



Productivity Commission

Submitted via online form

To whom it may concern

**Subject:           Housing Supply Regulation Interim Report**

## **Introduction**

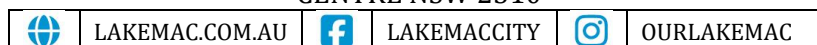
Lake Macquarie City Council staff (Council staff) welcome the opportunity to provide feedback on the Productivity Commission's Housing Supply Regulation Interim Report (the report). This submission responds to selected reform directions and information requests where Council's local evidence and practical planning experience may assist the Productivity Commission.

Council staff support reforms that address genuine barriers to housing supply, affordability and choice. However, reform needs to recognise that housing outcomes are shaped by metropolitan, regional and local market conditions and that changes to planning controls alone will not necessarily deliver additional dwellings.

Council staff's evidence indicates Lake Macquarie has substantial capacity for future housing growth within existing urban areas, identified growth locations and land already zoned for residential development. The key challenge is the gap between planning capacity and housing delivery, which is influenced by infrastructure readiness, utility servicing, feasibility, construction costs, market demand, land ownership, application quality, approval processes and the funding of enabling infrastructure.

The submission draws on Lake Macquarie City Council's Housing Supply Potential Study, Housing Diversity Planning Proposal, Local Strategic Planning Statement and Housing Strategy, Morisset Place Strategy, North West Catalyst Area planning, Wyee Structure Plan and development contributions reforms. It emphasises evidence-based and locally responsive reform, coordinated infrastructure planning and funding,

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proportionate approval processes, protection of local government's capacity to fund growth infrastructure and targeted heritage management.

Thank you for the opportunity to participate in this consultation. Should you have any questions or require further information, do not hesitate to contact Council's Manager Integrated Planning, Matthew Hill, on [Redacted] or [Redacted].

Yours sincerely

**David Antcliff**

Director Development Planning and Regulation

**Comments on specific reforms**

| Reform Direction                                                                                                                                                                                                                                                                                                                                                            | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <p><b>2.1 - Allow up to 3-storey developments across most residential land</b></p> <p>State and territory governments should allow up to 3-storey developments across all residential land, with exceptions made for areas with environmental protection, hazard-related overlays or heritage listed buildings only where the benefits of exceptions outweigh the costs</p> | <p>Lake Macquarie City Council's experience suggests that increasing permitted building heights alone is unlikely to significantly increase housing supply. Council already permits three-storey development across substantial areas of the city. Despite this existing capacity, housing delivery in these areas remains predominately two-storey multi-dwelling housing.</p> <p>Council's 2026 Development Feasibility Study found that development feasibility is often constrained by market demand, land values and construction costs rather than planning controls. In many centres, higher-density development was not economically feasible despite existing planning controls already permitting these outcomes, with medium-density housing representing the most viable form of development.</p> <p>This demonstrates that increasing height limits alone is unlikely to deliver additional housing unless broader feasibility and infrastructure constraints are also addressed.</p> |

| Response to Information Requests |                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| 2.1                              | <p>Can you provide information, data, or analysis on development cost stacks across different housing typologies and geographic areas (for example, construction cost information)?</p> <p>Can you provide information, data, or analysis on the extent to which dense housing typologies differ in commercial feasibility (for example, comparisons between apartment and townhouse developments)?</p> | <p>An Economic Development Feasibility Study commissioned by Council found that development feasibility varies significantly across housing typologies and locations.</p> <p>Medium-density housing, particularly townhouses, is more commercially feasible than apartment development across most of Lake Macquarie.</p> <p>Townhouses were found to be feasible in Gateshead, Wyee and Boolaroo under current market conditions, while apartment development was not generally feasible in these suburbs and marginally feasible in Cardiff, Boolaroo and Cockle Creek. Belmont was identified as the most mature market where higher-density residential flat buildings were generally feasible in the short-medium term.</p> <p>The study adopted indicative construction costs of approximately \$2,000/m<sup>2</sup> GFA for medium-density housing and \$3,000/m<sup>2</sup> to \$4,500/m<sup>2</sup> GFA for apartment developments, with costs increasing as building heights increase.</p> <p>The study concluded that taller apartment buildings do not necessarily improve feasibility, as higher construction costs often outweigh additional revenue generated. Feasibility is heavily influenced by local market demand, achievable sale prices, land values, existing use values and amenity.</p> |
| 2.2                              | Can you provide information, data or analysis on the degree to which available land is a barrier to new housing supply?                                                                                                                                                                                                                                                                                 | <p>Council's <a href="#">Housing Supply Potential in Lake Macquarie</a> found substantial dwelling capacity already exists within currently zoned urban land in Lake Macquarie's local government area (LGA). The study identified capacity for dwellings through the NSW Urban Development Program, infill development opportunities, the Transport</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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|                                  | <p>Can you provide examples of released land that has not been able to be developed for housing, and explain the barriers to development in these cases?</p> <p>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?</p> | <p>Oriented Development (TOD) Program and the Low and Mid-Rise (LMR) Housing Policy.</p> <p>The study concluded that there is no strategic need to rezone additional non-urban land to accommodate projected population growth in Lake Macquarie beyond 2046. This suggests the key barrier to housing supply is not the availability of zoned land, but whether land is serviced, infrastructure ready, commercially feasible and capable of being delivered as housing.</p> <p>A local example of released land that is unable to be developed is the Wyee Paper Subdivision, which comprises 199 residential lots in fragmented ownership. Although the land is zoned for housing and is located near public transport and local services, development cannot occur until essential infrastructure is delivered. This demonstrates that zoning alone is not sufficient to facilitate housing delivery where significant infrastructure barriers remain.</p> <p>It would be beneficial for governments to better identify and report on infrastructure-constrained land. There is value in reporting land supply through a framework that distinguishes between land that is zoned for residential development and land that is serviced, approved, infrastructure-ready and commercially feasible to develop. Such an approach would provide a more accurate understanding of housing delivery than zoning alone and would distinguish between theoretical housing capacity and land that is genuinely capable of supplying new homes in the short to medium term.</p> |
| 2.3                              | What evidence do you have on which land-use controls or combinations of controls are the greatest constraint on housing supply in your jurisdiction?                                                                                                                                                                                                                                  | Local evidence indicates that the greatest constraint in Lake Macquarie is not a lack of zoned land, but the gap between planning capacity and housing that is feasible, infrastructure-ready and able to be delivered. Council's Housing Supply Potential Study identified that Lake Macquarie is projected to need around 23,000 additional dwellings to accommodate projected population growth of about                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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|                                  | <p>What reforms to land-use controls are likely to boost housing supply in each jurisdiction?</p> <p>What are the expected impacts of reforms on zoned capacity, commercially feasible capacity and/or other measures of supply?</p> <p>We are particularly interested in quantitative evidence on reforms to minimum lot size and reducing coverage of broad heritage controls.</p> | <p>49,000 people to 2046. The study identified 20,105 dwellings anticipated through urban release areas under the NSW Urban Development Program and a further 23,946 to 39,626 dwellings of potential supply from commercially and residentially zoned land outside the Urban Development Program. Overall, existing zoned land is expected to support net population growth beyond 2050.</p> <p>A principal land-use constraint on housing supply in Lake Macquarie has been the interaction of low-density residential zoning and minimum lot-size provisions, which have historically limited opportunities for more diverse and efficient housing forms within urban areas. In response, Lake Macquarie City Council introduced the Housing Diversity Planning Proposal to amend the Lake Macquarie Local Environment Plan 2014 to permit a broader range of housing in R2 Low Density Residential and R3 Medium Density Residential zones and introduce smaller lot size provisions. These changes were intended to support housing diversity, enable more efficient use of existing infrastructure and facilitate appropriate infill development. Since the LEP amendment was introduced in 2025, several development applications have been lodged that utilise the updated LMLEP 2014 <a href="#">Clause 4.1A - Exceptions to minimum subdivision lot size for certain residential development</a>, mainly to support dual occupancy development within the R3 zone.</p> <p>See <b>Heritage section</b> at the end of this table for our response.</p> |
| 3.1                              | <p>What evidence do you have for the main causes of delays in receiving approvals for new housing?</p> <p>When is discretion useful in planning processes, and when is it not useful? Are there examples of subjective requirements that should be changed or removed to improve certainty for developers?</p>                                                                       | <p>Development assessment timeframes are influenced by application quality, requests for additional information and applicant response times, not solely the time taken by councils to assess applications.</p> <p>Council's reporting software shows a clear difference between gross assessment days and net assessment days, with a significant proportion of overall processing time often attributable to applicants responding to information requests or resolving outstanding issues.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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|                                         | How should third-party appeal processes be changed to better balance the benefits they provide to community members and the uncertainty and delay costs they impose on developers? | <p>For this reason, planning system performance measures should distinguish between applicant processing time and consent authority assessment time to accurately identify the causes of delay and target improvements.</p> <p>Council staff also consider that planning discretion remains an important component of the assessment process. Merit-based assessment allows unique site constraints, opportunities and local circumstances to be appropriately considered where strict application of prescriptive controls may not achieve the best planning outcome.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>3.3</b>                              | Is improving the coordination of the approvals process a higher or lower priority than reforms to reduce the amount of approval requirements?                                      | NSW has recently established the Development Coordination Authority (DCA); however, it is too early to assess its effectiveness.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>3.4</b>                              | What examples are there of best-practice strategic planning improving the process for housing approval decisions at a state, territory or local government level?                  | <p>Lake Macquarie City Council has found that best-practice strategic planning that supports considered housing approval decisions is the provision of a clear, evidence-based framework for where housing growth should occur and what type of housing is needed. This reduces uncertainty for both landowners and assessment staff and enables planning proposals and development applications to be assessed against an agreed strategic vision. At the local level, Council's Local Strategic Planning Statement (LSPS) and Housing Strategy 2026 identify infill housing, housing diversity and locations for future growth. These strategic directions are then translated into more detailed place-based planning through initiatives such as the Morisset Place Strategy, the North West Catalyst Area Plan and the recently adopted Wyee Structure Plan. By undertaking detailed investigations upfront, including land use patterns, environmental constraints, transport options and community needs, these plans provide a clear strategic framework for future rezoning and development decisions. Resolving strategic issues at the planning proposal stage reduces the need to revisit fundamental land use, infrastructure and servicing</p> |

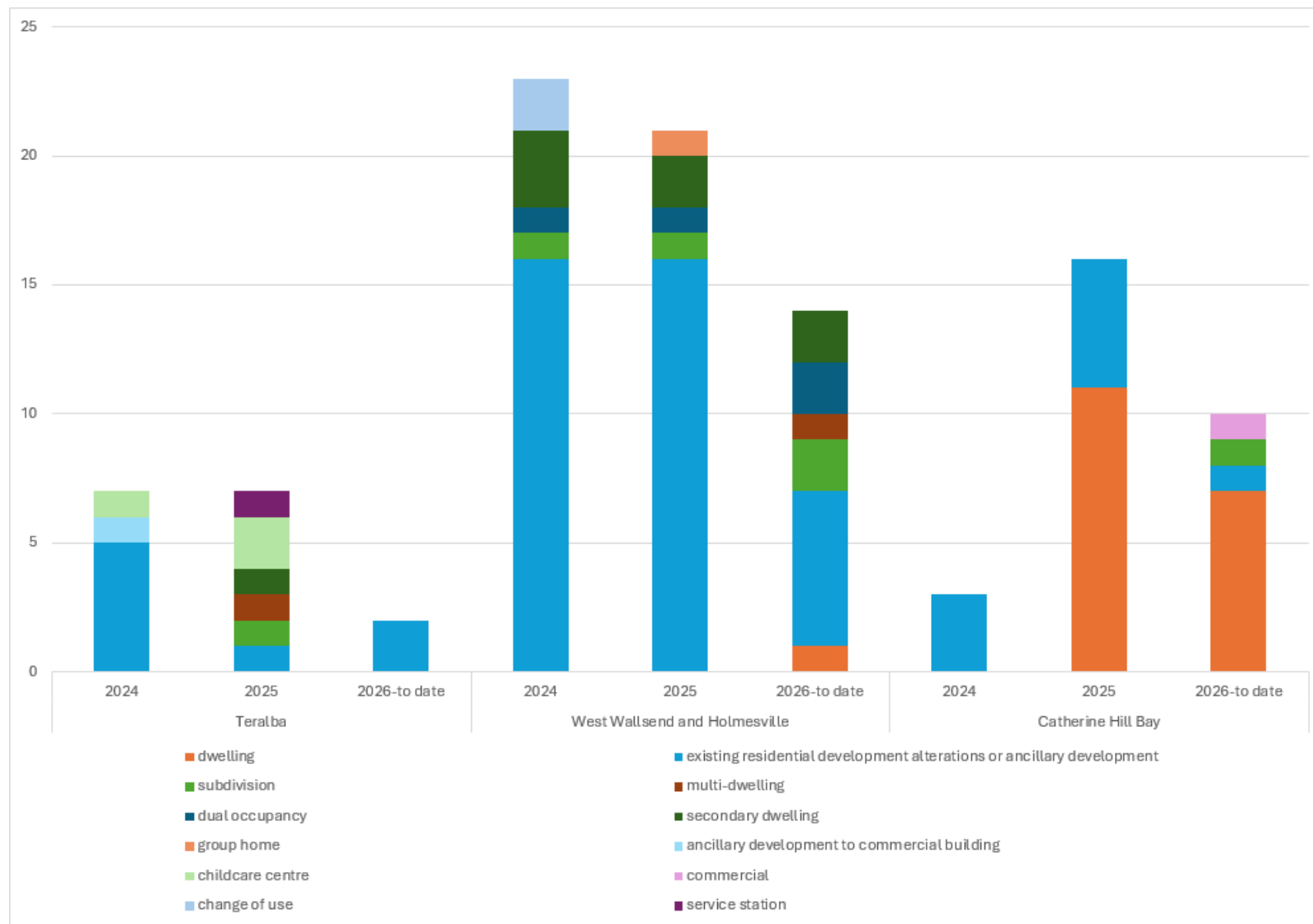
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|                                  | Do the features of tiered assessments identified in the report match best practice? What sort of developments should be included in each tier? | <p>questions during development assessment, resulting in more efficient and timely determination of development applications.</p> <p>In summary, where strategic planning clearly identifies housing growth areas and infrastructure capacity, approval processes can be simplified and accelerated.</p> <p>Council staff support a tiered assessment framework, where the level of assessment and determination timeframe is proportionate to the scale, complexity and potential impacts of a development. This approach helps target regulatory effort where it is most needed while improving efficiency for lower-impact proposals.</p> <p>Assessment responsibility should remain with the level of government best placed to understand local circumstances. Council staff experience suggests many housing applications can be efficiently assessed at the local level without requiring state-led assessment processes.</p> <p>For example, the Trinity Point development in the Lake Macquarie LGA received a State Significant Development concept approval, however subsequent development applications were delegated to Council for assessment. This recognised Council's capability to undertake detailed merit assessment and determine complex proposals consistent with the approved concept framework.</p> <p>Federal and State assessment pathways should be reserved for projects of genuine national or state significance, such as major infrastructure, energy and transmission projects. While housing supply is an issue of state significance, this does not necessarily mean individual housing developments require state assessment.</p> |

| Response to Information Requests |                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                  | <p>How effective has technology, including AI been where it has been used to assist with approvals?<br/>How can it be better utilised?</p> <p>What are the best ways to enhance how states and territories track the timing and burden of approvals?</p> | <p>Lake Macquarie City Council has demonstrated its ability to assess complex residential, mixed-use and strategic development proposals in a timely and professional manner. Councils with the capability, resources and demonstrated performance to undertake these assessments should be empowered to do so, rather than applying a one-size-fits-all assessment model. Local assessment allows detailed consideration of site-specific constraints, infrastructure, environmental impacts and community context while maintaining accountability for housing delivery outcomes.</p> <p>Technology and artificial intelligence have the potential to improve administrative efficiency and information management. However, Council staff experience testing AI applications indicates their effectiveness is currently constrained by the complexity of the NSW planning system. AI tools are only as effective as the frameworks and data they rely upon, and the multi-layered planning system, with overlapping legislation, policies and controls, limits their ability to consistently interpret and apply planning requirements. To realise the full benefits of AI, either the technology must significantly mature or the planning system must be streamlined and simplified.</p> <p>NSW has a tracking system, including the Planning Portal and League Table. However, it is ineffective in tracking where the burden lies, as it captures the time taken by Council to complete assessments as well as the time taken by an applicant to respond to information requests. These measures should be separated so it is clear where impacts and delays arise and where the burden lies.</p> |
| 4.1                              | What reforms are required to infrastructure planning and coordination to support more timely utility connections?                                                                                                                                        | The establishment of the Development Coordination Authority (DCA) is a positive step towards earlier and more coordinated State agency advice. However, its coordination role does not extend to key utility providers. This leaves an important coordination gap, as utility servicing often determines whether housing capacity identified through strategic planning can be delivered.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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|                                  |                                                                                                                                                                                                                                                                                                            | <p><b>Two key reforms should be considered:</b></p> <ul style="list-style-type: none"> <li>• Expand the DCA's remit to include all key utility providers, ensuring water, wastewater, electricity, gas and telecommunications agencies participate in coordinated planning and assessment processes from the earliest stages of strategic land use planning.</li> <li>• Establish formal infrastructure coordination mechanisms between planning agencies, local governments and utility providers to better align growth planning, infrastructure investment programs and development sequencing.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 4.2                              | <p>What feedback do you have on our reform directions for infrastructure planning? To what extent will these resolve the planning coordination issues and address constraints to housing supply?</p> <p>How should reforms to infrastructure planning be implemented and what are the main challenges?</p> | <p>Lake Macquarie's North West Catalyst Area Place Strategy found that transport infrastructure constraints are a significant barrier to achieving the area's growth potential, despite capacity for approximately 9,950 additional dwellings. Similarly, the draft Morisset Place Strategy identified that planned housing growth will require coordinated infrastructure delivery and long-term investment to support development.</p> <p>The effectiveness of proposed reforms will depend on infrastructure agencies being involved early in strategic planning and growth area investigations, with clear commitments to infrastructure funding and delivery. A key challenge is ensuring infrastructure agencies have sufficient funding, resources and accountability to deliver infrastructure in step with planned housing growth. There is also a need for greater transparency around infrastructure constraints, delivery programs and funding responsibilities to provide certainty to councils, developers and communities.</p> |
| 4.4                              | Are our directions for improving developer contribution frameworks addressing key infrastructure challenges that will support housing                                                                                                                                                                      | <p>Lake Macquarie Council's 2025 Citywide Development <a href="#">Contributions Plans</a> provide a local example of reform. The plans simplified the framework by reducing the number of plans from eight to three,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

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|                                                                                                                                                                                            | <p>supply? What evidence or case studies support this?</p> <p>How should reforms be designed to overcome the implementation challenges including determining nexus, fair apportionment, accurate upfront cost estimates for infrastructure, timing and funding sequencing, and first mover disadvantages?</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>introducing a reduced levy for infill residential development, ceasing indexation of residential levies and implementing a two-year, 100% discount for qualifying affordable rental housing.</p> <p>Implementation should ensure contribution reform does not unintentionally reduce local government's ability to fund growth infrastructure or shift infrastructure costs to existing communities.</p> |
| <p><b>Heritage</b></p> <p>Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and more robust mechanisms to review and delist buildings</p> | <p>Heritage Conservation Areas (HCAs) are not designed to prevent development, but rather to identify areas where heritage significance should be retained and managed. There is no clear evidence that HCAs or individual heritage listings materially restrict development, reduce property values or contribute to housing supply constraints. The recently released <a href="#">NSW Heritage Strategy</a> includes several case studies that demonstrate how heritage places can successfully accommodate new housing and contribute to housing supply.</p> <p>In Lake Macquarie's HCAs, most development applications relate to alterations and additions to existing dwellings, secondary dwellings, dual occupancies, small-scale multi-dwelling developments and occasional commercial developments (Figure 1). Local governments should be empowered to undertake evidence-based reviews of heritage overlays and retain discretion to guide housing growth in locations where it can be delivered without compromising heritage significance, local character and community wellbeing.</p> |                                                                                                                                                                                                                                                                                                                                                                                                             |

**Figure 1: Summary of recent development applications in Lake Macquarie HCA's**



### **Lake Macquarie Council Information Sources:**

- Local Strategic Planning Statement and Housing Strategy: [Local Strategic Planning Statement and Housing Strategy - Lake Macquarie City Council](#)
- Lake Macquarie Housing Diversity Planning Proposal: [Housing Diversity Planning Proposal | Planning Portal - Department of Planning and Environment](#)
- Housing Forum Action Plan: [Lake Macquarie Housing Forum - Lake Macquarie City Council](#)
- Housing Supply Potential in Lake Macquarie City 2025: [Shape Lake Mac | Lake Macquarie Housing Strategy](#)
- Economic Development Feasibility Study: [Shape Lake Mac | Lake Macquarie Housing Strategy](#)
- Morisset Place Strategy: [Shape Lake Mac | Morisset Place Strategy](#)
- North West Catalyst Area Place Strategy: [North West Growth Area - Lake Macquarie City Council](#)
- Wyee Structure Plan: [Shape Lake Mac | Wyee Structure Plan](#)
- Wyee Paper Subdivision: [Wyee Paper Subdivision - Lake Macquarie City Council](#)
- 2025 Citywide Development Contributions Plans: [Development Contributions](#)