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Australian Government Productivity Commission
Via website.

Our Ref: FP243

Dear Sir/Madam,

Submission on the Housing Supply Regulation – Interim Report

Thank you for the opportunity to provide comments on the Housing Supply Regulation Interim Report. This submission was endorsed by Council at its meeting of 22 September 2026 and is provided for consideration as part of the Australian Government Productivity Commission's inquiry into housing supply regulation.

The Hills Shire Council (Council) recognises and supports the Australian Government's objective of increasing housing supply and improving housing affordability. As one of Australia's fastest-growing local government areas, The Hills has a demonstrated track record of facilitating housing growth. During the 2024-25 financial year, the Shire recorded the highest number of housing approvals in metropolitan Sydney, with 3,702 dwellings approved. Over the past five years, Council has approved more than 17,000 homes, representing one of the highest levels of housing approvals in Greater Sydney.

In order to achieve the NSW Government's commitments under the National Housing Accord, The Hills Shire has been assigned the highest five-year housing target of any metropolitan Sydney local government area, with a target of 23,300 additional dwellings by 2029. Council already has feasible zoned capacity for more than 56,350 additional dwellings within its Growth Precincts and strategic capacity for a further 7,700 homes. This demonstrates that, from a planning perspective, there is substantial housing capacity available within the Shire.

While Council supports the broad objective of increasing housing supply, it is concerned that the scope of the inquiry results in an Interim Report that places disproportionate emphasis on planning controls, zoning frameworks, development assessment processes and infrastructure contributions as the primary causes of Australia's housing challenges. In Council's view, the broader economic, financial and demographic factors affecting housing delivery are not adequately explored.

In particular, factors such as population growth and housing demand, construction costs, labour availability, material costs, energy costs, development financing arrangements and taxation settings all have a significant impact on housing delivery and affordability. These factors have substantial impacts on development feasibility and the rate at which approved housing is delivered, yet they are largely outside the scope of the inquiry and therefore the Interim Report's proposed reforms.

The proposed reforms focus on increasing theoretical housing capacity through broad-based deregulation of planning controls. This is concerning for Council, as there are already large volumes of approved and zoned housing capacity within the Hills Shire local government area. There is a significant pipeline of approved and zoned housing that has not progressed to construction, which appears to be

primarily due to market and feasibility constraints, rather than planning restrictions. Addressing these barriers to housing delivery should be a central consideration of the Australian Governments work into housing supply and be further considered in the Commission's final recommendations. It is acknowledged that this is not the case in every jurisdiction, however where it can be demonstrated that planning controls and regulations have facilitated significant housing approvals, it would not make sense to change these controls, as they are not the barrier to housing delivery.

Council is concerned about the recommendations to significantly relax density and built-form controls. The decreased regulation of achievable density would reduce the certainty regarding future population growth and development yields, making it more difficult to accurately plan, fund and deliver infrastructure services and facilities required to support growing communities. This appears inconsistent with the Interim Report's objective of ensuring infrastructure delivery keeps pace with population growth. If the authorities that are responsible for delivering this infrastructure are unable to make reliable predictions of the demand for infrastructure (which are typically based on the planning controls in place) then the planning for infrastructure will be uncertain, unclear and likely to change over the life of any infrastructure plan. Council recommends that the Interim Report further explore the balance between its recommendations and stated objectives.

The Hills Shire Council encourages the Commission to place higher emphasis on utilising a methodical and collaborative approach in its recommendations. The alignment of policy and investment decisions is critical to successfully solving the housing crisis and to meeting the communities' standards for the quality and timely provision of infrastructure and amenity. Council recommends that the Commission adopt a broader, more balanced approach in its final report. Any reform agenda should recognise the critical role of strategic planning, infrastructure coordination, employment planning and quality urban outcomes alongside housing supply objectives. Reforms should focus not only on increasing housing capacity, but also on addressing the economic and structural barriers that prevent approved housing from being delivered.

The detailed comments contained within this submission are intended to assist the Commission in developing recommendations that improve housing delivery while ensuring communities remain well-serviced, economically productive and liveable over the long term.

Scope of the Inquiry and Interim Report

Council considers that the inquiry and interim report place significant emphasis on land use planning controls, development assessment processes, infrastructure contributions and zoning decisions, which are matters principally within the responsibilities of state and local governments. While these matters influence the delivery of housing, they represent only part of a much broader housing delivery system.

The housing challenge currently facing Australia did not emerge solely as a result of planning controls. Twenty years ago, planning systems across Australia contained many of the same regulatory mechanisms that exist today, however there was not the same concerns with housing delivery. Accordingly, Council submits that greater attention should be directed toward identifying the substantive changes that have occurred over recent decades and the factors that have contributed to the current housing environment, in order to identify potential solutions.

Council encourages the Australian Government and the Commission to give greater consideration to matters that fall more directly within the Commonwealth's sphere of influence, including migration settings, development financing arrangements, taxation policy, labour shortages, construction costs, material costs and energy prices. Each of these factors has a significant impact on housing delivery and feasibility. In many cases, including the experience in the Hills Shire, these factors now represent more substantial barriers to housing delivery than planning regulation.

Council is concerned that the limited scope of the inquiry disproportionately attributes the reasons and solutions for the housing crisis to planning regulation in the Interim Report, rather than allowing the Commission to explore the full suite of factors that have contributed to the current housing circumstances.

Land Use Planning and Development Control

The Interim report's commentary on land zoning and planning controls appears to understate the important role these mechanisms play in the planning system. Land zoning does not exist to restrict development, as implied in parts of the Interim Report. Rather, it is a fundamental planning mechanism that provides a framework for managing land use, protecting communities from incompatible development and land uses, and creating certainty for residents, government agencies, developers, infrastructure providers, and other stakeholders regarding the types and scale of development that may occur within a particular area.

Land zoning and development controls play a critical role in coordinating growth, and ensuring that development occurs in an efficient, orderly, and strategically planned manner. It provides the foundation upon which infrastructure planning, service delivery, environmental management, and investment decisions are made. By clearly defining appropriate land uses and development expectations, zoning and development controls assist in ensuring that future growth aligns with strategic planning objectives and community expectations.

Council recommends that the Interim Report give greater weight to the purpose and function of zoning and planning controls within contemporary planning systems. While there is value in examining opportunities to improve development assessment processes and remove unnecessary barriers to housing delivery, this should not come at the expense of the strategic planning tools that underpin orderly development outcomes. The Commission is encouraged to engage closely with planning practitioners and infrastructure providers who are responsible for implementing and administering these frameworks, in addition to stakeholders whose primary focus may be development feasibility and profitability.

Land zoning and development controls are essential to ensuring that communities function efficiently and remain liveable over the long term. These controls help manage density, built form, land use compatibility, infrastructure demand, environmental impacts, and residential amenity. Without an appropriate framework of zoning and development controls, growth will occur in an ad hoc and uncoordinated manner, resulting in adverse outcomes for communities, including infrastructure shortfalls, inappropriate built form, land use conflicts, reduced amenity, and diminished quality of life. In most cases, development controls have been developed to correct a previous failure in the market or respond to an adverse outcome. Any recommendation of the removal of controls should only be made with adequate consideration of the reason the controls were created.

Well-designed planning controls do not prevent growth; they facilitate growth in a coordinated and sustainable way. A balanced planning framework provides certainty for all stakeholders, supports effective infrastructure planning, and helps ensure that development contributes positively to the creation of well-functioning and resilient communities. Failure to maintain appropriate planning controls risks undermining public confidence in the planning system and may contribute to growing community resistance to future development and urban growth initiatives.

The Interim Report appears to conclude that land-use reform provides the greatest opportunity to improve housing supply and affordability in Australia. However, given the significant number of other critical factors which have been specifically excluded from consideration by the Commission, this conclusion does not represent a holistic approach to the housing crisis. Further commentary regarding some specific reform directions related to land-use reforms are provided below:

- *Reform Directions 2.1, 2.2 and 2.3 - Allow up to 3-storey developments across most residential land, Allow mid-rise or high-rise apartments in high-demand areas and Reduce or remove minimum lot size requirements*

The Interim Report recommends broad-based upzoning and a reduction in land use and built-form controls, that are considered to constrain development feasibility or impose costs that outweigh their benefits, including controls such as minimum lot sizes, building heights, maximum floor space ratios

and minimum parking requirements. While there may be merit in reviewing individual planning controls to ensure they remain fit for purpose, caution should be exercised before weakening or removing fundamental development standards or applying broad-based changes without consideration of local implications and circumstances.

Impacts on infrastructure provision

Development standards are a critical planning tool for managing development density and ensuring that growth occurs in an orderly and coordinated manner. They provide planning authorities, infrastructure providers, and the community with a clear understanding of the development yield that can reasonably be expected within a precinct. This information is essential for forecasting population growth, identifying future infrastructure requirements, and planning for the timely delivery of services and facilities needed to support that growth.

The removal or substantial relaxation of density controls in particular would significantly reduce certainty regarding the scale and distribution of future development. This uncertainty would make it considerably more difficult for planning authorities to accurately forecast infrastructure demand and prepare infrastructure delivery strategies. The effective operation of the NSW development contributions system relies on a reasonable understanding of future growth outcomes. Where development yields can be predicted with confidence, councils and government agencies are able to identify infrastructure requirements, estimate costs, secure funding arrangements, and establish contribution rates early in the planning process.

If broad-based upzoning is accompanied by the removal of important development standards, it may become increasingly difficult to determine where, when, and to what extent development will occur. This would create significant challenges for infrastructure planning and delivery. Given that a central objective of the Commission's Interim Report is to better align infrastructure provision with population growth, it is important to recognise that achieving this outcome requires a degree of certainty regarding future development yields. Without this certainty, infrastructure providers may struggle to effectively plan, fund, and deliver the infrastructure required to support growing communities.

The implications of this uncertainty extend beyond local infrastructure and are particularly significant for major regional infrastructure such as schools, health facilities, and transport services. The planning and delivery of such infrastructure requires long lead times, substantial investment, and the early identification of suitable sites. If future population growth is difficult to forecast due to the absence of clear development controls, governments may be unable to determine when and where additional regional infrastructure will be required until significant population growth has already occurred.

This can result in missed opportunities to secure strategically located land at reasonable cost and may ultimately lead to substantial cost escalation, delays in infrastructure delivery, and reduced levels of service for residents. For example, school sites are most effectively identified and acquired prior to rezoning or in the early stages of precinct planning. Attempting to identify and acquire school sites once a precinct is substantially developed can significantly increase acquisition costs and reduce the availability of suitable land, ultimately creating long-term challenges for service delivery.

Impacts on amenity and liveability

Council raises concerns that the Interim Report understates the importance of a range of built-form controls, including lot size requirements, building height limits, site coverage controls, balcony provisions, and storage requirements. These controls serve important planning purposes and contribute to the creation of functional, liveable, and sustainable communities. They help manage built form outcomes, ensure adequate amenity for residents, support urban design objectives, and provide certainty for both communities and the development industry.

While planning controls should be regularly reviewed to ensure they are evidence-based and do not impose unnecessary constraints on housing delivery, they should not be viewed solely as impediments to increasing dwelling supply. Rather, they form an essential part of the planning framework that

balances housing growth with broader objectives relating to infrastructure capacity, urban design, environmental performance, community wellbeing, and long-term liveability. Any consideration of planning reform should therefore recognise the important role these controls play in facilitating orderly development and delivering well-functioning communities.

- *Reform Direction 2.4 Allow residential development in commercial zones, unless there is a clear rationale for excluding it*

The Interim Report acknowledges the importance of strategically aligning housing growth with job growth, suggesting that well-connected housing and jobs is essential to successful upzoning and agglomeration, which brings economic benefits. The Interim Report makes clear the need to plan for employment, expressing the relationship between higher density cities with higher productivity.

However, given the Interim Report's overall focus on accelerated housing, Council is concerned that the interrelated growth of jobs, infrastructure and housing is not sufficiently addressed by the Commission. The established planning principles related to the protection of land for commercial purposes was necessary to address previous market failures regarding the development of land for employment purposes. Allowing residential and mixed use development in key employment precincts would threaten the viability of the commercial precincts necessary for economic benefits and may potentially compete with other recommendations of the Commission and result in the erosion of vital land for employment and jobs.

The NSW Government anticipates The Hills Shire Council to support 51,300 to 57,800 jobs within the next 20 years by 2046 (The Sydney Plan Appendix D). It is anticipated that a majority 58% of jobs will be located within Council's strategic centres of Norwest, Castle Hill and Rouse Hill, where connectivity benefits from close proximity to the Sydney Metro Northwest. These strategic centres support local economic growth and broader connectivity to other strategic centres in the Greater Sydney region, which are expected to attract flexible and high levels of private sector investment where jobs are located near homes. Industrial lands within the Hills are further recognised to support the local economy and related jobs, with the NSW Government stating the importance for Council to protect and intensify this land to align with the significant housing growth anticipated.

While these projections are anticipated, in the context of recent NSW Government reforms to accelerate housing delivery including the establishment of the Housing Delivery Authority (HDA) pathway, Council has instead experienced increasing speculation for residential outcomes within employment lands, particularly in its strategic centres. The encroachment of residential land in these strategic centres through the HDA pathway is contributing to lowering commercial viability in these centres as speculation and uplift create pressure on commercial land value, potentially undermining the NSW Government's long-term employment objectives for Council.

Council is therefore cautious toward the Interim Report's suggestion to encourage mixed-use zoning to enable residential development within commercial-only zones. While the report cites an example of mixed-use zones in Melbourne which are increasingly supporting residential development, justifying the benefits of jobs and housing connectivity, the rate of commercial growth in proportion to housing growth in these zones has not been explored in the report. Council agrees with the sentiment that commercial-only zones should require clear justification, such that the protection of commercial precincts is justified to ensure commercial development remains feasible and therefore long-term job growth remains secure.

- *Reform Direction 2.5 Review, reduce and remove land-use controls that reduce commercial feasibility and do not adhere to best practice principles and Reform Direction 2.6 Relax or remove built-form controls that limit flexibility and choice for households*

Council expresses concern in relation to the proposed reform direction 2.6 of the interim report, which suggests the relaxing of built form controls including removing restrictions on minimum dwelling sizes, balcony sizes and storage requirements for apartments. While Council supports broader directions to be undertaken to enable choice and flexibility for households, the suggestion that removing these

restrictions will not negatively impact the wider community is considered to be shortsighted and could contribute to poorer built form outcomes and therefore quality of life.

While it is understood that the intent of the direction is to encourage greater housing density and apartment living, which would significantly increase housing supply, it is also important to ensure that the apartments delivered are of high quality and are designed for longevity. Encouraging apartment living is first dependent on ensuring apartments are viable and attractive options for a broad range of family and household types**.** For example, the demographic profile of the Hills Shire is not consistent with the broader Sydney profile, with higher numbers of larger and multigenerational households with diverse family types anticipated to grow. Ensuring that apartments delivered cater for a diverse range of household sizes, including larger apartments with 3 or more bedrooms, adequate storage, or that allow for flexible arrangements is key to encouraging a high quality of apartment living.

The NSW Apartment Design Guide (ADG) was introduced in 2015 as part of a broader reform of apartment design standards. Its primary purpose was to improve the quality, liveability, sustainability, and design consistency of apartment developments across New South Wales. Prior to the introduction of the ADG, many apartment developments were delivering poor residential outcomes, resulting in limited sunlight access and natural ventilation, small and inefficient apartment layouts, poor privacy and amenity outcomes, inadequate open space and landscaping and buildings that responded poorly to the surrounding context. This is an example of the market failing to deliver adequate housing product and the planning system intervening to lift the standards of development to deliver quality living environments.

The Interim Report utilises a studio apartment case study in Darlinghurst as an example of non-compliance with ADG requirements for minimum apartment sizes to justify the delivery of small high-quality living spaces. While this example may exhibit best practice for the specific demographic context and local character of Darlinghurst without negatively impacting resident amenity, it is unlikely that the same approach would be acceptable in every context.

The suggestion to reduce essential amenity standards creates risks which may enable apartments of lower quality to be delivered, with limited flexibility to adapt to changing family and household needs, and without guaranteeing lower housing costs. The Interim Report acknowledges that removing these standards would contribute to greater apartment feasibility for developers, particularly for the delivery of studio and 1-bedroom apartments but does not adequately consider how these lower development costs will translate to lower housing costs, as well as the impact on larger apartment types. The Commission should encourage apartments to exhibit design excellence and quality by retaining minimum standards, noting that the broadbrush approach of removing minimum standards will risk the delivery low amenity apartments that compromise the quality of life of future occupants.

Complexity of the NSW Planning System and Continual Reform

The Interim Report notes that complex and overlapping regulatory requirements can impede housing supply. Council's experience with the NSW Planning System is that the complexity has created uncertainty, increased administrative burdens, and introduced inefficiencies that affect both development outcomes and the timely delivery of housing. Recent planning reforms in New South Wales have sought to streamline planning processes and accelerate housing delivery. However, in practice, the cumulative effect of multiple reforms, policy instruments, and alternative approval pathways has had the opposite impact and increased the complexity of the planning system.

The interaction between state policies, local planning controls, housing initiatives, and special assessment pathways can make it challenging for applicants, councils, and the community to clearly identify which planning provisions apply to a particular site. As a result, determining what development is permissible on a given parcel of land has become increasingly difficult.

There is a strong case for greater simplification of planning controls. In particular, stakeholders would benefit from a centralised and accessible source of planning information that clearly identifies the applicable controls, approval pathways, and development opportunities for individual properties.

Reducing the need to navigate multiple layers of policy would improve transparency, increase certainty, and reduce unnecessary delays and costs within the planning system.

The current experience in NSW involves extremely frequent planning reforms and associated policy announcements, which has contributed to uncertainty within the development market. Regular changes to planning controls, rezoning opportunities, and housing initiatives can influence market behaviour, with landowners and developers adjusting investment decisions in anticipation of future reforms which would enable them increased development yield. In this Hills Shire, previous experience indicates that the expectation of additional development potential contributes to increases in land values, while uncertainty regarding future policy settings may encourage some developers to defer projects pending the outcome of further reforms, which is contrary to the stated objectives of the NSW Government.

Council's view remains that a greater focus should be placed on facilitating the delivery of housing that has already been strategically planned, rezoned, and approved, rather than continually introducing new rounds of policy reform and strategic investigation. The Hills Shire is an example of utilising the existing planning system to facilitate significant development capacity. Providing stability in the planning system will encourage the progression of these projects through detailed design, development assessment, and construction, which will deliver more immediate housing outcomes than reforms that create additional uncertainty regarding future planning controls.

Consideration should also be given to the introduction of targeted incentives that encourage the timely commencement of approved developments. Such measures could help reduce delays in project delivery, discourage the prolonged holding of development approvals, and support the translation of approved housing capacity into completed dwellings. A planning system that prioritises certainty, stability, and implementation is more likely to achieve sustained improvements in housing delivery than one characterised by continual policy change and reform.

Relationship between land zoning, population growth and house prices

The report references the New Zealand experience with upzoning as evidence in support of broad-based rezoning and the potential benefits such reforms can have on housing affordability and supply. In particular, the report highlights outcomes in Auckland, including improvements in residential construction productivity, increased dwelling approvals, and housing prices and rents that are lower than they may otherwise have been in the absence of reform.

While these outcomes are encouraging, it is important to recognise that they have occurred within a broader economic and demographic context. Any assessment of the effectiveness of Auckland's upzoning reforms should consider not only the increase in housing supply, but also the influence of population growth trends and housing demand on market outcomes.

New Zealand experienced relatively strong population growth in the period leading up to the reforms, with annual population growth averaging approximately 1.9 per cent between 2016 and 2020. However, population growth rates subsequently moderated, averaging around 0.9 to 1.0 per cent per annum between 2020 and 2026. By comparison, Australia's population growth during the same period remained significantly higher, averaging approximately 1.5 per cent per annum. These differing demographic trends have important implications for housing demand and, consequently, housing market performance.

While broad-scale upzoning in Auckland is likely to have contributed to increased housing supply and improved housing market outcomes, it is difficult to isolate the effects of planning reform from the impacts of slower population growth. Reduced population growth places less pressure on the housing market, moderating demand and potentially contributing to lower rates of growth in housing prices and rents. As such, the observed outcomes in Auckland may reflect a combination of both increased housing supply and reduced demand pressures.

This is an important consideration when comparing the New Zealand experience with the Australian context. Australia's comparatively higher rates of population growth continue to generate substantial

demand for housing, placing ongoing pressure on housing supply and affordability. Accordingly, caution should be exercised when drawing direct comparisons between the two jurisdictions or assuming that similar planning reforms would necessarily produce equivalent outcomes.

While international examples can provide valuable insights into the potential benefits of planning reform, policy responses should be tailored to local circumstances and informed by the broader factors influencing housing markets, including population growth, migration patterns, infrastructure capacity, and development feasibility. A comprehensive assessment of housing affordability outcomes should therefore consider both supply-side reforms and the demand-side conditions that shape housing markets over time.

Developer Contributions

The Interim Report's conclusion that capping developer contribution rates is unlikely to result in a substantial increase in housing supply is supported. Efforts to reduce the cost of housing delivery should not involve the arbitrary limitation of local infrastructure contributions, which play a critical role in funding essential community infrastructure.

Infrastructure such as public open space, sporting fields, local road upgrades, and drainage networks is fundamental to supporting new communities and maintaining residents' quality of life. Limiting the ability of councils to recover the costs of this infrastructure can undermine the provision of services and facilities that are necessary to accommodate population growth. The NSW Productivity and Equality Commission and the NSW Independent Pricing and Regulatory Tribunal have both concluded that arbitrarily capping development contributions does not materially improve development feasibility, increase housing supply, or enhance housing affordability.

The primary objective of the contributions framework should be to establish accurate and equitable contribution rates, rather than seeking to minimise contributions regardless of infrastructure requirements. A critical input to determining accurate contribution rates is the estimate of development yield based on the applicable development controls and standards, as discussed earlier in this submission. Artificially suppressing contribution rates, or underestimating development yield, can create significant funding shortfalls, limiting councils' capacity to provide the infrastructure required to support growth. This can lead to community dissatisfaction within new release and urban renewal areas and contribute to broader public opposition to future development.

Providing accurate infrastructure cost estimates and contribution rates early in the planning of a precinct enables developers to appropriately incorporate these costs into development feasibility assessments. This also provides greater certainty to landowners and developers by allowing the market to better account for infrastructure costs when determining land values and acquisition strategies. However, this is contingent on obtaining upfront accurate cost estimates, which can be challenging. Further, the delivery of infrastructure is subject to many of the same factors that influence housing delivery – construction costs, labour availability, material costs and energy costs – which increase the costs beyond what has been estimated in the plan, resulting in the need to increase the contributions rates when the plan is reviewed.

The objective of more closely aligning the provision of enabling infrastructure with the delivery of housing is supported. However, achieving this objective requires the availability of funding at a point in time that enables infrastructure to be planned, designed, and constructed in advance of, or concurrently with, housing delivery.

Timing of developer contribution payments

Deferring the payment of development contributions to a later stage of the development process would increase the time lag between the arrival of residents and the delivery of the infrastructure required to support them. While such an approach may provide short-term cash flow benefits to developers, it would significantly constrain the ability of councils and other authorities to deliver infrastructure in a timely manner.

The timing of contribution payments has a direct impact on the timing of infrastructure delivery. If governments seek to better align infrastructure provision with population growth, requiring contributions to be paid after development has been completed is unlikely to achieve that outcome. Councils can only commence and deliver infrastructure once sufficient funding has been secured. Where funding is only received after residents have occupied new housing, a substantial delay between population growth and infrastructure delivery is inevitable.

In New South Wales, the contributions system is structured in a manner that generally prevents councils from achieving a surplus position at the completion of a contributions plan. Given the inherent uncertainties associated with growth forecasts, infrastructure cost escalation, and development timing, councils assume considerable financial risk when forward funding infrastructure. There is no guarantee that councils will ultimately recover the full value of funds advanced to deliver infrastructure ahead of development contributions being received.

As a result, proposals to further defer the timing of contribution payments may undermine the timely delivery of infrastructure, increase financial risk for local government, and reduce community confidence that growth will be accompanied by the facilities and services necessary to support new and existing residents, and are not supported.

Contributions Plan Cost Recovery

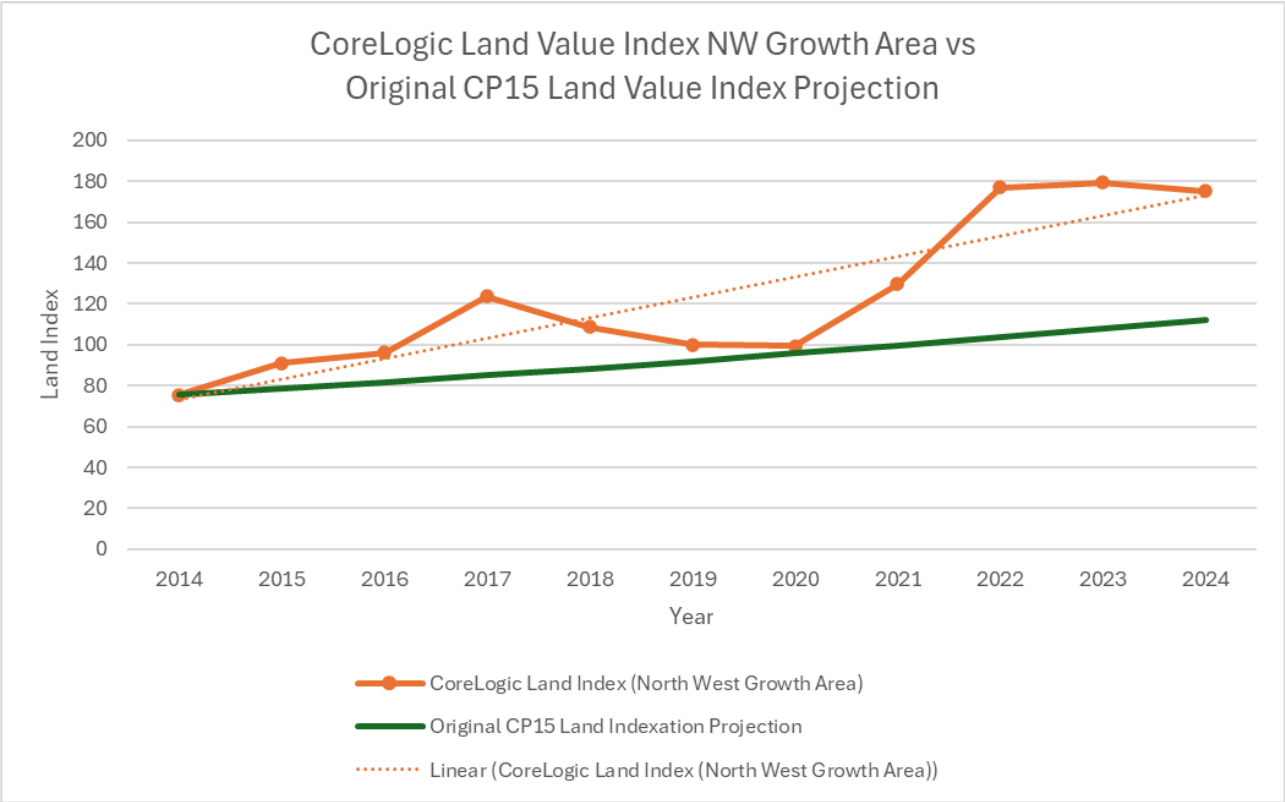
Councils should be empowered to levy contributions on growth within a precinct to fund the infrastructure required to support that growth. An effective contributions framework should operate on the principle that the population generating demand for new local infrastructure contributes to the cost of delivering the facilities and services necessary to support that demand.

The current contributions framework in New South Wales places significant financial risk on local government and is structured in a manner that can result in substantial funding shortfalls, which are ultimately borne by councils and local communities. Once development consent has been granted, councils are generally unable to retrospectively recover increased infrastructure costs due to prevailing government policies regarding cost apportionment and contribution rate settings.

It is therefore essential that governments permit the use of conservative cost estimates, particularly during the early stages of contributions planning. This approach enables councils to appropriately account for risk, market uncertainty, and cost escalation over the life of a contributions plan. Where more conservative assumptions are not supported, the contributions framework should be amended to provide councils with mechanisms to recover funding shortfalls arising from increases in land acquisition, construction, or delivery costs.

The Interim Report notes that, in the interests of improving certainty, governments could establish contribution rates upfront and assume responsibility for any funding shortfalls where infrastructure costs exceed initial estimates. This approach recognises that state governments are generally better placed than local government to absorb such financial risks due to their greater funding capacity and broader revenue base. This is a reasonable and appropriate position.

The experience of The Hills Shire Council in the Box Hill Precinct illustrates the challenges associated with the current framework. The precinct is expected to accommodate more than 16,000 dwellings upon completion and has experienced significant financial pressures in delivering the infrastructure required to support this growth. Historical state-imposed contribution caps, direction to adopt lower infrastructure cost estimates in order to reduce contribution rates, and substantial increases in land acquisition and construction costs have collectively contributed to a projected end-of-plan funding shortfall of approximately $200 million. This is against a total infrastructure works program currently valued at approximately $1.14 billion (rather than $411 million when the Precinct was rezoned) and during a period where the cost of land (including land required for public infrastructure) increased at a rate that far exceeded the escalation assumptions which Council was allowed by IPART Government to rely on for calculating contribution rates.



Council has consistently advocated for state government assistance to address this funding gap, particularly given that the shortfall is largely attributable to systemic limitations within the contributions framework rather than shortcomings in council planning or delivery. To date, however, these requests for assistance have not been successful.

Cost of Construction

The Interim Report includes a cost stack diagram (Box 2.3 on page 45) of a typical infill high-rise apartment development in Sydney in 2023. Construction cost makes up a significant portion of the overall cost and is a significant factor in determining whether a development is feasible, along with sale revenue. Based on this diagram construction cost makes up around 60% of the cost of a development.

The Interim Report states that '*determinants of commercial feasibility can change over time, meaning that commercially feasible capacity can rise or fall even when zoned capacity remains unchanged*'. The report further states that rising construction costs between 2020 and 2025 have reduced development feasibility across Australia (with apartment projects also affected by higher land acquisition and financing costs). This means that the biggest cost in a development has risen dramatically over the past 5 years, yet this issue is out of scope of the inquiry.

Instead, the scope given to the Commission is restricted to land zoning and amenity controls and does not adequately capture the most critical influences on construction costs being the cost of energy, labour and materials.

It is important that the impact of any planning regulation change, is considered in the context of the potential impacts that changes to other factors that influence the delivery of housing would also have. Noting what a high proportion of the overall costs the construction costs are in the cost stack diagram, it would make sense for the Commission to investigate and analyse these costs and what government action could be undertaken to place downward pressure on these costs. The Interim Report places a significant focus on reducing construction costs by eroding amenity standards for housing which in turn reduces the quality of the building stock that is being delivered and facilitating yields that cannot

ultimately be supported by local and regional infrastructure, rather than other factors that influence the cost of development and housing more significantly.

Misalignment of Growth and Infrastructure within the Bella Vista and Kellyville Precincts and the role of Government Developers

The case study example in Box 4.1 (on page 90) identifies that the Sydney Metro Northwest opened in 2019 and states that the rezoning of the Bella Vista and Kellyville Precincts did not occur until 2024, however this is incorrect.

The Bella Vista and Kellyville Precincts were rezoned for high density development in late 2017, as part of the Planned Precinct Program which was a whole of government program led by the NSW Department of Planning. Following the rezoning, Landcom (the Government Developer) undertook detailed master planning for the Government owned land, which accounted for most of the corridor in the Bella Vista and Kellyville precincts. A concept approval was issued by the NSW Government in 2022. The concept approval was supported by a corridor wide contributions plan, development controls and a Planning Agreement between Council and Sydney Metro. This would have allowed the development of the precincts to commence and the government developer, Landcom to divest sites to developers or progress with development themselves.

However, in December 2023 the NSW Government identified these Precincts as part of the new Transit Oriented Development Program (TOD). This program essentially restarted the rezoning process for these Precincts, in an effort to achieve more yield. It is this TOD rezoning which occurred in late 2024.

The program appears to have stalled development activity as the landowners, including Landcom, withheld the release and development of sites due to the possibility of additional yield being achieved. Whilst this rezoning slightly increased the achievable yield within these Precincts, it has substantially stalled short term housing supply and has resulted in a yield that is misaligned with the adopted contributions plan and Planning Agreements.

This example highlights the concerns Council has regarding continual reform and the potential for it to stifle short term housing supply. Certainty in planning systems is important to enable the development industry to make decisions about progressing developments.

Council also recommends that government developers take a more active role in delivering housing supply. The experience in the Hills Shire, on the Sydney Metro Northwest Corridor, where the NSW Government owns large areas of land around the stations, is that the government developer has not made significant contributions to the delivery of housing to date. Most of the land in government ownership has been upzoned in order to divest ‘superlots’ to other developers. In line with NSW Government policy, the government developer is seeking the highest value for each ‘superlot’, which means in some instances they are holding back the sale of these ‘superlots’ in order to maximise the sale value of each lot. While it is understood that seeking value for money is government policy, this approach is counter to the government objective of increasing housing supply and improving housing affordability.

There is an opportunity for government developers to accelerate the delivery of housing by providing developable land with feasible planning controls and approvals in place to the market. A reconsideration of the business model of government developers could provide a significant boost to housing supply.

Utility Approval Timeframes and Utility Relocation Costs

The delivery of critical local and enabling infrastructure has become increasingly complex, resulting in significant delays between the occupation of new housing and the provision of the infrastructure required to support growing communities. These delays undermine the achievement of orderly planning outcomes and hinder the timely delivery of infrastructure alongside population growth. This is understandably a significant source of frustration for new residents and can have a considerable impact on community wellbeing and quality of life. It also places a substantial administrative burden on councils,

which are required to devote significant staff time and resources to responding to community concerns, rather than focusing on the delivery of infrastructure itself.

A range of factors constrain councils' ability to efficiently deliver infrastructure in growth areas. Firstly, as discussed above, the New South Wales contributions framework relies on the progressive collection of development contributions as development occurs. Given that contributions are typically received incrementally from individual developments over an extended period, councils may be required to wait many years before sufficient funding is available to acquire land, deliver public open space, or undertake major road upgrades. As a result, the funding required to deliver infrastructure is often not fully available until the population requiring that infrastructure has already begun to arrive.

Even when sufficient funding has been secured, land acquisition processes can introduce substantial additional delays and costs. While councils have access to compulsory acquisition powers, these processes are complex, resource intensive, and considerably slower than those available to state government agencies. The existing framework should be reviewed to remove barriers to the timely acquisition of land for essential public infrastructure. This could include streamlining compulsory acquisition processes and providing local government with more efficient acquisition pathways similar to those available to state government entities.

Council's experience has also demonstrated that obtaining approvals from government agencies and utility providers can be a significant impediment to the timely delivery of infrastructure. While councils may have completed all necessary planning, design, and funding arrangements, projects are frequently delayed while awaiting external approvals or the satisfaction of technical requirements that will ultimately be achieved as development progresses. In some instances, agencies also challenge or delay infrastructure projects that have already been identified as necessary through strategic planning processes and government-endorsed growth frameworks. This reflects a broader lack of coordination across government and creates inefficiencies whereby councils are repeatedly required to justify infrastructure that has already been assessed, approved, and planned as part of the growth management process.

In particular, the cost of utility and service relocations is a significant contributor to overall infrastructure expenditure, particularly for road upgrades within established urban areas. In Council's experience, these costs can represent a substantial proportion of total project budgets and materially affect the affordability and feasibility of infrastructure delivery.

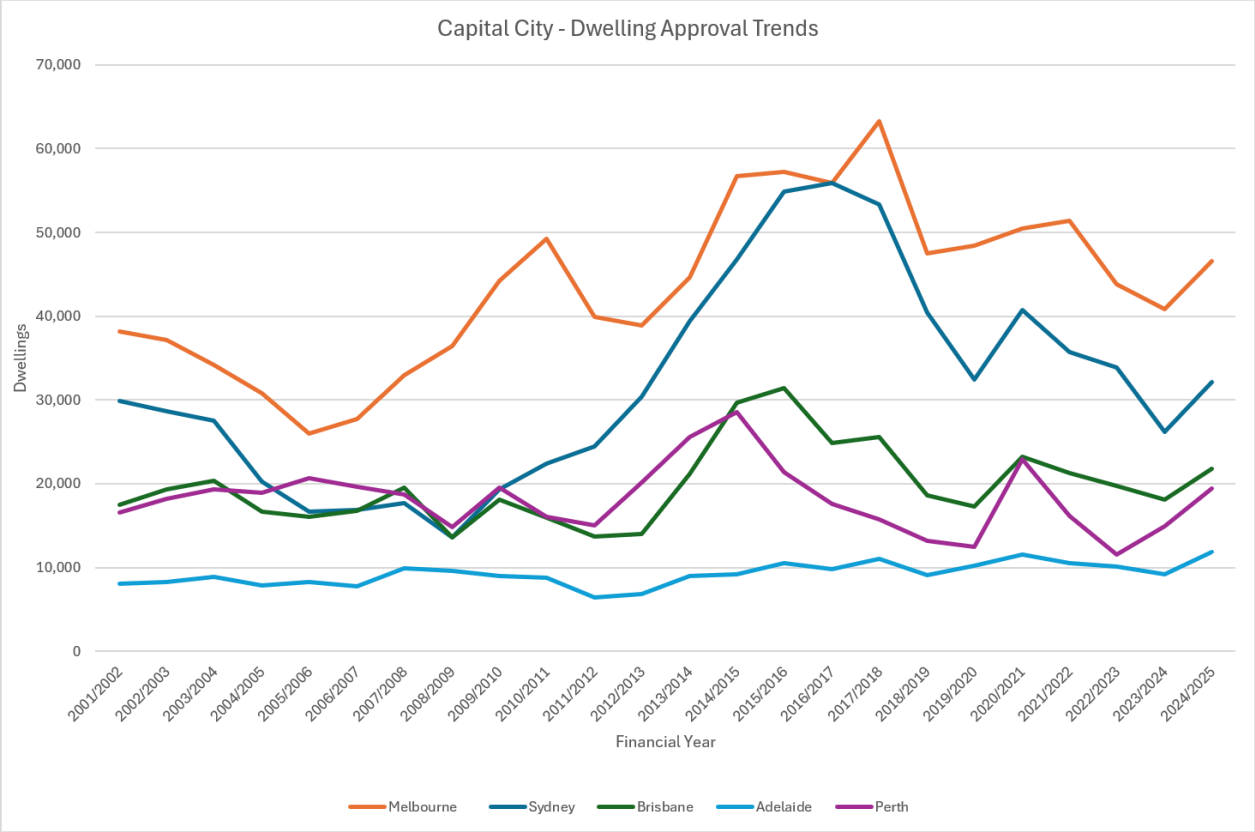
For example, Council previously prepared a concept design and cost estimate for the upgrade of a major road within a Sydney Metro Northwest precinct. Approximately 50 per cent of the total project cost, equating to around $20 million, was attributable solely to utility relocation works. This effectively doubled the overall cost of the project and significantly increased the contribution rates required to fund the infrastructure.

There is currently limited transparency regarding how utility providers determine relocation costs, and councils generally have little ability to challenge or negotiate the charges imposed. Consequently, councils are often required to accept the costs provided and incorporate them into development contributions plans. These costs are ultimately borne by developers and, in many cases, passed on to the broader community through increased housing and infrastructure costs.

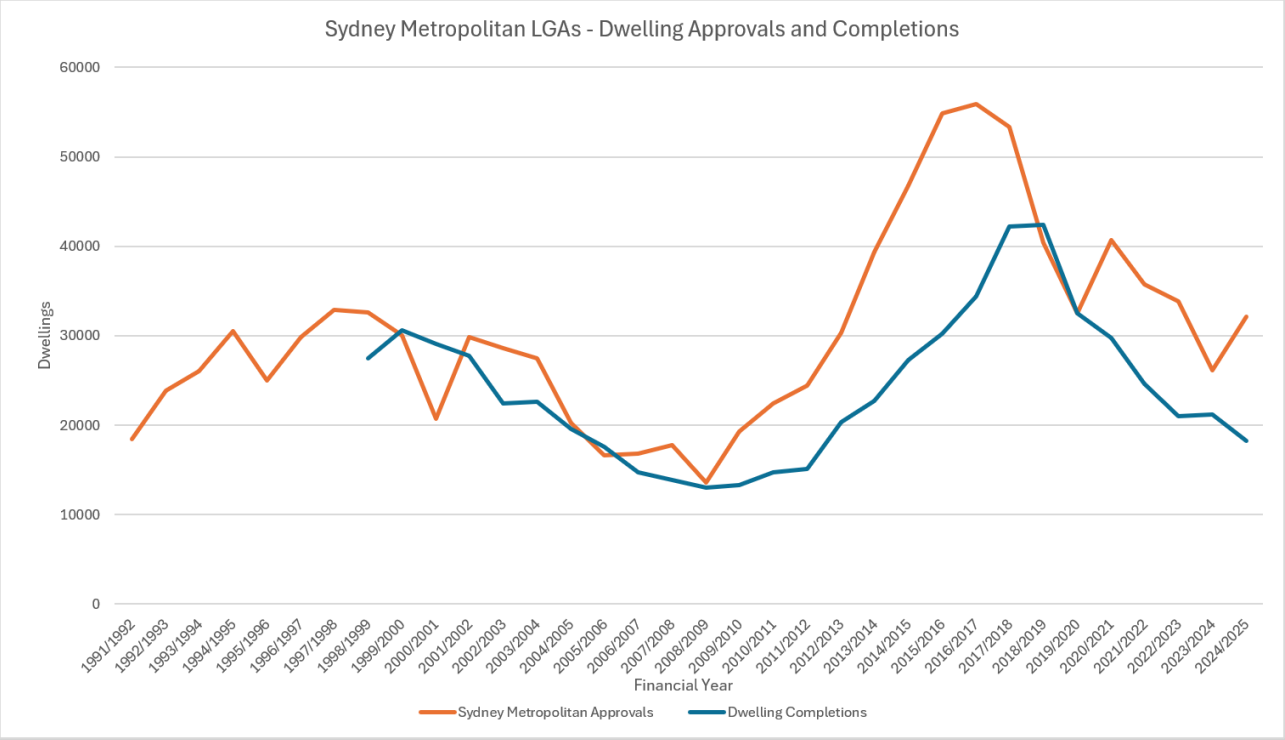
If governments are seeking to reduce the cost of local infrastructure delivery, a comprehensive review of utility relocation charging practices should be undertaken. Consideration should be given to introducing greater transparency, accountability, and regulatory oversight of service relocation costs to ensure charges are reasonable, evidence-based, and proportionate. Such reforms have the potential to generate significant cost savings for infrastructure projects and improve the efficiency of infrastructure delivery in growth areas. Utility providers should be subject to greater accountability, recognising that the costs they impose ultimately affect housing affordability and the timely provision of essential community infrastructure.

Historic Dwelling Approval and Completion Data

Council encourages the Commission to undertake further research regarding the historic pattern of dwelling approvals before making any final recommendations about planning regulation. The graph below depicts historic dwelling approval data in some capital cities across Australia (sourced from the Australian Bureau of Statistics), indicating an upward trend in dwelling approvals from 2022-2023, across these capital cities. This upward trend has occurred across multiple planning jurisdictions at a very similar time, indicating that other factors (irrespective of planning controls or planning jurisdictions) have had an influence on dwelling approvals being applied for and granted.



In addition, Council encourages the Commission to further investigate the relationship between dwelling approvals and completions prior to finalising its recommendations. The graph below depicts dwelling approval data (obtained from the Australian Bureau of Statistics) and dwelling completion data (obtained from Sydney Water, based on new dwelling connections for water supply) for the Sydney Metropolitan Local Government Areas. This data indicates the relationship between dwelling approvals and completions over time for this area. Available dwelling approval data extends back to 1991/92 and available dwelling completion data to 1998/99.



The graph above demonstrates that prior to 2008/09 the trends for approvals and completions were fairly well aligned. However, following the Global Financial Crisis in 2008/2009 there has been a change which has resulted in a significant lag between dwelling approvals and completions. There were no significant planning reform changes at this time that have resulted in this change, rather there were structural changes to the finance and lending systems that have had significant impacts on the property and development industry.

The trend of dwelling approvals exceeding dwelling completions has continued since 2008/2009, indicating that dwelling approvals are not the key issue. It is the completion of dwellings, which is impacted heavily by land cost, construction cost, financial systems and lending practices of financial institutions.

The graph above also shows that even with an upward trend in approvals since 2022/2023, this has not resulted in the same trend in dwelling completions. Dwelling completions have reduced, indicating that more recent planning reforms have not resulted in short term housing supply. While there may yet be an upward trend in completions over the next few years, following on from the upward trend in approvals, this has occurred without any intervention in planning regulation.

It is recommended that the Commission further investigate these matters, as planning regulations do not appear to have caused the market drop in 2008/2009 and have not been significantly reformed to result in the lag between dwelling approvals and completions being shown in the data.

Banked Approvals and Housing Supply

The Interim Report acknowledges stakeholder feedback that a significant number of approved dwellings have not progressed to construction due to constraints beyond the development approval process, including challenges associated with the provision of housing-enabling infrastructure. While this is an important consideration, the Interim Report does not adequately address the issue of banked development approvals arising from market constraints.

In some locations, particularly within major growth precincts such as the Sydney Metro Northwest Corridor, the volume of approved housing significantly exceeds the market's capacity to absorb new supply within a given timeframe. This can place downward pressure on anticipated sale values, which in turn affects development feasibility. Where projected revenues are insufficient to support project

viability, developers may be unable to secure finance, resulting in approved developments being deferred despite all necessary planning approvals being in place.

This highlights the distinction between planning approval capacity and actual housing delivery. If the objective of the inquiry is both to increase housing supply and improve housing affordability, it is important to recognise that these outcomes cannot be achieved solely through additional rezoning or the approval of more dwellings. While such measures may increase theoretical housing capacity, they do not necessarily translate into completed homes if underlying market conditions do not support development.

The Hills Shire provides a practical example of this issue. The Hills Shire local government area contains approximately 17,000 approved dwellings, comprising a combination of higher-density residential developments and residential lots within release areas, that have not yet been delivered. In many instances, the delay is not attributable to infrastructure servicing constraints or planning approval processes. Rather, it reflects broader feasibility and market considerations. Developers typically stage the release of housing supply in response to market demand and prevailing economic conditions, and are unlikely to proceed with development at a scale or pace that would adversely affect project viability or place downward pressure on housing prices.

Accordingly, any assessment of housing supply barriers should consider not only the planning system's capacity to facilitate development, but also the economic and commercial factors influencing whether approved developments proceed to construction. Addressing housing affordability and increasing housing delivery will require a balanced approach that recognises the interaction between planning approvals, infrastructure provision, market demand, financing conditions, and development feasibility. Simply increasing the volume of approved housing stock may result in a larger pipeline of unconstructed dwellings rather than a corresponding increase in completed housing supply.

The Hills Shire Council strongly supports the objective of increasing housing supply and improving housing affordability. However, Council submits that Australia's housing challenges cannot be resolved through planning reform alone. A comprehensive response must address the economic, financial and infrastructure factors that influence whether approved housing can ultimately be delivered.

The Commission's final report should focus not only on increasing theoretical housing capacity, but also on improving housing delivery outcomes. This includes addressing development feasibility constraints, supporting infrastructure delivery, maintaining housing quality, protecting employment opportunities and ensuring planning systems continue to provide certainty for governments, communities and industry.

Council appreciates the opportunity to provide feedback and looks forward to further engagement as the Commission progresses its review. We welcome the opportunity to provide input on any further proposed changes and would also appreciate being notified as changes are made. Should you require further information or wish to discuss this submission, please contact Nicholas Carlton Manager, Forward Planning at [Redacted].

Yours faithfully,

Mark Colburt
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