

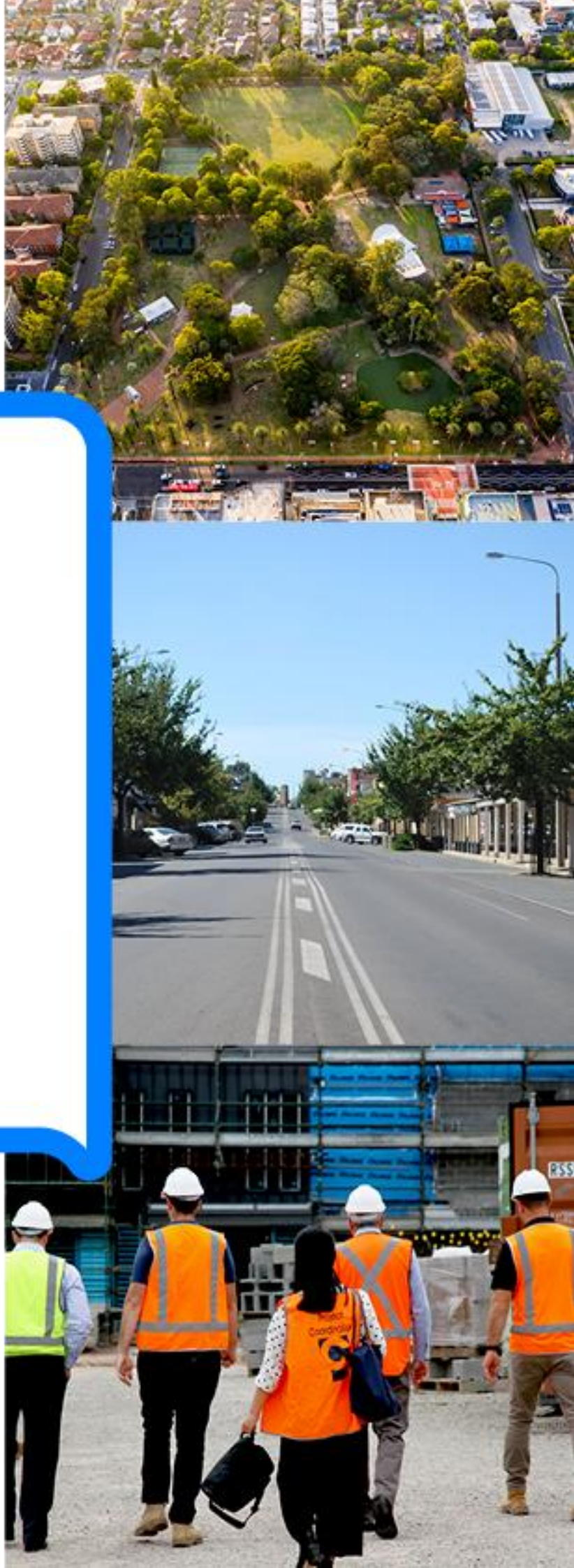
DRAFT SUBMISSION

HOUSING SUPPLY REGULATION

Productivity Commission
Interim Report

September 2026

**ONE VOICE
FOR COUNCILS**





Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

OVERVIEW OF THE LOCAL GOVERNMENT SECTOR



Employ nearly **50,000 people**



Manage more than **1,800 community & public centres**



Maintain more than **168,000km of roads & bridges**



Manage more than **\$220 billion of community assets**



Recycle **1.75 million tonnes of waste**



Spend more than **\$2.5 billion each year on caring for the environment**



Operate more than **380 libraries that attract tens of millions of visits each year**



Make kerbside waste collections for more than **3.1 million households**



Manage an estimated **4 million tonnes of waste each year**



Spend more than **\$2.4 billion on culture and recreation**

Local Government NSW acknowledges and pays respect to the Traditional Owners of the lands on which we work, and the lands we travel through. We also acknowledge our Elders – past, present and emerging.

TABLE OF CONTENTS

Executive Summary	4
Recommendations	6
Opening	8
Measure Completed Housing, Not Regulatory Removal	8
Apply Land-Use Reform Through Place-Based Evidence	9
Protect Apartment Liveability Through Evidence-Based Design Standards	10
Coordinate the Approval System Rather Than Penalise Councils	11
Fund and Sequence Infrastructure Before Housing Uplift Occurs	12
Conclusion	13

EXECUTIVE SUMMARY

The Productivity Commission's interim report identifies housing supply as a national priority and proposes reforms to land-use controls, approval pathways, housing-enabling infrastructure and developer contribution frameworks. LGNSW supports reforms that deliver more homes in the right locations. The final report should focus on the completed, serviced, connected and liveable housing that reforms can deliver, rather than theoretical capacity, blanket rezoning or broad-brush regulatory removal.

The Commission is right to recognise that land-use reform, infrastructure delivery and approval coordination all affect housing supply. However, those reforms will only improve outcomes if they are implemented through a place-based, evidence-led and infrastructure-first approach.

This need for a tailored approach is particularly important because jurisdictions are starting from different regulatory and reform baselines. NSW is already implementing wide-ranging housing and planning reforms that relate to many of the matters raised in the interim report and NSW councils are already managing the cumulative demands of implementing and adjusting to these changes. These reforms should be given sufficient time to take effect and be evaluated against housing delivery outcomes before further broad or overlapping changes are recommended.

LGNSW's central position is that reform must be measured across the full housing supply pipeline, from zoned capacity and commercially feasible development potential through to serviced land, approvals, commencements, completions, utility connections and occupation. Faster assessment timeframes and additional theoretical capacity do not guarantee homes will be constructed where infrastructure, finance, utilities, construction costs, skills and labour availability or market feasibility remain binding constraints.

Accordingly, LGNSW does not support blanket rezoning or automatic three-storey development across most residential land. Any additional capacity should be considered through strategic planning that confirms whether infrastructure can support growth, resolves environmental, hazard and heritage issues, considers employment land needs and identifies where feasible homes are likely to be delivered.

Auckland's experience shows how blanket rezoning can itself become a barrier to development. When growth is dispersed unpredictably, councils and utilities cannot reliably plan, fund or sequence the infrastructure needed to service it. Blanket rezoning

makes infrastructure delivery more expensive and less efficient. Councils cannot provide “blanket infrastructure” across every rezoned area in anticipation of development that may or may not occur. Where water, wastewater and other networks cannot keep pace, zoned capacity remains unserved and housing cannot proceed.

The submission also cautions against blanket removal of apartment design and built-form standards. NSW’s Apartment Design Guide has improved apartment liveability by establishing evidence-based expectations for space, sunlight, natural ventilation, privacy, storage, private and communal open space, building separation and long-term usability. These standards protect ordinary Australians who purchase or rent apartments and must live with the long-term consequences of design quality, including impacts on health, wellbeing, thermal comfort, household functionality and quality of life.

LGNSW supports more efficient approval pathways, better digital systems and stronger referral coordination. Any performance reporting should not penalise councils in isolation but should recognise that delays arise across the whole approval and delivery system, including from incomplete applications, state agency referrals, utilities, infrastructure constraints, post-approval requirements and market conditions. Fast-track pathways should be limited to complete, compliant and genuinely low-risk proposals, and councils should remain involved early where they retain long-term infrastructure, asset or service responsibilities.

The Commission’s final recommendations should therefore focus on measurable housing outcomes, infrastructure-supported growth, apartment liveability and place-based implementation. They should also support council capability and shared accountability across the housing delivery system. This approach will better support housing supply while maintaining community confidence and ensuring councils and communities are not left to absorb unfunded infrastructure, amenity or implementation costs.

RECOMMENDATIONS

Recommendation 1: Measure completed housing outcomes across the full delivery pathway

The final report should adopt an end-to-end housing delivery framework that measures zoned capacity, commercially feasible development potential, serviced land, approvals, commencements, completions, utility connections and occupation. Reporting should attribute responsibility for delays to the relevant participant, including applicants, councils, state agencies, utilities, infrastructure providers and other approval bodies.

Recommendation 2: Oppose blanket rezoning and apply place-based planning

The Productivity Commission should not recommend blanket rezoning, automatic three-storey development or uniform planning controls, which make infrastructure more costly and less efficient to deliver.

Density uplift should instead be targeted to locations where place-based evidence demonstrates that:

- existing or funded infrastructure can support growth;
- new and upgraded infrastructure can be delivered efficiently;
- environmental, hazard and heritage issues can be addressed;
- employment land needs are protected; and
- commercially feasible housing is likely to be delivered.

Recommendation 3: Treat infrastructure capacity as a threshold test for rezoning suitability

The final report should expand the proposed exceptions to Reform Direction 2.1 to include areas where essential infrastructure cannot support additional housing within the required timeframe. Infrastructure capacity should be treated as a threshold suitability test before rezoning or density uplift occurs, because broad rezoning can create demand that exceeds the capacity of water, wastewater, transport, utilities and social infrastructure to be planned, funded and delivered.

Recommendation 4: Protect apartment liveability through evidence-based design standards

Apartment design and built-form controls should only be removed or varied where equivalent or improved health, amenity, accessibility, climate resilience, public-domain and infrastructure outcomes can be demonstrated. The final report should support evidence-based review of standards that affect liveability and long-term building performance, rather than blanket removal based solely on yield or feasibility modelling.

Recommendation 5: Design approval pathways around risk, completeness and coordinated referrals

Fast-track and streamlined approval pathways should be limited to complete, compliant and genuinely low-risk development. State and territory governments should improve referral coordination, resolve agency conflicts early and ensure state-significant pathways involve councils where they retain long-term infrastructure, asset or service responsibilities. Approval performance reporting should distinguish council assessment time from delays caused by applicants, state agencies, utilities, referrals and post-approval requirements.

Recommendation 6: Fund and sequence infrastructure before housing uplift occurs

Major housing uplift and housing targets should be supported by costed, funded and sequenced infrastructure plans that identify delivery responsibilities, funding sources, ownership arrangements and implementation timeframes. These plans should demonstrate how essential water, wastewater, transport, open space, community and utility infrastructure will be delivered in time to support growth, with clear accountability for funding gaps, delivery risks and ongoing asset responsibilities.

Recommendation 7: Protect councils and communities from unfunded infrastructure cost-shifting

LGNSW does not support deferral of contribution payments to councils. Deferral of payments, contribution caps and infrastructure concessions should only be adopted where replacement funding for councils or government-backed bridging finance is in place. Housing reforms should not transfer infrastructure costs, delivery risks or asset maintenance burdens to councils or existing communities.

Recommendation 8: Resource councils to implement housing reforms

Housing supply reforms should be accompanied by funding, data, technical support, digital systems, workforce support and cost-recovery mechanisms for councils. This should include remuneration for council input into state-significant pathways, strategic land use and infrastructure planning, technical assessment, community engagement and ongoing compliance responsibilities.

OPENING

Local Government NSW (LGNSW) welcomes the opportunity to provide feedback on the Productivity Commission's *Housing Supply Regulation Interim Report*¹.

LGNSW is the peak body for local government in NSW, representing the interests of councils and the communities they serve. This submission focuses on the reforms most likely to affect housing delivery outcomes, local government responsibilities and community wellbeing.

LGNSW notes that any recommendations made in the Commission's final report should be considered in the context of the enormous program of housing and planning reform already underway in NSW. Councils are simultaneously implementing and adapting to multiple concurrent changes across zoning, development pathways, agency coordination, infrastructure planning and the broader operation of the planning system, with significant cumulative demands on their resources and delivery responsibilities.

As many of these measures are recent and their effects on housing supply, infrastructure and community outcomes are not yet known, they should be given sufficient time to operate and be properly evaluated before further broad or overlapping reforms are introduced. Frequent changes to planning and housing policy can create uncertainty that slows housing delivery by encouraging some landowners and developers to defer projects and speculate on potential future gains.

This submission is informed by LGNSW policy positions and consultation with NSW councils. It is provided in draft form, pending endorsement by the LGNSW Board at its next meeting. LGNSW will advise the Commission of any amendments in due course.

Measure Completed Housing, Not Regulatory Removal

The interim report argues that broad upzoning and reduced regulatory burden will improve housing supply. It identifies land-use reform as the most significant lever available to governments and proposes additional reporting and accountability measures across planning systems.

The Commission correctly identifies housing supply as a delivery challenge, not solely a planning challenge. However, many of its proposed measures continue to focus on theoretical housing capacity and regulatory settings rather than whether those changes result in completed housing outcomes.

This distinction is important. Increased capacity can create potential for development but does not necessarily translate into completed homes. The Commission's own analysis of the NSW Low and Mid-Rise Housing Policy estimates approximately 650,000 dwellings of additional zoned capacity, but only around 240,000 dwellings of commercially feasible capacity under the modelling assumptions.

¹ [Productivity Commission Housing Supply Regulation Interim Report](#)

Similarly, the Commission's feasibility modelling for Sydney high-rise apartments² demonstrates that development viability depends on a much broader range of factors than planning controls alone. The underlying cost stack in this analysis identifies construction as the largest cost component of development, significantly exceeding planning-related charges.

The final report should therefore focus on the complete pathway from land release to occupation. Measuring approvals or theoretical capacity in isolation risks overstating the effect of regulatory reform while overlooking the infrastructure, utility, financing and market constraints that determine whether housing is delivered.

Apply Land-Use Reform Through Place-Based Evidence

The interim report proposes broad-based upzoning, including allowing three-storey development across most residential land, increasing mid-rise and high-rise development in high-demand areas, reducing minimum lot sizes, permitting more residential development in commercial zones and reviewing heritage, neighbourhood character and built-form controls.

LGNSW acknowledges the evidence cited by the Commission that well-designed land-use reform can increase housing supply and moderate housing costs over time. The central issue is not whether planning reform should occur, but how reform should be implemented in NSW.

Auckland's experience demonstrates why LGNSW opposes blanket rezoning. The Auckland Unitary Plan created substantial additional residential capacity and supported a major shift towards townhouse development, with townhouse building approvals in 2017–2026 nearly ten times the level recorded in 2007–2016. However, growth was unevenly distributed: 82 per cent of townhouse consents occurred in only 51 per cent of relevant statistical areas³. This shows that rezoning alone does not determine where housing will be delivered; development concentrates where market conditions and enabling infrastructure can support it.

Blanket rezoning can therefore become a barrier to development by dispersing potential growth across areas that cannot all be serviced. Councils and utilities cannot plan, fund and sequence "blanket infrastructure" across every rezoned location in anticipation of development that may or may not occur. This makes infrastructure delivery more expensive and less efficient. Where water, wastewater and other networks cannot keep pace, zoned capacity remains unserved and homes cannot be approved, built or occupied. Density uplift should instead follow place-based infrastructure capacity assessment, funding commitments and delivery sequencing.

² [Interim report – Housing supply regulation, Box2.3](#)

³ [Enabling three-storey development on most residential land: Infrastructure capacity constraints \(Auckland example\)](#), p6

The Commission acknowledges that the effectiveness of these reforms depends on local market conditions, infrastructure availability, strategic planning and commercial feasibility. It also recognises that broad national directions will require jurisdiction-specific refinement through the final report.

Land-use reform should therefore be assessed by the housing outcomes it delivers – that is, whether it enables additional serviced, feasible and completed homes – rather than by the extent to which particular planning controls have been removed. Some locations may benefit from additional density, while others will remain constrained by infrastructure capacity, flooding, bushfire risk, utility networks, employment land requirements or weak development feasibility. In those locations, blanket rezoning may increase theoretical capacity without enabling serviced, buildable or occupied homes.

The proposal in the Interim Report to permit greater residential development in commercial centres illustrates this challenge. Mixed-use centres can support additional housing close to jobs and services, but unrestricted residential conversion may also reduce employment capacity, displace strategic employment land and create land-use conflicts that constrain long-term economic and productivity growth.

For this reason, reform should prioritise additional feasible housing capacity in locations where infrastructure, environmental conditions, employment needs and market settings can support sustainable growth.

Protect Apartment Liveability Through Evidence-Based Design Standards

The Commission proposes reviewing or removing planning controls that it considers reduce commercial feasibility, including maximum floor-space ratios, minimum dwelling sizes, balcony requirements and storage requirements⁴. It argues that many of these features are observable characteristics that primarily affect individual households.

LGNSW supports evidence-based review of planning controls. However, the evidence presented in the interim report does not establish that blanket removal of these controls would deliver a net community benefit.

The Commission recognises that planning controls interact and that the most restrictive control often determines development outcomes. Height, floor-space ratio, setbacks, building separation, landscaping and open-space controls function as an integrated planning envelope. Removing a single control may increase theoretical development capacity but does not necessarily increase housing supply and may introduce new design, infrastructure or amenity impacts.

The Commission relies on modelling suggesting that removing maximum floor-space ratios could significantly increase commercially feasible housing capacity. However, an increase in modelled commercial feasibility is not the same as completed housing

⁴ [Interim report – Housing supply regulation, p55-56](#)

delivery and does not quantify associated impacts on infrastructure, climate resilience, urban design, sunlight, privacy or public-domain outcomes.

The proposal to remove minimum apartment standards requires careful consideration. The High Life study⁵ examined apartment buildings across Sydney, Melbourne and Perth and found that stronger implementation of design requirements was associated with better resident mental wellbeing. Relevant features included daylight, natural ventilation, internal space and layout, privacy, usable private outdoor space, communal areas, circulation and building separation. This evidence does not prove that every individual criterion produces a separate health outcome, but it supports retaining minimum performance expectations for apartment liveability unless equivalent outcomes can be demonstrated.

This is important because apartments are long-term homes. Developers may sell and move on, but owners and tenants live with the consequences of inadequate space, poor ventilation, overheating, lack of privacy, ineffective storage or limited access to usable indoor and outdoor areas. These matters affect health, wellbeing, household functionality, energy costs and quality of life, and are not always apparent to purchasers or renters when decisions are made under housing market pressure.

Coordinate the Approval System Rather Than Penalise Councils

The Commission proposes broader use of fast-track and state-significant approval pathways, stronger performance reporting, better referral coordination and increased use of digital systems and artificial intelligence. It also raises questions about how governments can incentivise councils to improve approval performance.

LGNSW supports reforms that improve application quality, reduce duplication and streamline assessment for low-risk development. However, the Commission's own evidence shows that housing delivery delays occur throughout the assessment system, and not solely within the control of councils. The interim report identifies referral processes as a major source of delay and reports that each referral can significantly increase assessment timeframes. Complex developments may involve referrals across many government entities.

The evidence therefore supports stronger coordination and accountability across the full approval pathway. It does not support simplistic performance measures that focus only on council assessment periods. In NSW, the new Development Coordination Authority provides a positive example of this approach, with the potential to reduce delays and duplication by bringing state agency input together through a single referral body. While the DCA is in the very early days of its operation, LGNSW supports the initiative, because of its potential to reduce delays and duplication, provided it remains appropriately resourced and is supported by clear accountability across agencies.

⁵ Foster, S. et al., *Designing the High Life: Measuring the impact of apartment design policy on health and wellbeing*, Centre for Urban Research, RMIT University, 2023.

Fast-track pathways should remain limited to complete, compliant and genuinely low-risk applications. Developments involving unresolved infrastructure issues, incomplete information, environmental risks or external agency requirements should continue to receive appropriate scrutiny.

Where state-significant pathways are used, councils should remain involved early in the process because they retain long-term responsibilities for local infrastructure, assets and community services.

Fund and Sequence Infrastructure Before Housing Uplift Occurs

The Commission identifies infrastructure as a critical constraint on housing supply and proposes stronger strategic planning, improved sequencing of housing and infrastructure delivery, greater coordination with utilities and reforms to developer contribution frameworks. It also proposes a stronger Commonwealth role in infrastructure finance and delivery.

The interim report acknowledges that infrastructure frequently determines whether housing can be delivered. It cites evidence that inadequate infrastructure is preventing development on substantial areas of residential land and identifies utility connections as a recurring source of delay. These constraints can turn nominal housing capacity into stalled development where enabling networks are not delivered in step with rezoning.

The Commission's case studies demonstrate this point. At Torana Estate in the Sydney-local government area (LGA) of Liverpool City Council, rezoned land remained unable to support housing construction because essential sewerage infrastructure was unavailable. Another outer Sydney suburb - Wilton, in the Wollondilly Shire LGA - illustrates the consequences of infrastructure delivery not keeping pace with housing growth. In 2025, more than 12,000 planned homes were reported as delayed due to sewerage constraints.⁶ While the NSW Government has since committed wastewater infrastructure upgrades to unlock additional housing⁷, the case highlights how delays in coordinating infrastructure provision can impede the timely delivery of new homes.

Similarly, data from councils in the NSW Hunter region in 2024-2025 estimated that approximately \$938 million in infrastructure investment would unlock 61,000 new homes across the region⁸.

Together with Auckland's experience, these examples show that where infrastructure cannot keep pace, rezoning can create expectations and development pressure while leaving delivery constrained by servicing barriers.

⁶ [Why tens of thousands of houses ready for construction can't proceed - ABC News](#), 26 November 2025

⁷ NSW Government Media Release, [Critical water infrastructure to unlock thousands of new homes in Wilton](#), 31 July 2026

⁸ [2024-25_Advocacy-Housing-Enabling-Infrastructure-Case-Studies.pdf](#)

The Commission also recognises local government funding constraints and identifies contribution caps, rate pegging and uncertain grant funding as barriers to infrastructure delivery. It cites evidence that many councils are unable to fund the infrastructure needed to support growth.

In NSW, local infrastructure contribution caps have remained unchanged and unindexed since 2010, despite substantial increases in land acquisition and infrastructure costs over that time. By contrast, the NSW Government's Housing and Productivity Contribution is indexed quarterly, indicating a significant disparity in policy approach toward state and local infrastructure. The 2010 caps have widened council infrastructure funding gaps and severely constrained timely delivery of the infrastructure needed to support housing growth. Recently published analysis by Jonathon Carle⁹ indicates that the "frozen" thresholds may have suppressed up to \$1.24 billion in potential local contribution capacity across NSW between 2010 and 2026.

Through LGNSW's [Unlocking Homes proposal](#), NSW councils have called for the NSW Government to fund enabling infrastructure that can unlock new housing and reform the NSW infrastructure contributions framework so councils can deliver the infrastructure needed to support growth. The proposal includes eight council case studies demonstrating how targeted infrastructure investment could enable housing delivery.

LGNSW supports infrastructure planning reforms, but they must be accompanied by funding certainty. Housing targets and significant rezoning should not proceed without funded infrastructure plans and clear delivery responsibilities.

Deferred payments for local contributions should only occur where replacement funding or government-backed bridging finance enables infrastructure to be delivered before residents arrive. Otherwise, reforms risk transferring costs from developers and higher levels of government to councils and existing ratepayers.

CONCLUSION

The Productivity Commission is correct to identify housing supply as a national priority and to recognise that land-use reform, infrastructure delivery and approval coordination are interconnected. Its final report should focus on the completed, serviced, connected and liveable homes that reforms deliver, rather than treating theoretical capacity, regulatory removal or faster assessment timeframes as outcomes in themselves.

Reform should be measured across the full housing supply pipeline—from zoned and commercially feasible capacity to serviced land, approvals, construction, utility connections and occupation. This would provide a more accurate account of whether policy changes are delivering additional homes.

⁹ Carle, Jonathon, [NSW's billion dollar infrastructure funding leak | Spinifex | The Fifth Estate](#), 15 September 2026

LGNSW opposes blanket rezoning, automatic three-storey development across most residential land and broad removal of planning controls. Dispersing development potential across areas that cannot all be serviced makes infrastructure more costly and inefficient to plan for and deliver, and can leave zoned capacity unable to proceed. Density uplift should instead be place-based, evidence-led and infrastructure-first, with infrastructure capacity, funding and sequencing confirmed before uplift occurs and environmental, hazard, heritage and employment land considerations addressed.

The final report should also protect evidence-based apartment liveability standards and strengthen coordination and shared accountability across the full approval system, rather than penalising councils for delays beyond their control. Major reforms already underway in NSW should be given time to take effect and be evaluated before further broad or overlapping changes add uncertainty, duplication and implementation pressure.

A place-based, evidence-led and infrastructure-first approach will better support sustainable housing supply and community confidence. It must be backed by funding certainty, clear delivery responsibilities and sufficient council capability so that councils and communities are not left to absorb unfunded infrastructure, amenity or implementation costs.