

Australian Government - Productivity Commission
GPO Box 1428
Canberra City ACT 2601, Australia

Submitted via: housing.supply@pc.gov.au

To whom it may concern,

Re: Housing supply regulation - Interim report – Liverpool City Council submission

Liverpool City Council ("Council") welcomes the opportunity to provide the Productivity Commission with feedback on the recently released Housing supply regulation interim report.

The Liverpool LGA had a population of 233,446 and a land area of 305.5 square kilometres, which includes Western Sydney International Airport and large greenfield development precincts in the vicinity. Liverpool LGA is one of the most culturally and socioeconomically diverse LGAs in Australia, with strong demand for all types of housing including social and affordable housing, build to rent developments, family friendly homes and smaller homes for single and couple households.

Council understands the interim report is the result of inquiry findings on how housing regulation can be improved to ensure the safety, quality and liveability of new housing stock remains whilst removing inappropriate regulation to reduce constraints on housing supply.

In 2024, the NSW Government released a 5-year housing completion target for 43 councils across Greater Sydney, Illawarra-Shoalhaven, Central Coast, Lower Hunter and Greater Newcastle and 1 target for regional NSW.

The 5-year target responds to the NSW Government's commitment under the National Housing Accord to deliver 377,000 new well-located homes across the state by 2029. Local, State, and Federal Governments are all signatories to the National Housing Accord and are working together to respond to the national housing crisis. Council has been set a target of delivering 16,700 completed homes by 2029. It is acknowledged that the overall housing accord target is not on track to be met with a significant shortfall envisioned.

Whilst Council generally is supportive of the key findings of the inquiry interim report, Council notes the security that housing regulation can provide to purchases of housing, to ensure housing stock remains built to a high quality standard and in areas which are safe for housing to be located and not affected by environmental factors such as bushfire and flooding through sound land use planning. Council further notes that, regulation is not the sole reason for a shortfall in housing stock. Factors such as developers 'land banking', ability to obtain finance for projects, land purchase costs and construction costs all significantly affect housing supply.

Council's detailed submission in response to the housing supply regulation interim report is provided in **Appendix 1** of this letter.

Council would welcome the opportunity for future briefings, with other Council's and relevant state government agencies, to discuss housing regulation and supply.

Should you require any further information on this matter, please do not hesitate to contact Danielle Hijazi, Council's Acting Coordinator Strategic Planning, via email at [Redacted]

Yours sincerely,

Danielle Hijazi
Acting Coordinator Strategic Planning

Appendix 1 – Liverpool City Council Submission

Table 1: Council's response to key points raised within the Interim report.

Key point	Council comment
Key Point 1 - Australia doesn't build enough homes in the areas where people want to live.	The NSW Government has recently undertaken, and continues to undertake, significant reform to the NSW Planning system to ensure new homes are built in areas of NSW where people want to live, close to transport and jobs, schools and infrastructure and to increasing housing affordability and supply in NSW. This includes a focus around transport orientated development, supported by existing infrastructure such as transport, schools, jobs and hospitals and a focus on housing typologies and diversity. The NSW Planning system has turned to a focus on 'in fill' higher density residential precincts constructed around transport hubs, such as railway station precincts. The NSW Government has also undertaken significant reform to the Strategic Planning framework and development assessment framework to reduce assessment timeframes for applications in the NSW Planning system. Whilst the NSW Government has undertaken significant Planning reform recently in NSW, feasibility, particularly in Western Sydney, is an increasing significant burden on the delivery of new housing stock. Construction costs and land purchase costs have increased significantly since the Covid period in 2020 and have grown out of proportion to the selling price of new housing stock for developers. In turn, this has led to a downturn in new housing stock in Western Sydney, despite significant reform to the NSW Planning System. Developers consistently direct obtaining finance to service a new housing project as another major burden. This is likely to continue to reduce new housing stock with interest rate rises and remaining around current levels for the foreseeable future.
Key Point 2 - Regulation limits housing development and improving it is a key lever for governments.	Despite the NSW Government undertaking significant reform to the NSW Planning System, the NSW Planning System remains complex, with a development application often needing to be assessed against multiple pieces of legislation. For example, a residential flat building in NSW has multiple development assessment pathway options with a different consent authority (Such as local Council, NSW Government,

	Land and Environment Court, Local Planning Panel or Regional Planning Panel), dependent upon the estimated development cost and location of the development. This can lead to unintended delays in the assessment of an application and confusion from project to project. Post consent regulation, such as the National Construction Code, should be reformed to ensure the safety, quality and liveability of new housing stock remains without constraining housing supply with complex controls and text. This is particularly important for smaller developments such as single dwellings, which often are subject to the same assessment standards, as a major high density project under the National Construction Code.
Key Point 3 - Principles of a best practice regulatory system for housing being, adopt a 'build' mindset; only regulate when necessary; coordinate with infrastructure; and keep the process simple	A key burden to housing supply in NSW, particularly within the Liverpool Local Government Area, is the provision of new infrastructure. The NSW Government has undertaken significant reform to the NSW Planning System, to increase the delivery of well located housing, through the introduction of the Housing Delivery Authority. However the supporting infrastructure, such as increased public transport options and services, jobs, schools, hospitals, roads, water supply and waste facilities has fallen behind. Whilst the interim report focus on housing supply regulation, the NSW Planning system reform undertaken in recent years by the NSW Government, demonstrates that housing regulation reform is not the sole solution to the delivery of housing.
Key Point 4 - Land-use controls prevent housing being built, or limit the form it can take. Relaxing these controls would have the greatest effect on housing supply of all our reform directions	As part of the significant reform undertaken to the NSW Planning System, the NSW Government has introduced low and mid-rise housing (Up to 6 storey) within traditionally low and medium density zoned land areas that are well located near transport hubs and commercial centres, whilst keeping in character with the existing areas. Development feasibility should be considered as part of housing regulation reform however needs to ensure that potential bulk and scale and amenity impacts remain managed.
Key Point 5 - If housing is not coordinated with infrastructure, it can delay or limit new dwellings	Please refer to Table 2 below (Council Response and Recommendations on Housing-Enabling Infrastructure and Developer Contributions).
Key Point 6 - Slow and complex approvals	The NSW Government has introduced significant reform to the NSW Planning System to deliver large scale housing projects in

delay new housing and make some developments unviable	response to the 2024 Housing Accord through the introduction of the Housing Delivery Authority. The Housing Delivery Authority reviews projects and makes a recommendation to the NSW Planning Minister on whether a project should be declared as state significant development based on factors such as location to infrastructure and environmental constraints on a site. Further the NSW Planning System provides a deemed refusal pathway for projects delayed within the NSW Planning System.
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Developer Contributions and Housing-Enabling Infrastructure

Council supports the Productivity Commission's objective of improving the simplicity, certainty, transparency, consistency, timeliness and efficiency of developer contribution frameworks.

Council considers, however, that developer contributions should be considered as part of the broader housing-enabling infrastructure funding and delivery framework. Contributions are an important mechanism for funding local infrastructure required to support additional development, including roads, drainage, open space and community facilities.

Accordingly, Council's support for reforms to developer contribution frameworks is subject to those reforms not creating unfunded infrastructure liabilities, transferring unreasonable financial or financing risks to local government, or adversely affecting Council's capacity to deliver infrastructure required to support housing growth.

Table 2 below provides Council's response to Reform Directions 4.1–4.4 and identifies additional infrastructure funding and delivery issues that Council considers should be addressed as part of the Commission's reform considerations.

Table 2 - Council Response and Recommendations on Housing-Enabling Infrastructure and Developer Contributions

Productivity Commission proposal	Liverpool City Council response
Reform Direction 4.1 – Coordinate strategic planning for infrastructure with housing objectives	Supported in principle. Housing targets, land-use planning, infrastructure planning and infrastructure funding should be coordinated. Where Governments identify areas for substantial additional housing, the infrastructure requirements, responsible delivery agencies, indicative costs, funding sources and delivery sequencing should also be identified. Alignment should operate across all levels of Government and infrastructure service providers, rather than creating an additional obligation for Councils alone.

Reform Direction 4.2 – Improve infrastructure sequencing with housing development	Supported in principle. Rezoning and increases in development capacity should be coordinated with infrastructure planning and funding. Infrastructure planning should commence sufficiently early to account for lengthy processes including land acquisition, design, approvals, procurement and construction. Where infrastructure must be delivered ahead of contribution receipts, appropriate forward-funding or financing mechanisms should be available.
Reform Direction 4.3 – Ensure developer contributions reflect the accurate cost of providing infrastructure	Supported subject to appropriate implementation. Contributions should appropriately reflect the reasonable infrastructure costs attributable to development, supported by appropriate nexus and apportionment. However, nexus should not be interpreted so narrowly that it prevents efficient funding of infrastructure serving multiple developments across a precinct or catchment. Where government policy restricts recovery of infrastructure costs from development, an alternative funding source should be identified.
Reform Direction 4.4 – Enhance design of developer contribution frameworks towards best practice	Council supports measures that improve certainty, transparency and efficiency. However, reforms should not increase infrastructure funding or delivery risks for councils, create unfunded liabilities, or transfer infrastructure costs to existing or future communities. Any deferral or staging of contributions should be supported by appropriate funding arrangements to ensure infrastructure can be delivered when required.
Other Infrastructure Funding and Delivery Issues	Liverpool City Council response
Alignment of Contribution Funding and Land Acquisition Compensation Frameworks	Greater alignment is required between the EP&A Act 1979 developer contributions framework and the land acquisition compensation framework under the Land Acquisition (Just Terms Compensation) Act 1991. A funding gap can arise where Contributions Plans collect for land based on plan assumptions, estimates and applicable indexation, while Council is subsequently required to acquire that land at a higher compensation amount, including through hardship acquisition processes. This can reduce funding available for other housing-enabling infrastructure. Council recommends that contribution frameworks, land valuation/indexation mechanisms and acquisition arrangements be better aligned so that Councils are adequately funded for the reasonable cost of acquiring land required to support development.

Infrastructure funding gaps created by historical contribution caps	These legacy funding gaps continue to affect Councils' capacity to deliver infrastructure required to support current and future housing supply. Council recommends that governments consider targeted funding mechanisms to address legacy shortfalls, alongside appropriate review and indexation of contribution caps to prevent further funding gaps.
Forward funding for growth areas	Where infrastructure must be delivered ahead of contribution receipts, particularly in high-growth areas, forward-funding or bridging finance mechanisms should be available to enable timely infrastructure delivery without transferring financing risk to councils.
Ensure Sustainable Infrastructure Funding	Funding gaps arising from Contribution caps or broader Government policy should not be transferred to Councils, existing ratepayers or future communities. Any future restriction on cost recovery should be accompanied by an identified alternative funding source.