace or too large for their needs.

Compounding this are high infrastructure levies which are increasingly applied the construction of new homes. Even worse, the development community (who have no choice other than to pass on fees, taxes, charges and levies to new home buyers) have been hit with a new wave of virtue signalling “affordable housing contributions”. These are a tax on those producing new homes. It works, like all taxes, the dissuade supply, not to encourage it. They are counterproductive in the current context of a housing supply crisis. It is ironic that these infrastructure levies are imposed by the very same State Government and Local Government bureaucracies that caused the housing supply crisis in the first place by constraining approvals and limiting supply.

The success of Housing Australia and the HAFF shows what can be done when government seeks to work with the private sector to deliver housing and bolster supply. Affordable Housing levies (taxes) do the opposite. This is an area where the Productivity Commission should take the lead, so as to ensure that the economic impact of these perverse taxes is exposed and expunged from the system.

Foreign buyer surcharges are, similarly, an own goal for any government that wants to boost housing supply. If foreign entities want to fund housing supply in Australia, there is no logic to adding a surcharge or penalty. In fact, it is ludicrous. They eroded foreign investor confidence including that of massive European and North American pension funds who might otherwise see Australia as a safe and stable investment option. They have their origins in base xenophobia, are counter intuitive, and should be abolished. The problem is compounded by layered state-based taxes, including foreign purchaser surcharges and stamp duties, which vary significantly between jurisdictions and further erode investor returns. Complex and inconsistent tax arrangements across federal and state levels introduce significant risk and reduce the predictability of returns, which are essential for large-scale institutional investors.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

   The details that follow should be read in the context of the answer above to question 1. The over-all tax impost on the construction and sale of a new home is a significant factor in the high cost of the delivery of new housing and this has a significant impact on project feasibility, financing decisions and supply.
   Further details are provided in answer to Section 3, Question 5 below.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

   The details that follow should be read in the context of the answer above to question 1. The over-all tax impost on the construction and sale of a new home is a significant factor in the high cost of the delivery of new housing and this has a significant impact on project feasibility, financing decisions and supply.
   Further details are provided in answer to Section 3, Question 5 below.
   Reforming the GST regime to allow input tax credits for long-term rental housing, simplifying MIT rules to encourage Build-to-Rent investment, and creating nationally consistent land tax frameworks would significantly reduce compliance complexity. Streamlining documentation, consolidating reporting systems, and offering pre-lodgement guidance on complex developments could also ease administrative load and free up resources for productive investment.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

   As foreshadowed in the introduction to this submission, there are very few areas of regulation currently seen by our members as enhancing the commercial aspects of property development. Indeed, this burden of over-regulation is extreme.
   To deliver the housing supply necessary to accommodate our growing population, Australia needs simple, well-designed and consistently applied (or as much as possible) regulatory frameworks that foster flexible planning, flexible land use and support market confidence to, bolster new housing and employment space delivery.
   The housing affordability crisis has, somewhat belatedly, evoked a range of policy reform in the planning space/ For example, the NSW Government's Transport Oriented Development (TOD) Program, the Low and Mid-Rise Housing reforms, new State Significant Development (SSD) Pathways for housing projects and most significantly, the Housing Delivery Authority pathway with the capacity to fast-track the SSDA assessment as well as have a rezoning considered concurrently with a Development Application (we would be happy to speak with the Productivity Commission about the details of any or all of these recent initiatives and the problems faced by each in terms of their efficacy).
   However, there is a tendency, particularly among planners, to give with one hand and take away with the other. The TOD reforms which saw increased height and density in the areas which surrounded designated transport hubs are a case in point. The increased height and density was, in many cases, over-ridden by the following:
   • The cost of purchase and demolition of the existing structures
   • The high cost of construction of new multi-level Class 2 Apartment buildings
   • The introduction of Affordable Housing contributions which require the hand-over of completed dwellings in perpetuity to a Community Housing Provider at rates between a

reasonable 2% up to the feasibility killing 18%
• The need to comply with local government Development Control Plan (DCP) setbacks and non-over-shadowing requirements for the new building which reduce yield
• The counter-productive requirement for non-residential-minimum Floor Space Ratio (FSR) which effectively mandates to construction of up to 30% commercial floor space in areas where there is already a massive over-supply of commercial buildings
• Highly restrictive zoning maps which seek to social engineer in accord with the preferences of the day, rather than enable flexibility to deal with changes in market demand or broader economic adjustments.

Urban Taskforce has long advocated for the unlocking of large-scale development opportunities in areas with ready infrastructure. This requires collaboration between local, state and federal governments to ensure the funding and delivery of enabling infrastructure that supports project feasibility for developers. For too long, the Commonwealth has eschewed its responsibility for funding infrastructure to support the housing of the growing population deriving from immigration numbers which they benefit from in terms of taxation receipts and economic growth generally. This infrastructure funding disparity has come home to roost and is a serious problem for housing supply.

As noted above with reference to the failed TOD planning reforms in NSW, what development proponents have found is that “collaboration” often means being slugged a new set of unviable constraints, fees, taxes or charges which work directly against the stated intent of the policy. Treasuries around the nation need to take greater care to stop well-meaning policy makers from introducing new and changes regulatory arrangements which negatively impact on the productivity of the nation.

Building Codes of Australia are a case in point. This is an area where group think seems to be automatically applied to see new rules and regulations without any meaningful consideration of the cost of these actions. This type of failure to limit the expansion of regulations has made a significant contribution to making housing in Australia such a high multiple of median weekly incomes. This calculation of housing affordability was utilised by Demographia in their 2024 International Housing Affordability report. The report incidentally, found that Sydney was the second least affordable city with a rating of ‘Impossibly Unaffordable” for housing with a median dwelling to median income ration of 13.8; only bested by Hong Kong with 16.7.

The ultimate result is that the additional time taken to ensure that all rules and regulations are met; the payment of taxes, fees and charges; the cost of complying with ever more burdensome environmental protection, thermal performance, or all too frequent changes to building codes; as well as restrictions on the flexibility of land use and the cost of affordable housing levies all stop projects from starting, limiting supply, and ironically, end creating further necessity of market interventions like affordable housing.

A positive move would be the expansion of codified planning pathways, such as the Complying Development Certificate (CDC) system in NSW, Queensland and Victoria. This is a regulatory approach that reduces planning risks, cutting assessment timeframes, and improving certainty. If CDCs could be available for medium-density housing or well-planned urban renewal areas, they offer a clear, rule-based system that supports faster delivery and more competitive project financing.

The expanded role of architects in land use planning assessments has also been a significant cost impost on housing supply. More will be said on the time, cost and often frivolous contribution made by design review panels and the duplicative and time-consuming impact of knee-jerk obligations to hold design competitions, in the following section.

In short, reduced or changed regulation to facilitate flexibility, the ability to respond to market demand, scale, clarity, and speed of decision making, particularly for Page 6 of 15
infrastructure alignment with land use planning, will enhance business dynamism in the property sector, lowering the cost of housing supply.

2. How has your regulatory burden changed over time?

The NSW regulatory system has grown significantly more burdensome over time. Since the Environmental Planning and Assessment Act 1979, producing the built environment has become increasingly complex, fragmented, and costly—undermining business dynamism and investment. Urban Taskforce Australia has consistently raised concerns that cumulative regulations, levies, design mandates, and political interference have made delivering housing and commercial projects harder and less efficient.

NSW's planning systems are among the slowest in Australia. Development approvals now commonly take over two years, adding uncertainty and inflating holding costs. Measures intended to streamline the system have added layers of discretionary assessment that often undercut their purpose.

Development levies—including infrastructure contributions, affordable housing levies, and the Housing and Productivity Contribution—are among the most unpredictable and distortionary. Charges vary widely between councils and are often revised late, deterring investment, especially in areas of high need like Western Sydney.

Urban Taskforce's report, What Makes Housing So Expensive, draws on CIE data to show Sydney leads the eastern seaboard in government-imposed housing costs. For new apartments:

Sydney: $346k (37.7% of $918k)

Melbourne: $236k (32.2% of $734k)

Brisbane: $256k (34.3% of $747k)

For greenfield homes:

Sydney: $576k (48.7% of $1.182m)

Melbourne: $374k (43.2% of $866k)

Brisbane: $348k (41.3% of $843k)

As of June 2024, NSW housed 31.2% of Australia's population—1.5 million more than Victoria. Housing pressures are forcing residents to relocate to other capitals. The NSW Productivity Commissioner warned Sydney could become "the city with no grandchildren" as younger families exit.

Housing affordability issues stem from taxes, fees, and rigid planning systems. Sydney's high housing and rental prices also reflect its high land costs. Regulatory friction restricts new supply and drives up prices. Peter Achterstraat has said that the state's best and brightest are leaving due to unaffordable housing.

While recent reforms like TOD policies and the Housing Delivery Authority may help, their effects are yet to be seen. Zoning restrictions and outdated local controls remain a major constraint. Past resistance within NSW's planning establishment has led to denial of basic economic principles. Former planning leaders dismissed warnings of supply crises as "sloganeering."

Peter Tulip argues planning restrictions are a major reason housing is expensive. He estimates they increase Sydney apartment prices by 37%, compared to 19% in Melbourne and 3% in Brisbane.

An ongoing issue is the overreach of heritage controls, which sterilise large swathes of Sydney from needed development. Councils designate extensive Heritage Conservation Areas, even where housing need is greatest. Planning administrators rarely override these restrictions.

Design mandates also hinder supply. Requirements for public art, façade treatments, and deep soil planting increase costs and delay approvals. Review panels apply these subjectively, regardless of strategic context or feasibility. The system treats all projects as if they're in central Sydney, even in low-density fringe areas.

Design Review Panels (DRPs), now embedded in NSW's planning process, add unnecessary layers. Panels often insist on features not required by law and incompatible with project viability. For instance, in the Aerotropolis, an Aldi warehouse was delayed due to a DRP's push for rooftop "Welcome to Country" signage, despite conflict with solar infrastructure. The project was ultimately approved—but only after costly delays.

Another example: a simple roundabout DA in the Aerotropolis required DRP review. Even panel members questioned their involvement. These non-statutory processes, while "nice to have," add cost and delay without delivering housing or community benefits.

Property developers are overrepresented in ASIC's insolvency listings. This reflects surging costs and declining productivity. The Productivity Commission recently reported construction productivity has lagged 41% behind the rest of the economy over the past 30 years. Labour productivity in construction has declined 12% since 1995, while the broader economy rose 49%.

In its 2024 paper Housing Construction Productivity: Can We Fix It?, the Commission identified major industry barriers:

Complex, slow approvals at planning and building stages

Overly prescriptive design rules and heavy-handed regulators

Lack of scale among small, undercapitalised firms

Skilled labour shortages and costly industrial arrangements

The paper calls out regulatory overload—including the ever-expanding National Construction Code (NCC)—as a major cost driver. The removal of mandatory cost-benefit tests has allowed regulations to balloon without accountability. These "utopian" changes, often introduced with the best intentions, must be rebalanced against their impact on cost and supply.

Urban Taskforce strongly agrees. Regulation should enable—not obstruct—housing delivery. For 95% of homes built by the private sector, rising burdens are choking supply and breaching feasibility thresholds. Without urgent reform, housing targets will remain out of reach.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

Development Application (DA) processes have become excessively slow, fragmented, and their assessment has become increasingly discretionary, especially at the local government level. Requirements for Design Competitions, even when applicants are using top tier or even internationally acclaimed architects, are a waste of time and money.

Despite state-level strategic planning frameworks, local councils often apply conflicting “local character” overlays and design controls that delay or block otherwise compliant proposals.

Assessment processes are increasingly subject to the whims of myopic subject matter experts and most recently further encumbered by the imposition of an architectural overlay on the planning sector seeking design excellence, all adding to time and cost while undermining feasibility, certainty and discouraging investment.

Lengthy timeframes associated with local planning assessment and determination pathways (often exceeding 18–24 months and then proceeding to Court), political risk, and inconsistent interpretations of the Act and application of standards lead to rising holding costs, reduce investor confidence, and increase financing risks, particularly for high-density and more affordable housing developments.

Now is the time for national regulatory change that alleviates the most time-consuming and complex regulations involve planning approvals, discretionary design mandates, inconsistent local controls, unpredictable charges, and unfavourable tax treatment, that reduce business dynamism, cause delays and create project and thus commercial risk. This should be driven through the Commonwealth and supported by a pool of incentive payments to support reductions in regulation and red tape. Substantial sums of cash incentivise otherwise lethargic state treasuries to get active and push for regulatory reform.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Examples of bad cases of regulatory burdens and many and all too frequent but suffice to rely upon those already described throughout this submission.

Two examples of good policies that have worked to promote housing supply and productivity improvement in the NSW context were the State Government’s In-fill Affordable Housing Bonus and the new planning pathway provided by the Housing Delivery Authority (HDA).

The In-Fill Affordable Housing Bonus was a successful initiative because it incentivised additional housing through height and density with the trade-off of the provision of between 10-15% of the total yield being dedicated to affordable housing, managed by CHPs, for 15 years. This presented a feasible mechanism to simultaneously increase housing supply as well as boost the affordable housing stock, that investors could quantify and issues project loans.

This initiative has been very popular. The policy resulted from detailed consultation with the Urban Taskforce. This industry input meant that when it was implemented, the financial viability of the scheme was assured.

The property sector in NSW has also warmly welcomed the establishment of the Housing Development Authority (HDA) early in 2025. The new system is notable as it reverses a trend in planning practice. It does not set limits or prescriptions on planning controls, other than a requirement to deliver housing and commence construction within a year of approval. It is based on Expressions of Interest from the private sector which are assessed by the HDA based on clear criteria.

The HDA's selection criteria and the Secretary's Environmental Assessment Requirements (SEARs) are robust and target those referrals to third party government agencies that matter to the assessment of the DA. Further, part of the HDA process is to ensure that referrals and concurrences are progressed in a timely fashion with the entire assessment and determination to be completed within 275 calendar days from the lodging of a SSDA.

This streamlined assessment and rezoning (where applicable) process for complex, high-yield housing proposals (valued at over $60 million in CIV in the City and over $30 million in the regions) across the State.

The HDA is led by a powerful "troika" of senior public servants including the Secretary of the Premier's Department, the Planning Secretary and CEO of Infrastructure NSW. This elevates the need to turn around declining housing supply to the highest levels of Government. The same focus must be applied to productivity reform in Australia and in the area of housing supply in particular.

Since its inception in February 2025, the HDA has considered 260+ Expressions of Interest for high value, high yield projects over its eight fortnightly meetings. From these, EOI applications, 128 have been recommended to the Minister for approval as State Significant Developments (SSDs). This represents a massive contribution to bump up housing approvals result and demonstrates the extent to which the overly prescriptive rules and regulations had been holding available capital back.

The Minister for Planning has subsequently given Ministerial approval to around 114 projects that, if approved after the assessment is complete, represent over 44,000 dwellings. Unfortunately, the vast majority of these are unlikely to be completed until well after the Accord timeframe is complete (June 30, 2029), but it is nonetheless a very positive initiative.

As noted above in the introduction to this section, the industry is plagued with bad examples of regulations that impede or deter investment and business activity. Local councils and unelected planning panels are repeatedly observed to be poor performers in managing regulatory burden. These bodies often ignore or undermine strategic state planning priorities by enforcing discretionary design controls, imposing unplanned charges, or stalling approvals. The introduction of local "character" overlays (a NIMBY's dream) and general resistance to density (arising from a lack of broader economic input or planning myopia), even in well-zoned areas, are key examples.

These practices create a "postcode lottery" for developers navigating different councils, encourages risk-averse or anti-growth decisions inconsistent with state policy and adds cost, delay, and uncertainty without clear public benefit.

Local governments need to take a holistic view and foster cultural change toward actively working within the state's housing goals, to remove delays, encourage investment and delivery housing in high-demand areas.

Good regulatory practice in the property sector delivers certainty, codification, and aligns approvals with funding and resources for the delivery of infrastructure, as demonstrated by recent state-led planning initiatives. Conversely, discretionary local approvals, unreformed federal tax treatment, and piecemeal council interventions illustrate poor regulatory responses that stifle business dynamism, reduce resilience, and worsen the housing crisis.

Cover sheet: Supporting document #1

Urban Taskforce
AUSTRALIA

6 June 2025

The Productivity Commission
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Submitted to: 5pillars@pc.gov.au

To Whom it may concern

The Productivity Commission's reform areas for productivity inquiries

I write in response to the Productivity Commission reform areas for productivity inquiries. Urban Taskforce Australia supports the goals of the Productivity Commission to discover and recommend areas of efficiency in Australia's economy. Housing and subsequently the Property Development sector is a vital part of the economic equation with ABS Data from this week reports Australia's GDP having only risen 0.2% in Q1 2025 and just 1.3% compared to Q1 2024 (chain volume measure and seasonally adjusted).

However, the construction sector, led by the property development sector continues to outperform, with 2.2% growth over from last quarter (building and construction activity). As 95% of new housing in NSW is delivered by the private sector, it would seem that the development proponents are a major contributor holding off a recession.

Australia's macroeconomic sluggishness and a complicated and volatile regulatory environment are hurting investor confidence. This is nowhere more evident that in the NSW Planning space, where the crushing impact of the highly prescriptive zoning system, a hostile culture and practice among the local government planning community, and the most complicated and convoluted Planning Act on the planet, have combined to deliver an outcome where the number of development application approvals is only half that needed to deliver the completed housing obligations prescribed to NSW under the National Housing Accord.

The strong demand for housing is driven by much needed post-COVID levels of immigration (from the economy's perspective), Commonwealth funding through Housing Australia. These higher levels of immigration will continue for the foreseeable future to balance up the tax payer: non-tax payer ratio which arises from the impact of the baby-boomer generation entering retirement.

The high-friction regulatory landscape in many states, but particularly in NSW, has stood like a bulwark against housing supply and has frustrated mixed use development, high density urban development, and has delivered the second most unaffordable city in the world (measured by the price of the median dwelling as a multiple of the average income).

For over a decade and from well before the GFC, supply has not kept up with demand.

The OECD's latest Economic Outlook indicates that Australia's economic growth is expected to remain modest in the near term. GDP growth is projected at 1.8% in 2025 and 2.2% in 2026, both figures revised downward from earlier forecasts. These subdued projections reflect ongoing challenges such as weak private investment, regulatory constraints, and global economic uncertainties. Inflation is anticipated to average around 2.4% through 2025–2026, aligning with the Reserve Bank of Australia's target range.

However, the OECD highlights several structural planning and taxation issues that impede Australia's economic performance.

Australia urgently needs policy reform that removes impediments for the private sector to deliver the relief from housing pressures that so many Australians desperately need.

Pillar 1: Creating a more dynamic and resilient economy

Section 2. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Urban Taskforce strongly support a reduction in Company Tax and a commensurate shift towards the more investment friendly GST.

Urban Taskforce has long advocated for the abolition of Stamp Duty – a transfer tax that actively works against the efficient operation of the housing market. One alternative tax option would be to raise the rate of the GST. Another would be to widen its application. A third option would be to support the States transition from Stamp Duty to Land Tax. The benefit of Land Tax is it effectively acts as a broad value capture mechanism. If governments fund infrastructure or improvements to local amenity, this lifts the land value. A proportion of this is captured by a land tax. Stamp Duties simply constrain sales, force people to remain in homes that are distant from their workplace or too large for their needs.

Compounding this are high infrastructure levies which are increasingly applied the construction of new homes. Even worse, the development community (who have no choice other than to pass on fees, taxes, charges and levies to new home buyers) have been hit with a new wave of virtue signalling "affordable housing contributions". These are a tax on those producing new homes. It works, like all taxes, the dissuade supply, not to encourage it. They are counterproductive in the current context of a housing supply crisis. It is ironic that these infrastructure levies are imposed by the very same State Government and Local Government bureaucracies that caused the housing supply crisis in the first place by constraining approvals and limiting supply.

The success of Housing Australia and the HAFF shows what can be done when government seeks to work with the private sector to deliver housing and bolster supply. Affordable Housing levies (taxes) do the opposite. This is an area where the Productivity Commission should take the lead, so as to ensure that the economic impact of these perverse taxes is exposed and expunged from the system.

Foreign buyer surcharges are, similarly, an own goal for any government that wants to boost housing supply. If foreign entities want to fund housing supply in Australia, there is no logic to adding a surcharge or penalty. In fact, it is ludicrous. They eroded foreign investor confidence including that of massive European and North American pension funds who might otherwise see Australia as a safe and stable investment option. They have their origins in base xenophobia, are counter intuitive, and should be abolished. The problem is compounded by layered state-based taxes, including foreign purchaser surcharges and stamp duties, which vary significantly between jurisdictions and further erode investor returns. Complex and inconsistent tax arrangements across federal and state levels introduce significant risk and reduce the predictability of returns, which are essential for large-scale institutional investors.

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Further details are provided in answer to Section 3, Question 5 below.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the corporate tax system be reduced?

For the property development sector, some of the most burdensome and time-intensive aspects of the corporate tax system relate to the complexity and inconsistency of GST treatment, withholding tax obligations, and state-federal tax interactions.

A particular challenge arises from the GST regime as it applies to residential developments—especially BTR.

Developers are typically unable to claim GST input tax credits on construction costs for residential projects intended for long-term rental, unless the property is eventually sold. This creates a cashflow disadvantage and requires intricate financial structuring to manage tax obligations over extended timeframes, adding significant compliance costs.

Moreover, navigating the interaction between federal corporate tax rules and various state-based taxes, such as stamp duties, land tax, and foreign purchaser surcharges, adds to compliance burdens. Each state applies different thresholds, exemptions, and administrative processes, which can complicate national or multi-jurisdictional developments and require extensive legal and tax advisory support.

Additionally, property developers must devote substantial time and resources to tax forecasting, compliance reporting, and audits, especially when projects span multiple years and are subject to changing policies.

To reduce this compliance burden, Urban Taskforce advocates for a progressive harmonisation of federal and state tax systems, particularly in the treatment of land and property investment. A carrot and stick approach should be adopted in a similar way to that which applied to the National Competition Policy financial assistance grants which drove significant gains in productivity and economic growth in the 1990s.

Reforming the GST regime to allow input tax credits for long-term rental housing, simplifying MIT rules to encourage Build-to-Rent investment, and creating nationally consistent land tax frameworks would significantly reduce compliance complexity.

Streamlining documentation, consolidating reporting systems, and offering pre-lodgement guidance on complex developments could also ease administrative load and free up resources for productive investment.

Section 3. Reduce the impact of regulation on business dynamism

4. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

As foreshadowed in the introduction to this submission, there are very few areas of regulation currently seen by our members as enhancing the commercial aspects of property development. Indeed, this burden of over-regulation is extreme.

To deliver the housing supply necessary to accommodate our growing population, Australia needs simple, well-designed and consistently applied (or as much as possible) regulatory frameworks that foster flexible planning, flexible land use and support market confidence to, bolster new housing and employment space delivery.

The housing affordability crisis has, somewhat belatedly, evoked a range of policy reform in the planning space/ For example, the NSW Government's Transport Oriented Development (TOD) Program, the Low and Mid-Rise Housing reforms, new State Significant Development (SSD) Pathways for housing projects and most significantly, the Housing Delivery Authority pathway with the capacity to fast-track the SSDA assessment as well as have a rezoning considered concurrently with a Development Application *(we would be happy to speak with the Productivity Commission about the details of any or all of these recent initiatives and the problems faced by each in terms of their efficacy)*.

However, there is a tendency, particularly among planners, to give with one hand and take away with the other. The TOD reforms which saw increased height and density in the areas which surrounded designated transport hubs are a case in point. The increased height and density was, in many cases, over-ridden by the following:

- The cost of purchase and demolition of the existing structures
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- Highly restrictive zoning maps which seek to social engineer in accord with the preferences of the day, rather than enable flexibility to deal with changes in market demand or broader economic adjustments.

Urban Taskforce has long advocated for the unlocking of large-scale development opportunities in areas with ready infrastructure. This requires collaboration between local, state and federal governments to ensure the funding and delivery of enabling infrastructure that supports project feasibility for developers. For too long, the Commonwealth has eschewed its responsibility for funding infrastructure to support the housing of the growing population deriving from immigration numbers which they benefit from in terms of taxation receipts and economic growth generally. This infrastructure funding disparity has come home to roost and is a serious problem for housing supply.

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The ultimate result is that the additional time taken to ensure that all rules and regulations are met; the payment of taxes, fees and charges; the cost of complying with ever more burdensome environmental protection, thermal performance, or all too frequent changes to building codes; as well as restrictions on the flexibility of land use and the cost of affordable housing levies all stop projects from starting, limiting supply, and ironically, end creating further necessity of market interventions like affordable housing.

A positive move would be the expansion of codified planning pathways, such as the Complying Development Certificate (CDC) system in NSW, Queensland and Victoria. This is a regulatory approach that reduces planning risks, cutting assessment timeframes, and improving certainty. If CDCs could be available for medium-density housing or well-planned urban renewal areas, they offer a clear, rule-based system that supports faster delivery and more competitive project financing.

The expanded role of architects in land use planning assessments has also been a significant cost impost on housing supply. More will be said on the time, cost and often frivolous contribution made by design review panels and the duplicative and time-consuming impact of knee-jerk obligations to hold design competitions, in the following section.

In short, reduced or changed regulation to facilitate flexibility, the ability to respond to market demand, scale, clarity, and speed of decision making, particularly for infrastructure alignment with land use planning, will enhance business dynamism in the property sector, lowering the cost of housing supply.

5. How has your regulatory burden changed over time?

The regulatory system could be defined by its constantly and significantly increased burden over time. Since the making of the Environmental Protection and Assessment Act in 1979 (and prior if one wants to look back) the production of the built environment has become more complex, fragmented, and costly. This ultimately dampens business dynamism and investment appetite. Urban Taskforce Australia has repeatedly raised concerns that the cumulative effect of planning regulation, development levies, design mandates, and political interference has made it substantially harder to deliver new housing and commercial projects efficiently.

Over the past few decades, planning systems have become slower and more unpredictable, and this is in no state worse than in the jurisdictions of New South Wales. The time taken to obtain development approvals has blown out, delaying projects, often, by two years or more, adding uncertainty and inflating holding costs. "remedies" that add layers of discretionary assessment have only undercut the intended streamlining of the system.

The uncertain, escalating development levies (including local infrastructure contributions, affordable housing levies, and the Housing and Productivity Contribution) are among the most constraining regulatory burdens. Charges vary dramatically between LGAs and are often introduced or revised late in the approval process. These unpredictable and often excessive charges distort feasibility models and deter developers from pursuing projects in high-need areas like Western Sydney or infill suburbs.

The Urban Taskforce Urban Idea's research 'What Makes Housing So Expensive' reports on the true cost of an apartment and a house across Australia's thee major cities. This report uses insights from a Centre for International Economics (CIE) analysis investigating the makeup of the cost of both new apartments and new houses across Australia. The CIE analysis shows that Sydney leads the eastern seaboard when it comes to statutory changes, regulatory charges, and infrastructure charges.

In Sydney, the combined government-imposed costs amount to $346,000 for an apartment, 37.7% of the total cost of $918,000. In Melbourne an apartment government-imposed costs would amount to $236,000, 32.2% of the total cost to build an apartment of $734,000. In Brisbane, government impositions amount to $256,000, 34.3% of the $747,000 it takes to build an apartment.

New Apartments (without land costs)

	Sydney	Melbourne	Brisbane
Government-incurred Charges	$346,000	$236,000	$256.000
Total Cost to Build	$918,000	$734,000	$747,000
Percentage of Charges	37.7%	32.2%	34.3%

For Greenfield development, a house in Sydney incurs $576,000 in government-imposed costs, 48.7% or the total cost of $1,182,000. Melbourne will cost $374,000 in charges, 43.2% of the total house cost of $866,000, and Brisbane incurs $348,000 in government charges 41.3% of the total of $843,000 to build a home.

[redacted]

Source: The Centre for International Economics, (2025). Taxation of the housing sector, p.13, originally published 3/3/2025

[redacted]

Source: The Centre for International Economics, (2025). Taxation of the housing sector, p.13, originally published 3/3/2025, accessed on 27/3/2025

At the end of June 2024, NSW was the home for 31.19% of the Australian population, close to 1.5 million people more than the second most populous state, Victoria. [13] When NSW sneezes, the Australian economy catches a cold. That is certainly true of the property development and construction sector.

The cost of housing in Greater Sydney (in particular) and the material impact this is having on decisions to rent, establish or purchase a home, is resulting in an exodus from NSW to other capital cities (Melbourne and Brisbane in particular).

According to the NSW Productivity Commissioner, "Sydney is losing its 30-40-year-olds; if we don't act, we could become known as the city with no grandchildren." [1] The identification of the problem of housing supply and affordability is clear. The cause of the problem and related solutions is more complex. They reflect the detail of the differences in the rules, regulations, taxes, fees, charges and culture of the relevant assessors and decision makers in each state/jurisdiction.

There are many drivers of cost in housing supply and governments have a very large role in pushing them up or down. Not only does Sydney have the highest housing and rental prices, Sydney also has the highest land price, which is a significant factor in pushing up the end sale price from the actual construction cost.

Regulatory friction limits the dwelling output of new projects, causing a reduction in housing supply, higher housing prices that have escalated to a point where, as Peter Achterstraat said in the 2023 'Building more homes where people want to live' report, NSW'[2] best and brightest are leaving the state so they can afford to buy a home or rent. This has been driving the reduction of net domestic migration from NSW.

Sydney's housing prices are of a highly restrictive zoning system and local planning controls that restrict development type, size and scale. While this has recently been eased with the NSW Transport Oriented Development policy reforms, the establishment of the Housing Delivery Authority (see Section 4.2 for details) and the recently released low and mid-rise policy reforms, which all seek to make housing supply more feasible by increasing density, we are yet to see their impact flow through.

As illustrated in Charts 7 and 8, zoning restrictions and local planning controls are a significant contributor to under-supply in NSW. While the population grows, the zoning and local planning controls drive prices up by restricting supply.

Over a long period, there was a strong resistance to this suggestion among the political and public service leaders of the NSW planning system. One former Secretary of the NSW Planning Department accused the property development sector of sloganeering when, in 2021, they warned of a pending housing supply and affordability crisis.

Unfortunately, the point-blank rejection of basic economics prevails among many in the planning community. They convince themselves that they are the bulwark between civility and chaos.

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[1] ABS, (December 2024), National, state and territory population, June 2024 data, from: https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/jun-2024

2 Achterstraat, P. (February 2024), Media Release "Allow more inner-Sydney housing to stem exodus of young

Peter Tulip conclusively asserts that planning restrictions more generally, are a "major reason why housing in Australia is so expensive". Pointedly, he asserts that "they are estimated to raise the price of an average apartment in Sydney by 37%". [16] This contrasts with the estimated impact of planning regulation on the price of an average apartment in Melbourne (19%) and Brisbane (3%).

An area of particular frustration is **the misuse of heritage controls** by many councils in NSW through the listing of large numbers of local heritage items and worse, the declaration of entire precincts and sometimes even suburbs and Heritage Conservation Areas.

This, when combined with planning administrators' reluctance to over-ride heritage controls, has become a de-facto regulatory mechanism for sterilising large areas of Sydney's North Shore, Eastern Suburbs and Inner West from increased height and density, even though the mismatch between supply and demand is greatest in those locations and prices are least affordable.

The regulatory burden has also increased in the form of design complexity and political inconsistency. Prescriptive design requirements (e.g. mandatory artwork, façade treatments, deep soil planting ratios), combined with inconsistent application across different councils and planning panels, have introduced subjectivity into approvals, eroding confidence in the system. The planning system now behaves as if "every precinct is in the middle of the CBD, regardless of the site's actual strategic importance or infrastructure readiness.

The introduction, then expansion of the requirement for local and State Design Review processes, **Design Excellence Competitions** (and the associated panels full of semi-retired architects) have crept in and taken over with an inexorably expanding and deadening impact on housing feasibility and thus, supply. These new processes are most evident in NSW where make-work schemes for architects have become an industry of its own, all at the cost of housing supply.

The growing role of **Design Review Panels (DRPs)** mandated by the NSW Department of Planning, Housing and Infrastructure, has added a highly subjective layer to project assessment. DRPs often insist on architectural or aesthetic features, such as public art installations or façade treatments, that are not required by legislation and often conflict with buildability, financial feasibility or in some case, the operational use of the site.

For example, recently at the Aerotropolis, the approvals pathway for an Aldi warehouse was delayed because a group of architects on the local DRP through decided to mandate "Welcome to Country" signage on the rooftops of the structure.

It was well known to the DRP that such signage would directly conflict with the much lorded solar panel installation which will fully power the facility, thus undermining the energy efficiency of the project. Thankfully, this ridiculous recommendation was eventually rejected by Liverpool Council as the assessment authority, but not before adding to the delays and costs of the project.

In another example, a DA for the delivery of a roundabout in the aerotropolis area was required to present, at the applicant's cost, to a DRP (a group of architects). Even the DRP members were at a loss as to why they were there. These non-statutory requirements, while perhaps 'nice to have', delay approvals, add design and construction costs, and reduce project returns without clear benefit to housing supply or community outcomes.

The disproportionately high representation of property construction companies in the insolvency listings reported by ASIC clearly reflect the impact of increased cost of taxes and regulatory costs in this sector. Further the work of the Productivity Commission released in February this year, showed that in the past 30 years, the productivity in the construction industry has fallen 41% behind compared with the rest of the economy.

The Federal Productivity Commission's excellent paper: Housing construction productivity: Can we fix it? Correctly highlighted the industry constraints on productivity:

- Complex slow approvals, both at the planning stage and also at the building approvals stage (construction certificate) to allow construction to commence
- Lack of innovation – a clear reference to over-zealous building design rules like the Apartment Design Guidelines in NSW, along with heavy handed building regulators which together, have stifled innovation in this critical sector
- Lack of scale – too many under-skilled, undercapitalised firms who struggle with the ever-changing regulatory world of our industry
- Workforce issues – the Productivity Commission has called out the Commonwealth for failing to recognise the catastrophic impact of their immigration policy leaving skilled construction workers off the essential worker list for so long. Clearly, the iron grip that the CFMEU has had has resulted in rising labour costs which have not been matched by improved productivity. In fact, quite the opposite.

Labour productivity (gross value added per hour worked) in the construction industry, has declined by 12% since 1995, compared with the broader economy's increase of 49% over the same period.

The paper correctly points to the sheer volume of regulation that allows three levels of government, NIMBY community groups and well-meaning but productivity killing bureaucrats to control the speed, cost and the amount of houses delivered.
Every new planning requirement increases the number and cost of consultant reports, the time taken by assessors and risk associated with property development. These have steadily evolved and enshrined in laws and regulations but has bloomed in recent years.

The Productivity Commission called out (as this submission does above) the weighty and ever-changing National Construction Code (NCC) that, for all its good intentions, results in unnecessarily high construction costs. The once mandatory cost-benefit analysis that used to be applied at both National and State levels needs to be brought back so these "like-to-have" utopian changes can be costed and decision on their implementation made accordingly.

The Productivity Commission paper strongly reflects Urban Taskforce Australia calls for balance between the benefits of regulation and the effect on cost of construction, and thus on the supply of housing development and construction.

Over the last 30 years (and particularly in the last 10 years), the property development sector has regressed into protectionism. Protectionist regulatory systems foster productivity decline. The property construction sector has been marked by ever rising regulatory barriers, market access restrictions, heightened consumer protection and increased cost and time burdens on developers and builders.

This increasing weight of the regulatory burden cannot continue if private sector property developers, who have traditionally delivered 95% of housing, are to meet the financier requirements to supply housing.

6. **What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?**

Development Application (DA) processes have become excessively slow, fragmented, and their assessment has become increasingly discretionary, especially at the local government level. Requirements for Design Competitions, even when applicants are using top tier or even internationally acclaimed architects, are a waste of time and money.

Despite state-level strategic planning frameworks, local councils often apply conflicting "local character" overlays and design controls that delay or block otherwise compliant proposals.

Assessment processes are increasingly subject to the whims of myopic subject matter experts and most recently further encumbered by the imposition of an architectural overlay on the planning sector seeking design excellence, all adding to time and cost while undermining feasibility, certainty and discouraging investment.

Lengthy timeframes associated with local planning assessment and determination pathways (often exceeding 18–24 months and then proceeding to Court), political risk, and inconsistent interpretations of the Act and application of standards lead to rising holding costs, reduce investor confidence, and increase financing risks, particularly for high-density and more affordable housing developments.

Now is the time for national regulatory change that alleviates the most time-consuming and complex regulations involve planning approvals, discretionary design mandates, inconsistent local controls, unpredictable charges, and unfavourable tax treatment, that reduce business dynamism, cause delays and create project and thus commercial risk.

This should be driven through the Commonwealth and supported by a pool of incentive payments to support reductions in regulation and red tape. Substantial sums of cash incentivise otherwise lethargic state treasuries to get active and push for regulatory reform.

7. **Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?**

Examples of bad cases of regulatory burdens and many and all too frequent but suffice to rely upon those already described throughout this submission.

Two examples of good policies that have worked to promote housing supply and productivity improvement in the NSW context were the State Government's In-fill Affordable Housing Bonus and the new planning pathway provided by the Housing Delivery Authority (HDA).

The In-Fill Affordable Housing Bonus was a successful initiative because it incentivised additional housing through height and density with the trade-off of the provision of between 10-15% of the total yield being dedicated to affordable housing, managed by

CHPs, for 15 years. This presented a feasible mechanism to simultaneously increase housing supply as well as boost the affordable housing stock, that investors could quantify and issues project loans.

This initiative has been very popular. The policy resulted from detailed consultation with the Urban Taskforce. This industry input meant that when it was implemented, the financial viability of the scheme was assured.

The property sector in NSW has also warmly welcomed the establishment of the Housing Development Authority (HDA) early in 2025. The new system is notable as it reverses a trend in planning practice. It does not set limits or prescriptions on planning controls, other than a requirement to deliver housing and commence construction within a year of approval. It is based on Expressions of Interest from the private sector which are assessed by the HDA based on clear criteria.

The HDA's selection criteria and the Secretary's Environmental Assessment Requirements (SEARs) are robust and target those referrals to third party government agencies that matter to the assessment of the DA. Further, part of the HDA process is to ensure that referrals and concurrences are progressed in a timely fashion with the entire assessment and determination to be completed within 275 calendar days from the lodging of a SSDA.

This streamlined assessment and rezoning (where applicable) process for complex, high-yield housing proposals (valued at over $60 million in CIV in the City and over $30 million in the regions) across the State.

The HDA is led by a powerful "troika" of senior public servants including the Secretary of the Premier's Department, the Planning Secretary and CEO of Infrastructure NSW. This elevates the need to turn around declining housing supply to the highest levels of Government. The same focus must be applied to productivity reform in Australia and in the area of housing supply in particular.

Since its inception in February 2025, the HDA has considered 260+ Expressions of Interest for high value, high yield projects over its eight fortnightly meetings. From these, EOI applications, 128 have been recommended to the Minister for approval as State Significant Developments (SSDs). This represents a massive contribution to bump up housing approvals result and demonstrates the extent to which the overly prescriptive rules and regulations had been holding available capital back.

The Minister for Planning has subsequently given Ministerial approval to around 114 projects that, if approved after the assessment is complete, represent over 44,000 dwellings. Unfortunately, the vast majority of these are unlikely to be completed until well after the Accord timeframe is complete (June 30, 2029), but it is nonetheless a very positive initiative.

As noted above in the introduction to this section, the industry is plagued with bad examples of regulations that impede or deter investment and business activity. Local councils and unelected planning panels are repeatedly observed to be poor performers in managing regulatory burden. These bodies often ignore or undermine strategic state planning priorities by enforcing discretionary design controls, imposing unplanned charges, or stalling approvals. The introduction of local "character" overlays (a NIMBY's dream) and general resistance to density (arising from a lack of broader economic input or planning myopia), even in well-zoned areas, are key examples.

These practices create a "postcode lottery" for developers navigating different councils, encourages risk-averse or anti-growth decisions inconsistent with state policy and adds cost, delay, and uncertainty without clear public benefit.

Local governments need to take a holistic view and foster cultural change toward actively working within the state's housing goals, to remove delays, encourage investment and delivery housing in high-demand areas.

Good regulatory practice in the property sector delivers certainty, codification, and aligns approvals with funding and resources for the delivery of infrastructure, as demonstrated by recent state-led planning initiatives. Conversely, discretionary local approvals, unreformed federal tax treatment, and piecemeal council interventions illustrate poor regulatory responses that stifle business dynamism, reduce resilience, and worsen the housing crisis.

Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation

Section 4. Encourage adaptation by addressing barriers to private investment

1. **What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?**

The degasification (replacing gas heating and appliances) for climate-resilience reasoning incurs higher capital costs for development proponents who typically sell on completion, the long-term benefits (e.g. reduced energy bills or lower insurance premiums) to the buyer, not the builder. This creates a "split incentive" that discourages investment in sustainable features unless there is strong market demand or policy support.

Mandating the de-gasification of new buildings means additional electricity infrastrucutre in a building which requires large areas for sub-stations to be set aside, reducing yield and blocking vital ground floor access to the building.

Regulatory complexity and inconsistency continues to be a problem for project feasibility. Overlapping and inconsistent sustainability requirements across local councils, state planning instruments, and building codes confuse developers and increase compliance costs. For example, councils may impose additional BASIX targets, design amendments, or green infrastructure requirements beyond state policies, leading to delay and duplication.

A lack of financial incentives or market recognition is becoming an increased problem. While the long-term financial benefits of resilient housing are clear, these provisions need to match up with market demand. Projects won't start if they can't sell. Particular areas have known sales price ceilings that prevent financiers from releasing funds. Energy-resilience provisions must reflected the market or they won't be priced into property valuations, rents, or sale prices, particularly in affordable or mid-market segments.

Furthermore, in some regions, ageing grid infrastructure or lack of EV charging and battery storage options restrict the viability of fully electrified buildings or high-performance housing, especially for infill developments or social housing projects.

2. What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

Urban Taskforce has no comment.

3. What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

Urban Taskforce has no comment.

4. What role might minimum standards play in ensuring the resilience of Australia's housing stock?

Minimum standards can play a role in lifting the baseline quality and resilience of Australia's housing stock, but they must be balanced, nationally consistent, and implemented with flexibility to avoid unintended consequences on housing supply, affordability, and project feasibility. The standards do not need to be based on the dream or vision of an upper-middle-class bureaucrat. They need to be practical and feasible, and establish a base level. The market will respond to demand for higher standards.

Urban Taskforce Australia has expressed strong concerns that climate-related planning controls, especially at the local council level, are often inconsistent, discretionary, and used to block or delay development rather than support genuine resilience outcomes.

Key problems include the use of "local character" and environmental overlays to limit density, where many NSW councils use climate-related justifications, such as tree canopy loss, urban heat, or flood risk, as pretexts to reject density, even in areas with high infrastructure capacity. This represents the weaponisation of climate policy to stop development; the greenwashing of local obstructionism that undermines state housing supply objectives.

Multiple, and sometimes conflicting layers of environmental planning instruments (e.g. LEPs, DCPs, and SEPPs) introduce confusion and risk. For example, one council may mandate green roofs, another imposes deep soil zones, while others require site-specific flood resilience, even when state-level flood modelling or infrastructure has addressed these risks. This leads to uncertainty and cost blowouts.

Urban Taskforce supports performance-based standards, where developers can meet resilience targets via a range of solutions (e.g. precinct-level green infrastructure, water-sensitive design, or energy offsets), rather than being forced to comply with rigid, one-size-fits-all prescriptions.

Imposing additional climate-based controls without corresponding density uplift or infrastructure support can render projects unviable. For example, mandating setback increases or reducing site coverage for green infrastructure often reduces yield and raises per-unit costs, which is especially problematic in infill or affordable housing developments.

Minimum standards have an important role to play in securing resilient, low-emission housing stock, but they must be nationally coordinated, outcome-focused, and economically viable. In NSW, climate change regulation within the planning system has too often been used in a discretionary, inconsistent, and anti-development manner, undermining both environmental and housing objectives. A shift is needed toward clear state-led policy, fast-track approvals for climate-aligned projects, and supportive financial mechanisms to ensure resilience does not come at the cost of supply.

5. The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

Urban Taskforce has no comment.

Conclusion

The main loss of productivity is in the housing construction that is never commenced.

These are the houses in projects that never quite become feasible.

Sluggish planning systems, unreasonably high taxes, fees, charges and contributions and the supply of housing and the cost of building overregulation all impact directly on project feasibility and thus housing supply.

Affordable housing, local amenity and climate issues all relate directly to social wellbeing. But the health of the private housing development sector depends on project feasibility. Where there is a disconnect between these imperatives, the market fails and that results in a crisis in supply. That is where we find ourselves today.

Should you wish to discuss any aspect of this submission further, call our Head of Policy, Planning and Research, Stephen Fenn on [redacted] or via email [redacted]

Yours sincerely

[redacted]

Tom Forrest
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