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POST-INTERIM SUBMISSION TO THE PRODUCTIVITY COMMISSION

Housing Supply Regulation Inquiry

In response to the Interim Report of July 2026

Submitted by

PolisPlan

18 August 2026

1. Executive Summary

PolisPlan welcomes the Productivity Commission's interim report on housing supply regulation. The four best-practice principles — adopt a build mindset, only regulate where necessary, coordinate with infrastructure, and keep the process simple — provide a sound framework for reform, and PolisPlan's work at Bellingen Shire Council demonstrates that all four principles can be applied directly to regenerative village development.

This post-interim report submission makes three core arguments.

First, the **interim report's reform directions are largely silent on regional Australia**. The entire analysis is oriented toward urban infill and peri-urban greenfield subdivision. Yet the housing shortage in regional areas is as acute as in cities, and the barriers to supply are fundamentally different: they are not primarily about density controls and upzoning, but about construction worker shortages and the absence of viable private development altogether. The Commission's final report should address this gap.

Second, the Circular Economy Village (CEV) model — developed through doctoral research at The University of Sydney and refined with Bellingen Shire Council, through the preparation of a comprehensive planning framework in 2022 — responds directly to the PC's four best-practice principles and to the information requests of both the original call for submissions and the interim report. **The CEV model provides a tested, replicable, and nationally scalable alternative to greenfield subdivision for regional communities**. It exemplifies best-practice housing regulation in a regional context.

Third, the interim report's treatment of infrastructure correctly identifies the coordination failure at the heart of the supply problem, but frames infrastructure primarily as a burden on development feasibility. **The CEV model inverts this relationship entirely: infrastructure is the development**. Recognising this inverted model in the Commission's final report would open a new reform pathway — one that is particularly powerful for regional and rural communities where conventional reticulated networks are not economically viable.

PolisPlan's initial submission of June 2026 provides detailed evidence on each of these points and should be read alongside this post-interim submission.

2. The Regional Gap in the Interim Report

The interim report's analysis focuses on regulatory barriers to housing supply in Australian cities and on the urban fringe. Its modelling of commercially feasible capacity, its case studies, and its reform directions are almost entirely drawn from metropolitan contexts. The one major exception — the infrastructure coordination discussion in Chapter 4 — addresses greenfield subdivision in growth corridors, not regional towns.

This is a significant gap. Regional Australia faces a housing crisis that is distinct in character from the metropolitan shortage and that requires a distinct policy response.

2.1 The Regional Housing Crisis is Not a Supply Failure in the Conventional Sense

In most regional towns, the shortage of housing is not caused by restrictive zoning or inadequate density controls. It has three principal causes:

- **Market failure:** Private greenfield development is typically not financially viable in regional towns with small and slow-growing populations. The economics of subdivision — land acquisition, civil infrastructure, holding costs — rarely pencil out for a developer in a town of 5,000 people.
- **Displacement by short-term rental:** Post-COVID tree-change migration has converted large portions of the available private rental stock in coastal and hinterland towns into short-term accommodation, removing housing from the market for essential workers and long-term residents. This is explicitly noted in the CEVCO White Paper with reference to Bellingen and Byron Bay.
- **Absence of alternatives:** Social housing waiting lists are long and geographically inflexible; build-to-rent models are not yet a viable option in the regions; co-operative and community housing models lack the planning frameworks and finance structures to scale. There is simply no viable alternative to private ownership in most regional markets.

The result is that housing for essential workers — nurses, teachers, police, agricultural workers — is unavailable in many regional towns, constraining the delivery of essential services and limiting economic activity. This is a national productivity problem as much as a housing problem.

2.2 The PC's Reform Directions Do Not Address This

Broad-based upzoning (Reform Direction 2.1) has no traction where the constraint on supply is not zoning density but development viability. Reducing minimum lot sizes (2.3) does not help where no developer will build regardless of lot size. Fast-track approvals (3.2) reduce costs at the margin but do not create viable projects where none exist. Developer contribution reform (4.3, 4.4) is irrelevant where there are no developers generating contributions.

The Commission's own finding — that land-use reform and infrastructure coordination will have the greatest impact on housing supply — is correct for cities. For regional Australia, the greatest impact will come from a different set of reforms: alternative delivery models,

government investment in housing as public infrastructure, and planning frameworks that create pathways for new settlement forms.

PolisPlan respectfully submits that the Commission's final report should include a dedicated regional housing chapter examining these distinct barriers and reform opportunities, drawing on the evidence base developed at Bellingen and through the CEVCO program.

3. Circular Economy Villages and the Four Best-Practice Principles

The interim report's four best-practice principles provide a useful lens for assessing the CEV model. PolisPlan submits that CEVs exemplify all four principles — and that the current regulatory system's treatment of them exemplifies their absence.

3.1 Principle 1: Adopt a Build Mindset

PC Interim Report, p. 7

Only restrict the location and form of development where the benefits clearly outweigh the costs, including the impact on housing supply and affordability.

The most fundamental regulatory barrier to CEV development is definitional: regenerative villages do not exist as a recognised land use category in any current Australian planning instrument. They are not prohibited — they are simply invisible. As a result, a housing model that is safe, affordable, environmentally regenerative, and specifically designed to address regional housing stress is effectively excluded from the planning system — not by deliberate policy choice, but by accident.

This is a failure of the build mindset principle in its purest form. There is no regulatory objective being served by the exclusion of CEVs from planning dictionaries. There is no cost-benefit analysis that has found CEVs undesirable. The barrier exists because the category was never contemplated when the relevant planning instruments were written.

The planning framework developed at Bellingen addresses this directly for the NSW context. It proposes a definition of 'Regenerative Village' (or 'Circular Economy Village') for inclusion in either the LEP Standard Instrument or the State Environmental Planning Policy (Housing), enabling this housing form to be assessed as permissible in locations identified through a locality planning process. The definition, development controls, and approval pathway are all designed to serve the regulatory objective — appropriate housing in suitable locations — without imposing unnecessary restriction.

Adopting the build mindset principle for CEVs requires only that states and territories amend their planning instruments to include a definition and approval pathway for regenerative villages. The work has already been done at Bellingen. It is available as a national template.

3.2 Principle 2: Only Regulate Where Necessary

PC Interim Report, p. 7

Only regulate housing design features when there are clear market failures and allow households to choose and pay for other features they value.

The CEV model is an exercise in design-led self-regulation. Rather than relying on planning controls to prescribe performance standards, the model integrates performance into the design itself: an energy micro-grid that must generate more than it consumes; a water

system that must clean water before cycling it; an agricultural system that must close the nutrient loop. These are not regulatory requirements imposed from outside — they are design objectives embedded in the definition of the development type.

This means that most of the design features that conventional planning instruments regulate in isolation — energy efficiency, water management, waste, stormwater, open space, community facilities — are addressed holistically by the CEV design, without requiring multiple overlapping regulatory conditions.

The Bellinghen framework's development controls are deliberately minimal: they set performance outcomes rather than prescribing design solutions, consistent with Principle 2. What is regulated is the integration of systems — the defining characteristic that makes a CEV a CEV — not the observable design features that residents can assess for themselves.

3.3 Principle 3: Coordinate with Infrastructure

PC Interim Report, p. 7

Plan housing and infrastructure together, so new development is supported by the infrastructure it needs, with clear and efficient rules for developer contributions.

The interim report identifies infrastructure coordination as the primary constraint on greenfield development, and Reform Directions 4.1 and 4.2 focus on aligning infrastructure plans with housing objectives. This is precisely the problem that the CEV model resolves — but it does so by internalising infrastructure rather than coordinating it externally.

A CEV is not dependent on connection to external utility networks. Its energy micro-grid, closed-loop water system, and waste management infrastructure are integral to the development, not additions to it. This means that the coordination problem — the delayed sewerage connections at Torana Estate cited in the interim report, the misalignment between rezoning timelines and infrastructure delivery — simply does not arise for CEVs in the same way.

This has significant implications for developer contributions. The Bellinghen Voluntary Planning Agreement policy, developed as part of the 2022 planning framework, demonstrates how contributions can be calibrated to reflect this: CEVs generate lower demand for external infrastructure (roads, sewerage capacity, stormwater) than conventional subdivision, and the VPA mechanism allows Council and the developer to agree on contributions proportionate to actual demand generated — consistent with Reform Direction 4.3's nexus principle.

More broadly, the CEV model suggests a third category of housing development — alongside infill and conventional greenfield — where infrastructure is the development, not a precondition for it. Recognising this category in national housing policy would unlock a new set of reform directions for regional areas where conventional infrastructure extension is not economically viable.

3.4 Principle 4: Keep the Process Simple

PC Interim Report, p. 7

Make planning decisions timely, predictable and simple by setting clear decision pathways, limiting discretion where possible, and aligning with broader housing goals.

The Bellinghen planning framework demonstrates that a clear, predictable approval pathway for regenerative villages can be designed within the existing structure of Australian planning instruments — without new primary legislation. The framework includes a locality planning process for site identification, permissibility provisions for the LEP to enable CEV

development in those locations, development controls in the DCP, and a VPA policy for infrastructure planning. Each element is designed to create certainty for investors, councils, and future residents.

The problem is that this work must currently be replicated by every council that wishes to accommodate regenerative village development. The cost in time and expertise — the Belling project required specialist engagement over twelve months — is prohibitive for most regional councils. The result is that the approval pathway exists as a proof of concept but not as a national standard.

Principle 4 suggests the solution: a nationally consistent approval pathway for regenerative villages, adopted by states and territories and available to all councils without requiring each to develop their own framework. The interim report's discussion of 'pattern books' (Reform Direction 3.2) and codified standards is directly relevant: the Belling framework is, in effect, a pattern book for regenerative village development. Making it a national standard would reduce the per-project cost of the approval pathway to near zero.

4. Responses to Information Requests

PolisPlan provides the following responses to the specific information requests in the interim report that are directly within our evidence base.

4.1 Information Request 2.1 — Alternative Dwelling Types

PC Interim Report, Information Request 2.1

*What land-use controls need to change to enable more alternative dwelling types to be built?
What impact would such reforms have on housing supply?*

The Belling case study is a direct answer to this question. The land-use controls that need to change are definitional: regenerative villages (and analogous alternative settlement forms) do not currently exist as recognised land use categories in Australian planning instruments. Without a definition, they cannot be listed as permissible or prohibited uses in zone tables, cannot be assessed against known standards, and cannot generate the regulatory certainty that investors and financiers require.

The reforms required are threefold:

- **Definition:** State and territory planning instruments should include a definition of 'Regenerative Village' (or 'Circular Economy Village'), characterising it as a settlement designed in accordance with circular economy principles, for a discrete and pre-determined population, integrating food, water, energy, transport infrastructure and the built environment. The definition developed at Belling provides a tested model.
- **Permissibility:** A draft LEP clause should permit regenerative village development in locations identified through a multi-criteria locality planning process — adjacent to existing towns, outside flood risk areas, with suitable ecological and agricultural character. This locality planning process integrates with councils' existing housing strategy functions, so no new strategic planning machinery is required.
- **Development controls:** A draft DCP chapter should set performance-based standards for the integrated infrastructure systems (energy, water, food, waste) and

the built environment, calibrated to the characteristics of the settlement type. These controls should focus on outcomes rather than prescribing design solutions.

The Bellingin framework demonstrates that all three elements can be drafted within existing planning instrument structures. They are available as a national template at polisplan.com.au/status and at the Bellingin Council website.

The impact on housing supply in regional areas would be significant. Regenerative villages provide a viable, community-scaled housing model where conventional private development is not feasible. A network of villages — as proposed in the CEVCO program — could supply housing for essential workers across dozens of regional communities, while also addressing the essential service delivery, downsizing, and climate resettlement needs identified in our June 2026 submission.

4.2 Information Request 2.2 — Available Land and Infrastructure-Ready Land

PC Interim Report, Information Request 2.2

Would it be helpful for governments to report a land measure which distinguishes land that is zoned residential, from land that is serviced, approved, infrastructure-ready and commercially feasible to develop?

PolisPlan strongly supports this proposal. The distinction between zoned capacity and commercially feasible capacity is one of the interim report's most valuable analytical contributions, and the Commission should take it further for regional contexts.

In regional areas, the relevant distinction is not just between zoned and infrastructure-ready land, but between land that requires external network extension and land that can be made development-ready through self-sufficient infrastructure. The CEV model demonstrates that large areas of rural land — typically zoned for agricultural or environmental purposes and outside the reach of reticulated networks — can be brought into housing supply at no public infrastructure cost, because the development provides its own energy, water, and waste systems.

PolisPlan recommends that the Commission's final report include a recommendation that the Commonwealth, through the National Housing Finance and Investment Corporation and in guidance to state planning ministers, recognise that land is 'available for housing' where a proposed CEV or regenerative village development incorporates its own compliant energy and water infrastructure — regardless of proximity to existing network connections. This would expand the effective housing land supply in regional Australia at no public cost and allow CEVs to contribute to National Housing Accord targets on a consistent and transparent basis.

4.3 Information Request 3.3 — Rigid Processes and Innovation

PC Interim Report, §3.3

Rigid processes may discourage innovation. The PC is reviewing how the housing regulatory system can support more productive methods of construction such as prefabricated and modular housing.

The interim report identifies rigid approval processes as a barrier to modern methods of construction (MMC), including prefabrication and modular housing. PolisPlan's June 2026 submission addressed the construction productivity dimension of this in Section 3.3, and the argument bears repeating in this context.

The barrier to MMC uptake in regional Australia is not primarily regulatory — it is demand. Factory-based prefabrication requires sustained, repeatable orders to be economically

viable. One-off or bespoke regional housing projects cannot generate this demand. A network of CEV projects, developed to consistent planning and performance standards, would provide precisely the kind of pipeline that makes prefabrication viable in regional settings where on-site construction costs are high, skilled labour is scarce, and supply chains are long.

This means that the regulatory reform most likely to catalyse MMC uptake in regional Australia is not a change to building approval processes — it is the creation of a nationally consistent planning pathway for regenerative villages. By providing investors, developers, and manufacturers with a known and replicable development product, the pathway generates the demand certainty that MMC requires.

PolisPlan recommends that the Commission's final report note this connection explicitly: that planning pathway reform for alternative settlement forms is a prerequisite for MMC uptake at regional scale, and that a national CEV demonstration program — incorporating a dedicated MMC stream — would generate the evidence base needed to scale this approach.

4.4 Information Request 4.5 — The Role of the Australian Government

PC Interim Report, Information Request 4.5

Are our proposed roles for the Australian Government in supporting housing-enabling infrastructure useful and appropriate to support new housing? What other roles should we consider?

The interim report proposes that the Australian Government play a more direct role in infrastructure finance for housing, including through low or no-interest loans, managing funding shortfalls, and underwriting risks in the infrastructure sequencing process. PolisPlan supports these directions and recommends they be extended to include the CEV model in three specific ways.

- **Recognise CEVs as an eligible housing typology within the National Housing Accord target.** The 1.2 million homes target does not currently specify eligible housing typologies. Explicitly including regenerative villages would create a policy mandate for states and territories to develop planning pathways, and would allow CEV projects to count toward Accord commitments.
- **Establish a regional CEV stream within the \$2 billion Local Infrastructure Fund.** The Local Infrastructure Fund is the Commonwealth's primary lever for influencing housing-enabling infrastructure. A dedicated regional CEV stream would provide seed funding for the first wave of villages in areas of demonstrated housing stress, recognising the model's status as public infrastructure with social, economic, and environmental benefits that extend well beyond the development site.
- **Fund a national CEV demonstration program.** A structured demonstration program — supporting a small number of well-resourced pilot projects across different geographic, climatic, and tenure contexts — would test and publicly document what CEVs can achieve when the regulatory barriers identified in this submission are removed. The evidence generated would directly inform the Commission's final report and subsequent national planning policy development, and would build the supply chain, professional capacity, and community confidence needed to deliver the first wave of villages.

The CEVCO financial model demonstrates that CEVs, once established, are financially self-sustaining through cost-based rental income. The case for government seed funding rests on the same logic as any other public infrastructure: the benefits are broadly distributed, the upfront capital requirement is beyond individual households or small developers, and the long-term cost to government is substantially lower than conventional social housing.

4.5 Information Request 5.1 — Reform Priorities and Quick Wins

PC Interim Report, Information Request 5.1

Which of the reform directions will be relatively easy or hard to implement and why? Are there any examples of 'quick wins' that could be achieved?

PolisPlan offers the following observations on implementation in the context of the CEV model.

Quickest win: Adopting the Bellingen definition and approval pathway as a national standard requires no new primary legislation and no new regulatory machinery. It is a simple amendment to state planning instruments, building on work already done and publicly available. For any state government seeking a 'quick win' in alternative housing supply, this is it.

Medium term: Integrating locality planning for regenerative villages into housing strategy preparation processes (at both state and council level) is a low-cost reform that creates a pipeline of pre-qualified sites, reducing the per-project cost of development and giving investors and financiers the certainty they need to commit.

Longer term but high impact: The national CEV demonstration program and the reformed infrastructure regulatory framework (community microgrids, community-managed water systems) require more sustained effort. But they are the reforms that will determine whether the CEV model scales from a proof of concept to a genuine national housing supply alternative.

On co-dependencies: the planning pathway reform (definitions and approval pathways) must precede the infrastructure reforms, because without regulatory certainty there is no pipeline of projects to justify investment in community microgrid frameworks or prefabrication supply chains. This sequencing should be reflected in the Commission's final report.

5. A Framework for Regional Housing Supply Reform

Drawing together the arguments above, PolisPlan proposes that the Commission's final report include a dedicated section on regional housing supply reform, structured around the following elements.

5.1 Recognise the Distinctiveness of the Regional Problem

The Commission should acknowledge that regional Australia faces a housing crisis that is distinct in character from the metropolitan shortage. In regional areas, the primary barriers are not density controls but development viability, definitional invisibility of alternative housing forms, and the absence of community-managed infrastructure frameworks. Reform directions designed for cities will not address these barriers.

5.2 Establish a National Planning Pathway for Regenerative Villages

The Commission should recommend that the Commonwealth, working with states and territories through the National Planning Reform Blueprint, develop and adopt a nationally consistent planning framework for regenerative villages (including Circular Economy Villages and analogous alternative settlement forms). This framework should include:

- Standard definitions for inclusion in state planning instruments, drawing on the Bellingen model
- A model LEP clause establishing permissibility in locations identified through a locality planning process
- Model development controls calibrated to the performance standards of integrated-infrastructure settlement
- Guidance on Voluntary Planning Agreements for regenerative village developments, reflecting the nexus principle in Reform Direction 4.3
- Recognition of regenerative villages as an eligible housing typology within the National Housing Accord target

This framework is substantially complete. It has been developed, tested, and publicly documented through the Bellingen Shire project. What is required is a nationally coordinated process to review the existing work, adapt it for different state regulatory contexts, and adopt it as a national standard.

5.3 Reform Infrastructure Regulation for Community-Scale Systems

The Commission should recommend that the Australian Government, working with state and territory energy and water regulators, review and reform the regulatory frameworks governing community-managed energy microgrids and water systems. Current frameworks were designed for large-scale utility providers and do not accommodate community-managed systems at the scale that CEVs require. Specific reforms should include:

- A formal definition of ‘community microgrid’ in the National Electricity Law, with a tailored regulatory framework for community-owned and operated systems
- Streamlined licensing pathways for embedded network operators in community developments, with compliance requirements scaled to system size and community governance structures
- Recognition of community-managed water systems as a legitimate basis for development approval where systems meet appropriate public health standards
- Confirmation of eligibility of CEV energy and water infrastructure for relevant federal funding programs, including ARENA and the Clean Energy Finance Corporation

5.4 Invest in a National Demonstration Program

The Commission should recommend that the Commonwealth fund a national CEV demonstration program, supporting the development of a small number of well-resourced pilot projects across different geographic, climatic, and tenure contexts — including regional, rural, and remote settings. Pilot projects should be selected through a competitive process, developed against consistent planning and performance standards, and rigorously evaluated. The program should incorporate a dedicated modern methods of construction (MMC) stream to pilot prefabricated and modular housing in regenerative village settings and build the supply chain capacity needed to scale this approach.

The evidence generated would directly inform national planning policy development, support the scalability of the CEVCO network, and build the supply chain, professional capacity, and community confidence needed to deliver the first wave of villages and beyond.

5.5 Expand the Definition of Housing-Ready Land

The Commission should recommend that the Commonwealth formally recognise that land is ‘available for housing’ where a proposed CEV or regenerative village development incorporates its own compliant energy and water infrastructure — regardless of proximity to

existing network connections. This recognition should be embedded in guidance to state planning ministers and in the National Housing Finance and Investment Corporation's assessment frameworks, allowing CEVs to contribute toward National Housing Accord targets on a consistent and transparent basis.

6. Summary

The Productivity Commission's interim report makes a strong case for land-use liberalisation and infrastructure coordination in urban and peri-urban settings. PolisPlan supports these directions and asks the Commission to extend its analysis to regional Australia, where the housing crisis is equally acute and the barriers to supply are fundamentally different.

The Circular Economy Village model, tested through the Bellingen Shire Eco-Village Pilot Project, demonstrates that alternative housing supply at regional scale is possible — and that the regulatory tools to enable it already exist. What is needed is national coordination, not new law.

The Commission's final report has an opportunity to reshape the national housing policy conversation in two ways: by naming the regional housing crisis as a distinct policy challenge requiring a distinct response, and by recommending the planning pathway, infrastructure regulatory, and demonstration program reforms needed to enable regenerative village development to scale across Australia.

PolisPlan welcomes the opportunity to appear before the Commission or to provide further evidence on any aspect of this submission.

7. Contact Details

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Reference materials:

- PolisPlan initial submission (June 2026) — available on the PC submissions register
- Bellingen Shire Eco-Village Pilot Project planning framework: www.bellingen.nsw.gov.au/Development/Planning-Controls-superseded/Housing-Strategy-Implementation-Eco-village-Pilot-Project
- PolisPlan project documentation: polisplan.com.au/status
- PolisPlan research and publications: polisplan.com.au/publications
- CEVCO White Paper (May 2026): cevco.life | info@cevco.life