

29/09/2026



Our Ref: SF26/7157
Our Contact: Holly Mayo [Redacted]

Housing supply regulation inquiry

Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Via: Australian Government Productivity Commission Submission Portal

Dear Sir / Madam,

Re: Housing Supply Regulation Inquiry – Interim Report

Thank you for the opportunity to provide feedback on the Productivity Commission's *Housing Supply Regulation Inquiry Interim Report*.

It is acknowledged that the planning system plays an important role in facilitating housing supply, however, it should not be considered in isolation when identifying solutions to increase housing delivery across Australia. Housing supply is influenced by a complex range of factors, including planning controls, construction costs, labour and material availability, environmental constraints, land availability and ownership patterns, market demand, access to finance, and the capacity of utility and infrastructure networks. While planning reform may assist in removing unnecessary barriers to development, changes to planning controls alone are unlikely to significantly increase housing supply if broader economic and market constraints remain unaddressed. In particular, rising construction costs, financing challenges and workforce shortages are currently major impediments to housing delivery. Unless these underlying constraints are also addressed, further planning reforms will have limited impact on translating development potential and approvals into completed housing outcomes.

Planning also plays a critical role not only in facilitating housing supply, but also in creating high-quality places where people can live, work and play, both now and into the future. The planning system must balance the need for additional housing with broader objectives relating to amenity, environmental sustainability, public health, safety, infrastructure provision and community wellbeing. While increasing housing supply is an important priority, these broader place-based outcomes should not be compromised for short-term gains, as decisions made today will have lasting impacts on the quality, functionality and resilience of communities for generations to come.

If you have any questions, or require any further information, please do not hesitate to contact Holly Mayo, Senior Urban Planner on [Redacted] or [Redacted].

Yours sincerely

Maritza Abra

Acting Manager Strategic Planning

Encl. Bayside Council's Council Officer Submission - The Productivity Commission's Housing Supply Regulation Inquiry Interim Report

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Bayside Council's Council Officer Submission – The Productivity Commission's Housing Supply Regulation Inquiry Interim Report

Housing Supply Regulation in Australia

Australia doesn't build enough housing in the areas where people want to live, making housing unaffordable in many parts of the country. Regulation plays a fundamental role in ensuring the safety, quality and liveability of new housing stock; however, can constrain development opportunities and thus opportunities to unlock essential housing supply.

To support the Australian Government ('the Government') in providing appropriate guidance into reducing the regulatory burdens on housing supply, the Productivity Commission ('the Commission') has been asked to conduct an inquiry into housing supply regulations.

The inquiry is to focus on matters related to:

1. Approval processes
2. Availability and use of land for housing
3. Processes and frameworks to deliver new and utilise existing housing infrastructure

Part of the Commission's process for the inquiry included the release of the Interim Report ('the Report') (Productivity Commission, 2026) on 27 July 2026 detailing the Commission's draft findings and requesting submissions from relevant stakeholders.

In their call for submissions for the Report, the Commission provided specific information requests regarding:

1. Best practice for housing regulatory systems
2. Unlocking more homes through better land-use regulation
3. Reducing the burden of approvals
4. Delivering housing-enabling infrastructure
5. Toward more homes, faster

Below is Bayside Council's Council Officer response to relevant specific information requests.

Response to specific information requests

1. Best practice for housing regulatory systems

1.2 Principles of a best practice regulatory system for housing

- ***What features should governments have in mind when evaluating reforms to move housing regulatory systems towards best practice?***

Housing reforms should be assessed on their ability to deliver both housing supply and sustainable, resilient and well-designed communities, rather than on dwelling yield alone. While planning plays a critical role in increasing housing supply, it is equally important that the suitability of different housing forms and their long-term impacts on communities are considered.

This requires consideration of the suitability of housing forms to their location, development feasibility, natural hazards, and the physical characteristics of an area. Assessment should also consider impacts on existing communities, neighbourhood character, heritage values, culturally significant places, and environmental outcomes, including biodiversity and sustainability. Equally important is the capacity of transport, utility and social infrastructure, and the resilience of communities and infrastructure to accommodate future growth. Collectively, these factors help ensure housing reforms deliver enduring and balanced planning outcomes, rather than housing supply alone.

- ***Are the best practice principles and overarching objective we have identified appropriate? If not, what changes should be made?***

The Interim Report identifies four proposed best practice principles for consideration; the following comments are made for each of the principles:

1. **Adopt a 'build mindset':** Bayside Council has historically supported well-located growth in areas where the benefits outweigh the associated costs. This approach is reflected in the LGA's significant dwelling number growth, which increased by approximately 20% between 2016 and 2021. As a result, Bayside is now one of the most densely populated residential local government areas in Greater Sydney, demonstrating its longstanding commitment to accommodating housing growth in appropriate locations.

The Bayside Local Housing Strategy 2020–2036 reinforces this approach by identifying opportunities for residential growth through a constraints-based assessment framework. The strategy focuses on directing housing uplift to well-located areas and prioritising the master planning of precincts with fewer environmental, infrastructure, and physical constraints, ensuring that future growth can be accommodated in a coordinated and sustainable manner.

A key limitation of a "build-first" approach in areas capable of supporting greater density is that housing growth should be facilitated in a coordinated manner to ensure redevelopment maximises long-term housing outcomes rather than inadvertently constraining future opportunities. Where this happens, newly developed sites may not fully realise their long-term housing potential and can effectively sterilise well-located land from more intensive redevelopment for the lifespan of the building, limiting future opportunities to optimise housing supply in strategic locations.

2. **Only regulate where necessary:** While some design features and material selections may involve a degree of subjectivity, there are fundamental design elements that are critical to human health, comfort, and building performance and have evolved over time to address real issues. Requirements such as minimum window dimensions and solar access standards play an essential role in ensuring residents receive adequate natural light, ventilation, and thermal comfort, while also improving energy efficiency.

Certain building and design standards are necessary to support the long-term functionality, liveability, and sustainability of residential development. These standards should not be compromised, as doing so can result in poor housing outcomes that negatively affect residents' health, wellbeing, and quality of life. Substandard design outcomes are also likely to disproportionately impact more vulnerable members of the community, exacerbating existing social and economic disadvantage while creating housing that becomes less desirable over time. Planning regulation also plays an important role in maintaining community confidence in the planning system, as poorly designed or inappropriate development can generate significant community opposition, create social friction and ultimately undermine support for future growth.

3. **Coordinate with infrastructure:** Aligning housing growth with infrastructure provision is fundamental to achieving positive outcomes for both current and future communities. The proposal to more clearly define the responsibilities of each level of government in the planning, funding, and delivery of infrastructure is supported, as greater role clarity can help facilitate the timely delivery of new housing. Equally important is the coordinated provision of infrastructure across all levels of government to ensure that new and growing communities have access to the transport, utilities, social infrastructure, and public services necessary to support liveability, economic productivity, and long-term community wellbeing.
4. **Keep the process simple:** Over the past 18 months, the NSW Government has introduced a range of planning reforms aimed at improving efficiency and simplifying the planning system. During the same period, Bayside Council's Development Services team has implemented a number of internal process improvements and procedural changes, resulting in a significant reduction in development application assessment timeframes. The average determination period decreased from 162 days in

2. Unlocking more homes through better land-use regulation

2.1 How do land-use controls operate in Australia?

- ***What impact would reducing the coverage of heritage overlays have on housing supply?***

Heritage protections should not be assessed solely on their impact on housing yield, as their social, cultural and place-based benefits can justify constraints on redevelopment where those protections are appropriately identified and supported by evidence. The Report places disproportionate emphasis on the theoretical increase in dwelling numbers that may result from removing heritage controls, without adequately considering the long-term impacts on neighbourhood character and built form. Heritage conservation areas and local character controls can accommodate sensitive infill development, adaptive reuse and increased density while retaining the qualities that contribute to an area's identity and liveability. As such, reducing the extent of heritage protections is not considered a balanced or evidence-based approach to addressing housing supply.

While reducing heritage overlays may increase theoretical development capacity in some locations, the actual impact on housing supply is likely to be more limited and should be weighed against the loss of heritage, character and community benefits.

General heritage comments

The Report shows minimal respect and acknowledgement to the established values of heritage, in particular heritage conservation areas, and shows limited understanding on how conservation efforts for our built environment are facilitated by the planning framework or how merit-based heritage assessment are undertaken by consent authorities and consultants.

The Report simply points out that heritage controls are constraining housing supply where people want to live, while stating that the extent of heritage overlays in Australian cities likely exceed the benefit they provide without discussing the reasons. The Report suggests that targeted heritage protections are to be applied to buildings rather than broad heritage overlays applied without benefit assessment, and that the benefit to community must outweigh the development benefit forgone. However, the Report has not proposed what the Commission would consider as a quantifiable or qualifiable methodology in such "cost-benefit analysis" and has made no reference to the fact that current heritage listings are in fact already based on rigorous, clear, and evidence-based criteria set out in the guideline *Assessing Heritage Significance* (Heritage NSW, 2025).

While the Report claims to acknowledge that cultural factors are behind heritage protection for social benefits and community identity, it fails to discuss what these factors are and address how heritage remains a crucial part of local area character, streetscape, social identity, and sense of place – all of which contribute to the appeal of neighbourhoods and shape desirable places where people want to live.

Overall, the Report raises significant heritage concerns as follows:

1. The Report misleadingly associates heritage protection with negative economic welfare directly, without clear empirical data to justify or support the statement. The Report shows limited understanding on how heritage protection works, particularly on Heritage Conservation Area (HCA), where changes and development are in fact not precluded by Councils' planning controls. Properties in HCAs have classifications based on their level of integrity and significance, and Councils' guidelines allow development in a sympathetic approach to the neighbourhood. This not only facilitates heritage conservation but ensures general design excellence and cohesion in local neighbourhoods.
2. The suggestion to remove HCAs and neighbourhood characters completely and to limit heritage protection to specific listings will be highly detrimental to the quality of our built environment. One of the factors that make a local area desirable for living is undeniably the established character of the streetscape, aesthetics and public amenities. These elements should not be compromised with the narrow focus of increasing

density, especially when changes are in fact feasible and permissible in a sensitive way under local planning controls for an outcome that aligns with community values.

3. The suggestions in the Report are in direct conflict with the recently implemented *NSW Heritage Strategy* (Environment and Heritage Group, 2026), which identifies that heritage can contribute to character and community wellbeing as neighbourhoods grow, through thoughtful and sensitive designs and adaptive reuse. There are already numerous precedents of heritage being conserved while density increases; and these examples have proved that balancing heritage protection with sensitive housing delivery is feasible.

It is also noted that despite the extensive references to heritage issues within the Report, very few heritage organisations and local Councils have been consulted, and majority of the participants in the inquiry were economists and the construction and development industry. The Report also made no mention of any heritage best practice guidelines published and endorsed by Heritage NSW, the newly implemented *NSW Heritage Strategy* in 2026, nor the Burra Charter.

- ***Is there a need for further reforms to enable a greater supply of small secondary dwellings such as granny flats?***

In NSW, secondary dwellings of up to 60 square metres can generally be approved as complying development on most residential lots, provided there are no significant environmental constraints affecting the site. This pathway enables a single development and building approval process, often allowing construction to commence within weeks, rather than requiring a separate development application and construction certificate process. Similar complying development provisions are also available in certain areas for dual occupancies and multi-dwelling housing, subject to the suitability of the location and site conditions. This streamlined approach has proven effective in areas with limited constraints and could be investigated by other Australian states and territories as a means of increasing housing supply while reducing approval timeframes.

2.3 Land release only matters if land is ready for development

- ***What evidence do you have on which land-use controls or combinations of controls are the greatest constraint on housing supply in your jurisdiction?***

Large numbers of approved dwellings in NSW do not proceed to construction. While land use controls and development standards can act as constraints on housing supply, they represent only one part of a much broader and more complex issue. A sole focus on planning controls is unlikely to result in a significant increase in housing delivery, as factors such as construction costs, financing, infrastructure provision, market conditions and development feasibility also play a critical role in determining whether approved housing is ultimately built.

This is evident across NSW where the Low and Mid Rise (LMR) Housing reforms were introduced to allow for increased residential density across areas that are in proximity to town centres and transport hubs. While implementation is relatively recent, uptake to date has been limited across Bayside, indicating that controls alone are not the limiting factor to housing development.

- ***How should potential reforms be implemented? What does the evidence show about the effectiveness of past zoning and land-use reforms in Australia?***

Housing reforms should be implemented through a strategic, evidence-based process that considers local constraints, infrastructure capacity and market feasibility. Experience with recent NSW reforms, including the Low and Mid-Rise Housing reforms, suggests that simply increasing development capacity or expanding permissible land uses does not necessarily translate into housing delivery, as market demand, feasibility and infrastructure constraints remain significant determinants of development outcomes.

The paper proposes eight priority reforms to increase housing capacity. Comments on each recommendation are provided below:

- **Remove or reduce parking requirements:** While reducing minimum parking requirements may support housing feasibility and make more efficient use of land in locations with strong public and

active transport accessibility, a blanket reduction in parking requirements will result in other impacts. Many parts of Bayside do not have sufficient access to frequent, reliable public transport or parking stations and residents will therefore continue to rely on private vehicles for employment, education, shopping and other daily needs. Where developments do not provide sufficient on-site parking to reflect likely car ownership, this demand is transferred onto surrounding streets, increasing competition for limited kerbside parking and contributing to congestion and amenity impacts for both existing and future residents.

- **Replace broad heritage protections with more targeted heritage listing with cost- benefit analysis and more robust mechanisms to review and delist buildings:** Conservation areas and other heritage controls allow for sensitive development and increasing of density without eroding established qualities that make an area desirable for living. Reducing the coverage of heritage overlay is not a balanced solution to housing supply.
- **Relax or remove combinations of other built form controls that prevent development:** Development controls operate collectively to achieve high-quality built outcomes and create safe, healthy and liveable communities for current and future residents. While opportunities may exist to simplify or refine controls that unnecessarily constrain housing delivery, housing supply should not be prioritised at the expense of fundamental planning objectives, including safety, health, wellbeing, environmental performance and urban amenity. Any review of built form controls should therefore be undertaken holistically to ensure that the cumulative planning framework continues to deliver balanced and sustainable outcomes.
- **Remove maximum floor space ratios (FSR):** The removal of FSR controls is not supported. FSR and building height standards perform complementary functions in managing the scale, bulk and massing of development and achieving appropriate built form outcomes. If FSR controls are removed, alternative mechanisms would be required to manage building envelope, site coverage, setbacks, amenity and design quality outcomes.
- **Remove restrictions on housing types:** Higher-density housing is not appropriate in all locations, as local hazards, constraints and strategic planning considerations can limit the suitability of increased residential density. For example, land within the influence area of the Botany Industrial Park is subject to risk considerations that have historically supported low-density residential zoning and detached housing outcomes. While there may be merit in broadening the range of permissible housing forms within existing development standards, such as allowing smaller apartment buildings that comply with established height and density controls, a blanket approach across all residential areas is not supported.
Decisions regarding appropriate housing types and densities should continue to be informed by local hazards, infrastructure capacity, environmental constraints and strategic planning objectives. Furthermore, experience with the NSW Low and Mid-Rise Housing reforms suggests that expanding permissible land uses alone does not necessarily increase housing delivery. Within Bayside, there has been limited uptake of residential flat buildings below four storeys, indicating that market demand, development feasibility, site constraints and development economics remain significant factors influencing housing supply outcomes.
- **Remove restrictions on minimum dwelling sizes, minimum balcony sizes and storage requirements for apartments:** In NSW, the Apartment Design Guide (ADG) provides guidance to developers and planners on how apartments are to be designed. This guide prioritises long-term liveability and amenity for residents, the relationship of buildings with the public domain and delivery of better designed buildings. The ADG outlines minimum apartment sizes, private open space and storage to ensure the long-term liveability and amenity of the apartments for the future residents and should not be compromised for commercial factors. Therefore, while this change may provide short term feasibility reprieves it will result in lasting negative impacts for future residents and communities.
- **Review and remove other restrictive overlays that do not adhere to best-practice principles:** Planning overlays should be reviewed on an evidence basis to ensure they remain justified, proportionate and effective in achieving their intended planning outcomes, rather than being removed solely because they may constrain development.
- **Review blanket mandatory requirements on developers to build affordable housing:** Inclusionary zoning is an important mechanism for delivering affordable housing by capturing a share of the value created through planning decisions and directing it towards community housing needs. By linking affordable housing outcomes to increases in development capacity, such as additional floor space, building height or dwelling yield, it facilitates the delivery of affordable housing alongside market housing. This approach supports more diverse and inclusive communities, provides housing

opportunities for low and moderate-income households and key workers, and offers a transparent and predictable framework that helps ensure the benefits of development are shared more broadly across the community.

3. Reducing the burden of approvals

Overall, implementing agreed timeframes for external referrals, using a mandatory Pre-DA process to identify issues early and reduce the need for requests for information, accurately measuring where delays occur, including time taken by applicants to provide amended information, and removing unnecessary processes for low-risk, high-yield housing developments could help deliver a faster and more streamlined approvals process in NSW.

Council should not be held solely responsible for approval delays where these arise from incomplete applications, applicant amendments, external referral agencies, State Government requirements or other matters outside Council's control.

- ***What evidence do you have for the main causes of delays in receiving approvals for new housing?***

From a Development Assessment perspective, delays are not necessarily attributable to Council's assessment process. For more complex housing applications, such as residential flat buildings and shop top housing, delays can arise where applications are incomplete, inaccurate or do not include the information necessary to undertake a holistic assessment.

Where basement excavation intersects the groundwater table, groundwater monitoring may be required for a period of three months where an applicant does not propose to tank a basement. If this has not been undertaken before lodgement, the assessment cannot be completed until the necessary information is obtained. Similarly, where a development breaches the Obstacle Limitation Surface (OLS), approval from the Civil Aviation Safety Authority (CASA), a Commonwealth agency, may be required. Obtaining a response from CASA can take several months and is outside Council's control.

Requests for additional information / amended plans are generally made where the proposal does not comply with relevant planning requirements, or where information provided is inaccurate, inconsistent or insufficient to properly assess the application. In some cases, this requires amendments to the proposal before it can be determined.

Determination can also be delayed where an application is required to be referred to the Local Planning Panel (LPP). This can occur even where the proposal is not particularly complex or controversial, for example, where the LPP Ministerial Direction (The Minister for Planning and Public Spaces, 2024) requires a matter be referred, where amendments are proposed to conditions previously imposed by the Panel, or where the development is subject to provisions of the NSW *State Environmental Planning Policy (Housing) 2021* (Housing SEPP).

While development subject to the Housing SEPP may involve variations to planning requirements, these variations can sometimes be relatively minor and appropriately justified. In such circumstances, consideration could be given to providing Council staff with greater discretion to determine matters without Panel referral, where appropriate. This could reduce unnecessary delays while maintaining appropriate planning oversight for more significant or contentious matters

- ***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?***

Discretion is most useful where professional planning judgement is required to assess design quality, site constraints, or whether the objectives of a planning control have been achieved. However, discretion is less useful where a development complies with all applicable statutory standards and any non-compliance is limited to minor variations to prescriptive design criteria, such as the Apartment Design Guide, that do not result in adverse planning outcomes. In these circumstances, greater certainty and efficiency could be

achieved by reducing reliance on subjective assessment and allowing determination under delegated authority where the relevant objectives are demonstrably satisfied. This would enable independent review processes to focus on proposals involving significant departures from planning controls, complex design issues, or matters of genuine planning significance.

3.2 Regulatory burden tends to be highest for planning approvals to release land or develop housing

- ***Which specific requirements (for example specific reports or referrals to an agency) are most onerous to comply with when receiving a development approval?***

The most onerous requirements are typically those that rely on lengthy monitoring periods or approvals from external agencies that fall outside an applicant's and Council's control. For example, where basement excavation is proposed below the groundwater table and the basement is not designed to be tanked, groundwater monitoring may be required for a period of up to three months. If this monitoring has not been completed prior to lodgement, the application assessment cannot be finalised until the necessary data is submitted. Similarly, developments that penetrate the Obstacle Limitation Surface (OLS) associated with Sydney Airport may require approval from the Civil Aviation Safety Authority (CASA). As CASA is a Commonwealth agency, response times can extend over several months and are outside Council's control, potentially resulting in delays to the overall assessment process. These requirements can have a significant impact on approval timeframes despite not being directly related to the merit assessment of the development itself.

- ***Are there any requirements for development approval that should be removed? In these cases, how should any risks be mitigated?***

Few additional development approval requirements are considered necessary for removal, as recent NSW planning reforms have already addressed many procedural inefficiencies. This includes the release of discussion papers and reform initiatives focused on improving the efficiency and consistency of the development assessment process across the State.

3.3 Rigid processes may discourage innovation

- ***Is improving the coordination of the approvals process a higher or lower priority than reforms to reduce the amount of approval requirements?***

Improving coordination of the approvals process is likely to be a higher priority than removing additional approval requirements, as delays often arise from referrals and interactions between agencies rather than the existence of approval requirements themselves.

NSW has recently established the Development Coordination Authority (DCA) to provide a single point of coordination for State government referrals within the development assessment process. The intent of the Authority is to improve coordination between agencies, streamline referral pathways and reduce delays associated with obtaining agency advice. However, as the DCA is still in the early stages of implementation, it is currently difficult to assess its effectiveness or determine the extent to which it will improve assessment timeframes and development outcomes. Ongoing monitoring will be required to evaluate whether the Authority achieves its intended objectives and delivers measurable improvements to the development assessment process.

3.4 Recent reforms offer examples of best practice

- ***What are the best ways to enhance how states and territories track the timing and burden of approvals?***

The timing and burden of development approvals would be more accurately tracked through reporting frameworks that distinguish between assessment time under the control of the consent authority and delays outside its control. This should include separate reporting of "stop-the-clock" periods, applicant response

times, and statutory notification requirements. In NSW, reported assessment timeframes do not always reflect these factors, which can influence determination times. More transparent reporting would provide a clearer measure of assessment performance, improve benchmarking, and better identify where delays occur in the assessment process.

- ***What reforms should each state and territory prioritise to reduce the burden of the approvals process?***

NSW has already prioritised and implemented a broad range of planning reforms aimed at streamlining the development assessment process and reducing unnecessary regulatory burden. These reforms have included expanded complying development pathways, housing-focused planning reforms, improvements to assessment processes, and initiatives to increase consistency across the planning system. Several further reforms are also currently being progressed, including the Development Coordination Authority and proposed Standard and Model Conditions of Consent.

Given the extent of recent reform activity, the priority should now be on allowing these initiatives to be fully implemented and evaluated before introducing further significant changes. Ongoing efforts should focus on improving coordination between State agencies, increasing assessment consistency, reducing duplication of information requirements, and ensuring adequate resourcing of key referral authorities. Consideration should also be given to addressing broader barriers to housing delivery, including infrastructure provision, construction costs and workforce constraints, recognising that approval processes are only one factor influencing housing supply outcomes.

- ***How can federal, state and territory governments incentivise councils to approve developments efficiently, and encourage those that are slow or are obstructing approval pathways?***

Governments can support more efficient development assessment through performance benchmarking, targeted funding and resourcing, and incentives that encourage early engagement and high-quality applications. In Bayside, pre-lodgement meetings for larger developments have helped identify planning, design and technical issues before lodgement, resulting in more efficient assessment and fewer information requests. Transparent performance reporting and targeted support for underperforming councils may also assist in improving assessment efficiency while recognising that assessment timeframes are influenced by application quality and project complexity.

- ***What evidence is there about the benefits of including social and affordable housing in state-significant, or other streamlined, pathways?***

Across NSW there is a demonstrated shortage of social and affordable housing. In Bayside, 18.9% of households are experiencing rental stress and affordable housing demand is forecast to far exceed supply by 2041 (Bayside Council Affordable Rental Housing Strategy 2025-2030). Streamlined assessment pathways can assist in addressing this need by providing greater certainty, reducing approval timeframes and improving the feasibility of projects that include social and affordable housing.

In NSW, affordable housing contribution schemes and affordable housing bonus provisions operate as value capture mechanisms, whereby additional development uplift is exchanged for the delivery of affordable housing outcomes. These mechanisms can deliver a net community benefit by facilitating additional housing supply while securing affordable housing that may not otherwise be provided. When combined with streamlined approval pathways, they can help accelerate housing delivery, improve project viability and support more timely delivery of social and affordable housing, while maintaining appropriate planning, design and infrastructure assessment.

4. Delivering housing-enabling infrastructure

4.1 Housing-enabling infrastructure is essential to support housing supply

- ***What reforms are required to infrastructure planning and coordination to support more timely utility connections? To what extent is there misalignment of incentives between each level of government and infrastructure service providers?***

Effective infrastructure planning and coordination requires stronger collaboration and alignment between Councils, State agencies, infrastructure providers and utility authorities to ensure infrastructure is delivered in anticipation of, rather than in response to, growth. This includes creating greater incentives for collaboration between key stakeholders to identify future growth areas and coordinate infrastructure investment accordingly. There is often a misalignment between the timing of development and the delivery of supporting infrastructure, which can result in delays to utility servicing and reduced certainty for both developers and communities.

Greater alignment of planning, funding and infrastructure delivery timeframes across all levels of government and service providers is needed, supported by shared infrastructure planning frameworks, earlier infrastructure commitments and improved data sharing. Greater contributions from medium and large-scale developments should also be considered where additional demand is generated. Consistent, long-term strategic planning, including a regularly updated transport and infrastructure pipeline, would further improve coordination, provide greater certainty for infrastructure investment and assist in aligning housing delivery with infrastructure capacity.

4.2 Improving infrastructure planning and coordination

- ***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?***

The proposed reforms are supported where they improve the alignment of infrastructure planning and housing delivery across Greater Sydney. Clear, long-term housing and infrastructure planning, supported by strategic transport investment and place-based planning principles, would provide greater certainty for councils, infrastructure providers and the development industry. Refining the hierarchy of centres within the Sydney Plan to better reflect their economic role, infrastructure capacity and community aspirations would support more targeted and coordinated growth.

Clear guidance on the respective roles and responsibilities of Local, State and Commonwealth governments, together with infrastructure and utility providers, is also essential to improve coordination, accountability and the timely delivery of infrastructure. These reforms would assist in addressing planning coordination issues and infrastructure constraints by better aligning housing growth with infrastructure investment and service provision, although their effectiveness will ultimately depend on timely funding, infrastructure delivery and ongoing collaboration between stakeholders.

It is also important that infrastructure planning is undertaken holistically and not solely through the lens of housing delivery. Emerging demands, such as data centres, are placing increasing pressure on electricity, water and industrial land, highlighting the need to balance competing demands across residential, commercial and industrial sectors.

Consideration should also be given to how government-owned land is identified and prioritised for housing. Alternative community infrastructure needs, such as drainage, open space, community facilities and utilities, should be assessed in consultation with local government before housing is established as the preferred use. This will help ensure sufficient land is retained to support existing and future communities.

4.3 Who pays for housing-enabling infrastructure?

- ***How can governments balance the need to support feasibility for developers by collecting developer contributions later in the development process, with a need for upfront funding to kickstart infrastructure to support new housing?***

Governments can balance the need to support development feasibility with the timely delivery of infrastructure through coordinated infrastructure planning, forward funding mechanisms, for example grants, and clear infrastructure delivery programs. Early identification of infrastructure requirements and funding commitments from State and Federal government can provide greater certainty for councils, infrastructure providers and developers, while ensuring essential infrastructure is delivered in step with housing growth. Infrastructure priorities should be aligned with planned development outcomes, with critical infrastructure or upgrades delivered before occupation where required. This approach supports housing delivery while ensuring communities are adequately serviced and infrastructure provision keeps pace with growth.

4.4 Supporting housing supply through developer contributions

- ***Are our directions for improving developer contribution frameworks addressing key infrastructure challenges that will support housing supply? What evidence or case studies support this?***
- ***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?***

The proposed reform directions present opportunities to simplify the development contributions framework and provide councils with greater flexibility to fund infrastructure required to support housing growth. However, reforms should recognise the significant financial and delivery constraints faced by councils and ensure changes do not create or exacerbate infrastructure funding gaps. Deferring, staging or otherwise delaying developer contributions may assist development feasibility but can transfer financial risk to councils where infrastructure is required upfront or early in the development cycle.

Bayside Council is currently preparing an LGA-wide development contributions plan and, to inform this work, commissioned an options paper that recommended an LGA-wide section 7.12 contributions framework. This provides a practical example of how a simpler and more flexible approach may assist councils in funding infrastructure in established urban areas experiencing dispersed and incremental growth. Compared with section 7.11 plans, a section 7.12 framework provides greater flexibility where growth is distributed across an existing urban area and where establishing a direct nexus between individual developments and specific infrastructure items can be challenging.

A significant challenge within the current section 7.11 system is the application of nexus and apportionment requirements. In established urban areas, growth often triggers the need for infrastructure upgrades, but only the proportion attributable to new development can be recovered through section 7.11 contributions. This is further constrained by the contributions cap which limits council's ability to recover the full cost of infrastructure required to support population and housing growth. The remaining costs must be funded from alternative sources, which can create substantial infrastructure funding gaps and constrain infrastructure delivery.

The proposed expansion of section 7.12 levies and higher contribution rates has the potential to address these issues. However, the effectiveness of these reforms will depend on whether the State government will be able to roll out the changes to allow councils to have sufficient flexibility to establish evidence-based contribution rates that reflect local growth and infrastructure needs. The requirement for Ministerial approval of higher-rate section 7.12 levies introduces significant delays, complexity and uncertainty, limiting the ability to respond to demonstrated infrastructure demands.

Reforms should therefore provide councils with greater flexibility self-determine appropriate rates or levies to fund infrastructure, improve alignment between infrastructure delivery and contribution collection, and ensure contribution caps or approval processes do not constrain the delivery of infrastructure required to support housing and employment growth. Greater use of higher rate section 7.12 levies or the removal of unnecessary contribution caps for section 7.11, and more streamlined pathways for adopting higher levy rates would improve funding certainty and reduce administrative complexity. Reforms should also support more accurate infrastructure costing through regular plan reviews and provide access to funding mechanisms such as from State Government that enable infrastructure to be delivered ahead of development where required. This would help address infrastructure funding and sequencing challenges, reduce first-mover disadvantage and ensure that infrastructure delivery keeps pace with planned housing and employment growth.

4.5 Inquiry next steps on housing-enabling infrastructure

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

The provision of funding as a 'safety net' for local and state governments could provide valuable support where infrastructure funding shortfalls arise, timely delivery is challenging, or development is occurring in emerging growth areas where infrastructure must be provided upfront. This could assist in facilitating housing and urban growth both within and beyond the existing urban footprint. While the proposal is supported in principle, further detail is required regarding how the funding mechanism would operate in practice. In particular, it is unclear whether funding would be available at short notice where unexpected costs arise, how access to low- or no-interest loans would be equitably prioritised, and what criteria the Australian Government would use to assess the value and allocation of loans. Greater clarity is also needed regarding the governance and assessment framework, including the level of scrutiny applied to applications, what circumstances or funding shortfalls would be considered eligible and how the Australian Government would ensure the mechanism is used appropriately rather than as a substitute for adequate infrastructure planning and funding by state and local governments.

5. Toward more homes, faster

5.1 Reform priorities to increase housing supply

- ***Which of the reform directions will be relatively easy or hard to implement and why? Are there any examples of 'quick wins' that could be achieved?***
- ***Are there any co-dependencies or sequencing considerations across the reform directions?***

While some reform directions, particularly the removal or relaxation of land-use and development controls, may be relatively easy to implement from a regulatory perspective, ease of implementation should not be confused with successful reform. As identified in the Interim Report, some land-use controls operate as effective constraints on development, however, many controls also respond to genuine environmental, hazard, infrastructure and amenity considerations. Removing a planning control does not remove the underlying constraint. For example, while residential development may be restricted in areas affected by flooding, sea-level rise or other natural hazards, low-lying land may also perform an important role as open space, flood storage and broader environmental infrastructure. Increasing housing capacity close to these areas may also increase demand for existing open space and infrastructure, requiring consideration of whether sufficient land and servicing capacity will remain available for a significantly larger future population.

Similarly, unlocking constrained land may increase the theoretical supply of developable land and, in some circumstances, reduce upfront land or housing costs, but this needs to be considered alongside the long-term financial and social costs associated with locating housing in areas exposed to natural hazards. Lower purchase prices do not necessarily represent improved housing affordability where households subsequently face higher insurance premiums, mitigation costs, property damage or reduced property values. Particular consideration should be given to the potential for lower-cost housing in higher-risk locations to disproportionately attract households with fewer resources to manage those risks. Accordingly, lifting planning controls may represent a relatively simple regulatory change, but accommodating the natural and human-made constraints that those controls respond to is considerably more complex.

For this reason, housing-enabling infrastructure, infrastructure capacity, hazard and environmental constraints, access to open space and the actual feasibility of development should be understood before widespread development opportunities are unlocked. Potential "quick wins" should therefore focus on removing unnecessary duplication, simplifying processes and addressing controls where there is clear evidence that the underlying constraint can be appropriately managed, rather than broadly removing controls that perform an important risk-management or place-making function.

There are also strong co-dependencies between the reform directions, making sequencing critical to their success. Strategic planning and constraints analysis should occur first to identify locations capable of sustainably accommodating additional housing, followed by infrastructure planning, funding and delivery, and then appropriate changes to land-use and development capacity. Rezoning or increasing development capacity ahead of infrastructure funding and delivery risks creating theoretical housing capacity without ensuring that development can practically occur or that the needs of current and future communities can be met. Engagement with Traditional Custodians and Aboriginal communities should also form an important part of strategic planning and reform, recognising their longstanding knowledge of Country and ensuring this knowledge can appropriately inform decisions about land, environmental risks and sustainable growth.

Overall, reform should be sequenced and coordinated across planning, infrastructure, environmental and funding systems, rather than treating the unlocking of development capacity as an isolated measure of success.