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Housing supply regulation inquiry

Productivity Commission
GPO Box 1428
Canberra City ACT 2601
(online submission)

Dear Ms Wood,

Sutherland Shire Council (Council) appreciates the opportunity to comment on the Productivity Commission's Interim Report on [Housing Supply Regulation](#) (the Report).

Council supports the objective of increasing housing supply and improving housing affordability through a planning system that is clear, efficient and responsive to community needs. Council also supports the Commission's emphasis on best practice regulation, including the need to coordinate housing growth with infrastructure and to make planning decisions more timely and predictable. However, Council considers that reform must be infrastructure-led, place-based and evidence-based. Reforms that rely primarily on broad deregulation, reduced development standards or blanket increases in residential capacity risk undermining housing quality, local employment, infrastructure delivery and community outcomes.

Council's position is that housing reform should increase the delivery of well-located, well-designed and well-serviced homes, rather than simply increasing theoretical development capacity. Council is already experiencing significant community backlash at the lack of infrastructure supporting recent development proposals and therefore recommends that the final report:

- Support housing growth in locations with strong access to transport, services, employment and infrastructure capacity.
- Prevent broad upzoning or additional residential capacity until infrastructure capacity, funding, and delivery commitments are secured.
- Recognise local context, environmental constraints, natural hazards, employment land, local character and housing need when determining appropriate development capacity.
- Maintain minimum standards necessary to support housing quality, liveability, sustainability and long-term residential amenity.
- Distinguish between commercial centres, mixed-use locations and industrial or employment lands, rather than applying a uniform approach to residential development in all commercial areas.
- Preserve meaningful local strategic planning and community engagement in decisions that substantially change the scale, form and location of housing growth.

Council supports the Commission's four principles of best practice housing regulation where they are applied through strategic planning, infrastructure sequencing, evidence-based decision-making and

appropriate local implementation. Council does not support those principles being used to justify a one-size-fits-all reduction in planning controls without proper assessment of infrastructure capacity, local housing need, environmental and hazard constraints, employment land impacts and community outcomes.

Council's key concerns in response to the proposed reform directions are outlined below.

Allow three-storey development across most residential land

The following is in response to reform directions 2.1.

The report proposes to allow up to three-storey residential development across most residential land. Council considers that this reform direction does not adequately recognise the significant differences between local government areas, neighbourhood character, environmental constraints, natural hazards and infrastructure capacity.

Many low-density residential areas are planned around detached housing and are not supported by infrastructure capable of accommodating substantially higher population densities. These areas often have limited public transport services, constrained road and parking networks, and insufficient public open space.

For example, much of the Sutherland Shire includes low-density peninsula suburbs located away from centres, services and frequent public transport. These areas are not well suited to a blanket medium-density approach. Automatic three-storey development in these locations may result in adverse visual impacts in areas valued for scenic and natural character, as well as greater complexity in development assessment, particularly in relation to view-sharing, view-loss, traffic, parking and local infrastructure capacity.

Increasing development capacity in these locations may require substantial investment in water, sewer, stormwater, transport, schools, health services, public open space and community infrastructure. The report does not identify sufficiently clear mechanisms to fund, sequence and deliver this infrastructure before additional residential capacity is enabled. It is therefore important that reforms assess both the potential benefits of additional housing capacity and the costs and risks associated with congestion, infrastructure shortfalls and service constraints.

Furthermore, permitting three-storey development will not necessarily increase housing supply in all locations. In some areas, the outcome may simply be larger dwellings rather than additional homes, while also increasing impacts such as view loss and neighbourhood character change. This highlights the importance of understanding the intended outcomes of the proposal and recognising that local circumstances may produce significantly different results across communities.

Council recommends that any broad uplift only proceed where supported by infrastructure capacity analysis, local housing need analysis, environmental and hazard mapping, employment land assessment and community engagement. A more targeted approach would enable additional housing in suitable locations while avoiding inappropriate uplift in areas that are not well-served or are subject to significant constraints.

Allow mid-rise and high-rise apartments in high-demand areas

The following is in response to reform direction 2.2.

Council supports additional mid-rise and high-rise housing in genuinely high-demand locations with existing or readily expandable transport infrastructure, access to services, employment opportunities and sufficient infrastructure capacity.

However, in New South Wales, recent State Government housing reforms have already introduced significant additional residential capacity around transport corridors, centres and station precincts. This capacity has not yet been fully realised or evaluated. Further widespread increases in development capacity should not proceed until the infrastructure implications, local impacts and delivery outcomes of recent reforms are properly understood.

Reduce or remove minimum lot size requirements

The following is in response to reform direction 2.3.

The report focuses on improving development feasibility by removing minimum lot size requirements and permitting residential development within commercial zones unless a clear rationale exists to prohibit it.

This approach assumes the market will deliver both the housing and employment outcomes needed to support thriving communities. However, market outcomes do not always align with broader strategic planning objectives.

Minimum lot sizes can play an important role in ensuring housing growth occurs in a way that is consistent with local character, infrastructure capacity and environmental constraints. They can also support landscaping, tree canopy, stormwater management and orderly subdivision patterns. Council accepts that minimum lot size controls should be reviewed where they unnecessarily constrain feasible housing in well-serviced locations; however, removal should not be treated as a default position across all residential areas.

Allow residential development in commercial zones

The following is in response to reform direction 2.4.

The recommendation to broadly permit residential development within commercial zones does not adequately recognise the important employment functions performed by many commercial and industrial areas. Residential development is generally more financially attractive than commercial development and, where permitted, will displace commercial floor space and employment-generating uses. Over time, this reduces local employment opportunities and undermines the economic role, vitality and identity of centres.

The current NSW zoning framework already permits residential development in appropriate locations, including Commercial Centre and Mixed-Use zones. These zones are specifically intended to accommodate a mix of housing, employment and services.

In contrast, other commercial and employment zones support activities such as warehousing, manufacturing, distribution centres, industrial operations and automotive-related businesses. These activities often generate noise, odour, heavy vehicle movements and extended operating hours. Introducing residential development into these areas risks creating land use conflicts that may constrain existing businesses and compromise both housing and employment outcomes.

Employment land is also becoming increasingly scarce across metropolitan areas. Protecting employment precincts remains critical to supporting economic productivity, business growth and job creation.

In addition, many Local Environmental Plans contain incentive provisions linked to specific land uses that contribute to the function and vitality of individual centres. The needs of each centre vary depending on local economic conditions, demographics and service requirements. A standardised approach that broadly permits residential development may reduce opportunities to secure uses such as office space, childcare centres, health services and other employment-generating development, resulting in centres that do not meet the long-term needs of their communities.

Any reform should clearly distinguish between commercial centres, mixed-use zones and industrial or employment lands, recognising the different functions they perform within the planning framework. A more nuanced approach is required to balance housing delivery with the protection of employment opportunities and the long-term viability of centres.

Council recommends that:

- a. The report and any subsequent reform should clearly distinguish between commercial centres, mixed-use zones and industrial or employment lands.
- b. A place-based approach should be adopted in established metropolitan areas, with any transition to mixed-use outcomes supported by employment land analysis, infrastructure capacity assessment and local strategic planning.

Review land-use and built-form controls that affect feasibility and housing choice

The following is in response to reform direction 2.5 and 2.6.

The report places considerable emphasis on improving development feasibility by reducing or removing controls such as minimum apartment sizes, storage requirements, balcony dimensions, floor space ratio (FSR) limits, setbacks and site coverage requirements.

This approach assumes that market forces alone will deliver good housing outcomes. However, housing should provide more than shelter; it should support health, wellbeing, liveability and long-term occupation.

It is important that housing reflects the needs of the community and provides a range of dwelling types to accommodate singles, families and intergenerational households. Housing markets vary significantly across Sydney, resulting in different housing products being delivered in different locations. For example, in Cronulla, new apartments are often substantially larger than Council requirements, typically comprising three to four bedrooms with multiple parking spaces, reflecting demand from affluent downsizers. In this area, Council is seeking to encourage smaller apartments to provide more affordable housing options for young families and single-person households.

However, parts of Sydney and the Sutherland Shire have experienced an oversupply of one-bedroom apartments and require planning controls that encourage larger, family-friendly housing. These examples demonstrate that local housing needs are not uniform and that a one-size-fits-all approach is unlikely to achieve desired housing outcomes.

Built form and apartment design controls and minimum standards play a critical role in ensuring housing meets community needs and delivers high-quality living environments. Policies such as the Apartment Design Guide establish consistent standards that support liveability, sustainability and resident wellbeing. Removing or substantially reducing these controls risks poorer housing outcomes, including reduced solar access, natural ventilation, privacy and residential amenity.

Apartment balconies are often the only private outdoor space available to residents, providing opportunities for recreation, gardening and passive surveillance of public areas. Similarly, storage requirements are essential in apartment living and help avoid the need for off-site storage solutions at additional cost. Reductions in solar access and natural ventilation may also increase reliance on mechanical heating and cooling, leading to higher ongoing energy costs for residents.

The report also underestimates the role that floor space ratios, setbacks, site coverage and dwelling size controls can play in achieving good urban design outcomes. These controls help respond to local circumstances, including landform, environmental constraints, neighbourhood character, public domain quality and important view corridors. Their removal may increase bulk and scale, overshadowing, privacy

impacts, heat impacts and poor streetscape outcomes, particularly where not supported by detailed place-based planning.

Increasing housing supply is an important objective; however, new housing must also be liveable, sustainable and responsive to the needs of the communities it serves. Reducing minimum dwelling and design standards risks normalising poorer living conditions without meaningfully improving housing affordability.

Council recommends that:

- a. Design standards, including the Apartment Design Guide, should be reviewed and modernised where appropriate, but not reduced in a way that compromises apartment liveability, amenity or sustainability.
- b. Any review of built-form controls should be supported by evidence of the impact on housing feasibility, affordability, infrastructure demand, local character and long-term resident wellbeing.
- c. Planning controls should retain sufficient flexibility to respond to different housing markets, including locations where smaller apartments are needed and locations where larger, family-friendly apartments are required.
- d. Any reduction in development controls should be place-based and should have regard to local context, environmental conditions, infrastructure capacity and community needs.
- e. Reforms should assess housing affordability alongside long-term liveability, sustainability and lifecycle costs for residents.

Infrastructure planning and timing of developer contributions payment

The following is in response to reform directions 4.1, 4.2, 4.3 and 4.4.

A key theme throughout the report is the need for increased flexibility, rigour, transparency and cost-effectiveness in infrastructure planning. While these are important objectives, infrastructure needs vary significantly between local government areas and communities. A blanket approach to development contributions risks overlooking local circumstances, infrastructure requirements and community expectations. For example, development within a Transport-Oriented Precinct generates very different infrastructure demands compared to greenfield or established suburban development.

The report appropriately recognises the importance of coordinating infrastructure delivery with growth. However, the recommendation to allow developer contributions to be staged or deferred until later in the development process appears inconsistent with this objective.

Developer contributions are one of the primary mechanisms available to councils to fund the infrastructure required to support population growth, including roads, drainage, parks, community facilities and public domain improvements. Councils require certainty of funding to plan, design and deliver this infrastructure in a timely manner, ideally in conjunction with, or ahead of, new development.

In New South Wales, developer contributions are generally required prior to the issue of a Construction Certificate, although arrangements already exist to stage payments where developments are delivered in stages. Delaying contributions beyond current arrangements would increase financial risk for councils and may significantly delay the delivery of essential infrastructure relied upon by new residents.

Deferring contributions also creates a greater risk that councils may not ultimately receive funds required to deliver infrastructure. Where contributions are collected later in the development process, councils become increasingly exposed to changing market conditions, project delays and developer insolvency. In such circumstances, local communities may bear the consequences through infrastructure shortfalls, reduced service levels and increased pressure on existing assets.

Recent examples across Sydney demonstrate the risks associated with delayed infrastructure delivery and funding uncertainty. These examples highlight the importance of maintaining a development contributions framework that provides certainty for councils and ensures infrastructure can be delivered in a coordinated and timely manner to support growth.

While improvements to the efficiency and transparency of the contributions system should be explored, any reforms should continue to provide councils with the financial certainty required to plan and deliver infrastructure that supports both existing and future communities.

Council recommends that:

- a. Reform should strengthen transparency, accountability and certainty in infrastructure funding, rather than weaken the mechanisms councils rely on to deliver local infrastructure.
- b. Federal and State governments should provide clear funding commitments for regional and district infrastructure required to support housing growth.
- c. Any proposal to defer or stage developer contributions should be carefully assessed against the risk of infrastructure shortfalls, delayed delivery and cost shifting to existing communities.

Conclusion

Sutherland Shire Council supports reforms that increase the delivery of well-located, well-designed and well-serviced housing. Council also supports efforts to make planning processes clearer, more efficient and better coordinated across levels of government.

The Report identifies genuine challenges associated with housing supply and affordability. However, Council considers that the proposed reforms place excessive weight on deregulation and development yield, while giving insufficient attention to housing quality, infrastructure capacity, local context, employment land, environmental constraints and community outcomes. A uniform approach to residential zoning and development controls may create costs that outweigh the benefits if it is not supported by detailed evidence and place-based implementation.

Housing delivery is influenced by a range of factors beyond planning controls, including interest rates, access to development finance, construction costs, labour availability, infrastructure provision, taxation settings, market conditions, investor behaviour and productivity within the construction sector. Housing reform should therefore focus not only on planning approvals, but also on improving the conversion of approved housing into completed homes and recognising the complementary role of government-led housing delivery in meeting community needs.

Council recommends that the final report include a clearer implementation framework for State and local government, supported by evidence on infrastructure capacity, local housing need, commercial feasibility, environmental and hazard constraints, employment land impacts and community outcomes.

Australia's housing challenges will not be solved simply by removing planning controls. The objective should be to build more housing that is well-designed, well-serviced, liveable and supported by the communities in which it is delivered.

Reforms should address both immediate barriers to housing delivery and the longer-term foundations of housing supply. Before implementing broad reform directions across States and Territories, the final report should provide detailed evidence-based analysis on how housing growth will be planned, sequenced, funded and connected to infrastructure.

Housing reform policy must ensure all Australians can access secure, appropriate and affordable housing in locations that support economic participation, social inclusion and community wellbeing.

The Interim Report includes a broad range of information requests, some of which are not directly relevant to the Sutherland Shire. Should you wish to discuss any of the matters contained in this submission or require further information, please contact me on [Redacted] or Beth Morris, Strategic Planning Manager, on [Redacted].

Kind regards,

Jordan Widenstrom

Senior Manager Urban Futures