

APPENDIX 2

Economic Impact Assessment

The logo for URBIS, featuring the word "URBIS" in a bold, white, sans-serif font. The text is enclosed within a white square frame that is partially open on the right side. A white horizontal line extends from the right side of the square frame across the top of the page, and a white vertical line extends from the top of the square frame down to the top of the page.

BYRON SHIRE – SHORT TERM RENTAL ACCOMMODATION CAPS

Economic Impact Assessment

Prepared for
**NSW DEPARTMENT OF PLANNING, INDUSTRY AND
ENVIRONMENT**
November 2021

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FOREWORD

Byron Shire Council (Council) has submitted a Planning Proposal and received a Gateway Determination that has potential to have important implications for Short Term Rental Accommodation (STRA) in the Byron Local Government Area (LGA). More specifically, the Planning Proposal seeks to implement a cap on the number of days per year properties within the Byron LGA can be made available as non-hosted STRA.

The aim of this Planning Proposal is to minimise the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in Byron LGA.

PROJECT BACKGROUND AND OBJECTIVES

It is important to view Byron Shire Council's Planning Proposal in the context of the new State-wide regulatory framework for STRA that has recently been implemented by the NSW Government.

The new State-wide STRA planning policy framework comprises new standard provisions and introduces:

- A new definition for STRA, hosted STRA and non-hosted STRA
- An exempt development pathway for:
 - Hosted STRA in a dwelling, 365 days per year
 - Non-hosted STRA in a dwelling, 180 days per year in Greater Sydney and nominated regional NSW LGAs and 365 days per year in all other locations
- An exemption of bookings of 21 consecutive days or more from day limits for non-hosted STRA.

The STRA policy is supported by:

- Amendments to the *Environmental Planning and Assessment Regulation 2000* (EP&A Regulation) to introduce minimum fire safety standards for dwellings used for STRA and associated penalty notice offences for non-compliance
- The implementation of a new Government-run STRA register that will ensure compliance with the new fire safety standards, as well as tracking day limits of each STRA dwelling and provide details to assist local councils with monitoring STRA in their LGA.

These new State-wide STRA framework imposes new obligations on booking platforms, hosts, letting agents and guests, and is intended to benefit homeowners who want to take advantage of holiday rentals while providing more certainty and safety for local communities and visitors.

However, the new STRA policy included a deferred commencement clause, meaning the new planning rules did not take effect until 1 November 2021.

Byron Shire

The NSW Government has explicitly acknowledged that STRA is a complex issue in the Byron LGA, and therefore the new State-wide STRA policy will not apply in the Byron LGA until 31 January 2022. This delayed commencement date for the LGA allows Council to submit a Planning Proposal to justify a reduction in the numbers of days that non-hosted STRA may be carried out. The provisions of Ministerial Direction 3.7 enables Council to submit a planning proposal for this intent.

Should the Planning Proposal not be finalised by 31 January 2022, the STRA provisions as detailed in *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* will apply, including a maximum of 180 days per year for non-hosted STRA.

A Planning Proposal has therefore been prepared by Council in direct response to Ministerial Planning Direction 3.7 and seeks to implement an alternative regulatory framework for non-hosted STRA in the Byron LGA.

Byron Shire Council's Planning Proposal first intends to amend the SEPP and introduce the concept of STRA Precincts, though the introduction of a new Local Environmental Plan (LEP) mapping overlay known as the Short-term Rental Accommodation Precinct Map.

Most importantly, the Planning Proposal will seek to introduce the following limitations with regards to non-hosted STRA:

- Non-hosted STRA will be permitted for up to 365 days per year on land within a STRA Precinct
- Outside the STRA Precincts, non-hosted STRA will be capped at 90 days per year.

Project Objectives

The Department's Planning Delivery Unit (PDU) and Council have jointly engaged Urbis to undertake an Economic Impact Assessment of the proposal to analyse the potential impacts of implementing varying caps on the number of days per year properties can be made available as non-hosted STRA.

More specifically, the three key objectives of this economic impact assessment are to:

1. Review Council's proposed STRA Precincts (i.e. designated areas of the Byron LGA where residential properties would not be subject to any caps on the maximum number of days per year properties can be made available as non-hosted STRA) and provide an independent view of how the STRA Precincts should be defined
2. Identify, analyse and assess the potential varying economic and social impacts of different policy options regarding the implementation of caps on the maximum number of days per year properties within the rest of the Byron LGA can be made available as non-hosted STRA
3. Identify which potential policy option would best balance potential benefits to the housing market and local community against potential disbenefits to the Tourism sector.

ECONOMIC IMPACT ASSESSMENT OF POTENTIAL POLICY OPTIONS

In order to determine the best potential policy for addressing the key issues being faced in the Byron LGA, we have undertaken an economic impact assessment of different possible policy options.

Potential Policy Options

We identified six potential policy options (including a Base Case) that could be implemented in the Byron LGA to address the key issues currently being faced, particularly in the housing market. Given, a driver of the key issues currently being faced in the Byron LGA relate to the proliferation of STRA, these potential policy options all relate to the implementation of a cap on the number of days a property can be made available as STRA each year.

As outlined below, there are three core bases for the policy options – based on the default policy under the SEPP (Base Case), based on Council's Current Gateway Planning Proposal (Option 1), and based on no regulation (Option 2). Under these three bases, we have identified additional policy options which assume variations to either the capped number of days or the STRA Precinct boundaries.

Therefore, the six policy options we have assessed comprise:

- **Base Case: SEPP Default** – The default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. a 180-day cap on non-hosted STRA across the entire LGA)
 - **Base Case Alternative** – A variation to the default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021*. It assumes a 180-day cap on non-hosted STRA across the LGA, except in the designated Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA.
- **Option 1: Council's Current Gateway Planning Proposal** – Council's Current Gateway Planning Proposal (i.e. a 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1A** – A variation to Council's Current Gateway Planning Proposal. It assumes a 180-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)

- **Option 1B** – A variation to Council's Current Gateway Planning Proposal. It assumes a 90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA)
- **Option 2: No Caps** – No caps on non-hosted STRA across the entire LGA.

A summary of these policy options and their respective policy bases are shown overleaf in Table F.1.

Table F.1 – Overview of Policy Options

| Policy Basis | Policy Options | | |
|--|--|--|--|
| Default Policy Under the SEPP | <u>Base Case: SEPP Default</u> Default Policy Under the SEPP (180-day cap on non-hosted STRA across the entire LGA) | | <u>Base Case Alternative</u> Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA <u>outside of Urbis-defined STRA Precincts</u>) |
| Council's Current Gateway Planning Proposal | <u>Option 1: Council's Current Gateway Planning Proposal</u> Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1A</u> Variation to Council's Current Gateway Planning Proposal (<u>180-day cap</u> on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1B</u> Variation to Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of <u>Urbis-defined STRA Precincts</u>) |
| No Regulation | <u>Option 2: No Caps</u> No caps on non-hosted STRA across the entire LGA. | | |

Short Term Rental Accommodation Precinct Boundaries

As noted above, a number of the policy options being assessed are based on Council-defined STRA Precincts while others are based on Urbis-defined STRA Precincts.

The Council-defined STRA Precincts are those set out and defined in Council's Current Gateway Planning Proposal, while the Urbis-defined STRA Precincts have been specifically defined as part of this economic impact assessment. The Council-defined STRA Precincts and Urbis-defined STRA Precincts are all shown in Map F.1.

In defining the Urbis STRA Precincts, we aimed to identify areas that capture both a large share of STRA listings and a small share of residential dwellings. This would minimise potential detrimental impacts on the tourism industry while maximising the number of dwellings able to be delivered to the housing market. Therefore, the Urbis-defined STRA Precincts account for 3,509 of the 5,249 non-hosted STRA properties (~67%) in the Byron LGA in 2019 (base year).

Map F.1 –STRA Precinct Boundaries (Council-Defined and Urbis-Defined)

Byron LGA



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Economic Impact Assessment

In order to identify a preferred policy option, we have undertaken a multi-criteria assessment of each of the proposed options. Each potential policy option has been assessed against three key criteria:

- Direct Impacts
- Indirect Impacts
- Social Impacts

For the purposes of this assessment, direct impacts are defined as impacts that are the immediate and direct result of the proposed policy. In contrast, indirect impacts are defined as impacts that are the result of the direct impacts and/or other indirect impacts.

Finally, social impacts represent the non-measurable potential direct and indirect impacts of the proposed policy on the Byron Shire economy and stakeholders.

Approach to Ratings

As part of this assessment, it is necessary to identify different degrees and directions of potential impacts. Therefore, we have adopted the following consistent approach to rating the potential impacts of the different policy options:

- Each impact is first categorised by its likely degree of impact:
 - Low
 - Moderate
 - High
- Then the impact is categorised by its direction:
 - Increase
 - Decrease.

Importantly, these ratings are value-neutral. In other words, they do not reflect whether or not a potential impact is beneficial or detrimental. The reason for this being that whether an impact is beneficial or detrimental depends on the person or group being impacted. For example, increased property values would be beneficial for property owners but detrimental for prospective property purchasers.

The value lens has only been applied in the Cumulative Distributed Net Benefits analysis. In this analysis, each impact has been given a rating out of 3 based on whether the degree of impact has been assessed to be Low (1), Moderate (2) or High (3).

If a particular impact would benefit a particular group, the rating is positive for that group (e.g. +3). However, if a particular impact would be detrimental to a particular group, the rating is negative for that group (e.g. -3).

For example, under the Base Case: SEPP Default (a 180-day cap across the entire LGA), we have estimated potential for this policy option to result in a **Moderate Decrease** in residential property values. Therefore, this impact has a degree of significance of “2”.

From the perspective of residential property purchasers, this would be a beneficial and therefore in the Cumulative Distributed Net Benefits analysis, it has been rated “+2” for residential property purchasers (reflecting a benefit). However, this same impact would be detrimental from the perspective of residential property owners. As such, in the Cumulative Distributed Net Benefits analysis, it has been rated “-2” for residential property owners (reflecting a disbenefit).

Key Findings – Cumulative Distributed Net Benefits

Our economic impact assessment has found that each of the six potential policy options is estimated to result in a number of direct and indirect economic and social benefits and disbenefits to different groups within the Byron LGA economy and community.

Therefore, it is necessary to identify the cumulative net benefits estimated to result from each of the policy options in order to determine a preferred policy option. However, it is also important to analyse the likely distribution of impacts across different groups within the Byron LGA.

The following tables provide a summary of the cumulative net benefits of the six potential policy options, distributed across the following key groups/categories:

- Visitor Market (i.e. the Byron LGA Tourism Sector) – Operators
- Visitor Market (i.e. the Byron LGA Tourism Sector) – Visitors
- Residential Property Market – Renters and Purchasers (i.e. individuals/groups who will suffer disbenefits if rents or property values increase)
- Residential Property Market – Owners (i.e. individuals/groups who will enjoy benefits if rents or property values increase)
- Local Businesses and Services
- Local Workers (i.e. local employment)
- Local Residents / Community (i.e. quality of life of and permanency).

As shown in Table F.2, our assessment finds that all six policy options are likely to result in moderate-to-high overall net benefits.

Critically, we have determined that the **Base Case: SEPP Default** (a 180-day cap across the entire LGA), that would apply to the LGA from January 31, 2022 if Council’s planning proposal does not proceed, has potential to delivery the highest overall net benefit of +13.5. In contrast, **Option 1: Council’s Current Gateway Planning Proposal** (a 90-day cap outside of Council-defined STRA Precincts) has been found to have potential to result in moderate overall net benefit of +7.

The other alternative four policy options were primarily assessed to determine if any further improvement to economic outcomes could be achieved. As shown in Table F.2, while all of these options represented improvements over Option 1 Council’s Current Gateway Planning Proposal, none were found to result in better overall outcomes than the Base Case: SEPP Default that would apply to the LGA from January 31, 2022 if the Council’s planning proposal does not proceed.

Table F.2 – Summary of Overall Outcomes

All Policy Options

| Policy Option | Overall Rating |
|---|---------------------------------|
| Base Case: SEPP Default | High Net Benefit (+13.5) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Moderate Net Benefit (+7) |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Moderate Net Benefit (+8.33) |
| Option 2: No Caps | Moderate Net Benefit (+7.5) |

In addition to assessing the overall cumulative net benefits of each policy option, we have also given consideration to the likely distribution of impacts across different groups within the Byron LGA.

As outlined in Table F.3, the most heavily impacted groups, both in terms of benefits and disbenefits differ across the different policy options. However, the Base Case: SEPP Default and Option 1: Council's Current Gateway Planning Proposal were both found to deliver the highest net benefit to Residential Property Market Renters and Purchasers (+6 and +7.5, respectively). These two options were also both found to deliver the highest net disbenefit to the Visitor Market Visitors (-4 under the Base Case and -6 under Option 1).

Table F.3 – Most Heavily Impacted Groups

All Policy Options

| Policy Option | Highest Net Benefit | Highest Net Disbenefit |
|---|---|---|
| Base Case: SEPP Default | Residential Property Market – Renters and Purchasers (+6) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators (+4) | Visitor Market (Tourism Sector) – Visitors (-2) |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+7.5) | Visitor Market (Tourism Sector) – Visitors (-6) |
| Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators And Residential Property Market – Renters and Purchasers (+4) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+5.5) | Visitor Market (Tourism Sector) – Visitors (-4.5) |
| Option 2: No Caps | Visitor Market (Tourism Sector) – Operators And Local Employment (+3) | Residential Property Market – Renters and Purchasers (-1.5) |

RECOMMENDATIONS

Based on the outcomes of the economic impact assessment, we consider the implementation of a 180-day cap across the entire Byron LGA in accordance with *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. the Base Case: SEPP Default) to represent the best proposed policy option. In the absence of an approved Planning Proposal, this policy will automatically come into effect from 31 January 2022.

The Base Case: SEPP Default is not only estimated to generate the highest overall net benefits, it is also estimated to generate net benefits for all relevant groups except Visitor Market Visitors. Critically, under this option, strong benefits are expected to accrue to Residential Property Market Renters and Purchasers and Local Residents / Community without any net disbenefits accruing to Residential Property Market Owners, Local Services and Businesses, Local Workers.

Although Option 1: Council's Current Gateway Planning Proposal is estimated to also generate strong benefits for Residential Property Market Renters and Purchasers, and Local Residents / Community these net benefits come at the cost of net disbenefits accruing to Residential Property Market Owners, Visitors, Local Services and Businesses, and Local Workers.

Therefore, we consider the Base Case: SEPP Default (a 180-day cap across the entire LGA) to represent the preferred policy option from an economic perspective. It is estimated to provide the most substantial benefits across almost all relevant groups while minimising detrimental impacts on Visitor Market Visitors.

Importantly, we also recommend that a post-impact policy evaluation be undertaken no later than 2027 to determine the actual impacts of whatever policy is ultimately implemented. The findings of this evaluation can then be used to inform a policy position post-2027.

EXECUTIVE SUMMARY

Byron Shire Council (Council) has submitted a Planning Proposal and received a Gateway Determination that has potential to have important implications for Short Term Rental Accommodation (STRA) in the Byron Local Government Area (LGA). More specifically, the Planning Proposal seeks to implement a cap on the number of days per year properties within the Byron LGA can be made available as non-hosted STRA.

The aim of this Planning Proposal is to minimise the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in Byron LGA.

PROJECT BACKGROUND AND OBJECTIVES

New State-wide Regulatory Framework for STRA

It is important to view Byron Shire Council's Planning Proposal in the context of the new State-wide regulatory framework for STRA that has recently been implemented by the NSW Government.

The new State-wide STRA planning policy framework comprises new standard provisions and introduces:

- A new definition for STRA, hosted STRA and non-hosted STRA
- An exempt development pathway for:
 - Hosted STRA in a dwelling, 365 days per year
 - Non-hosted STRA in a dwelling, 180 days per year in Greater Sydney and nominated regional NSW LGAs and 365 days per year in all other locations
- An exemption of bookings of 21 consecutive days or more from day limits for non-hosted STRA.

The STRA policy is supported by:

- Amendments to the *Environmental Planning and Assessment Regulation 2000* (EP&A Regulation) to introduce minimum fire safety standards for dwellings used for STRA and associated penalty notice offences for non-compliance
- The implementation of a new Government-run STRA register that will ensure compliance with the new fire safety standards, as well as tracking day limits of each STRA dwelling and provide details to assist local councils with monitoring STRA in their LGA.

These new State-wide STRA framework imposes new obligations on booking platforms, hosts, letting agents and guests, and is intended to benefit homeowners who want to take advantage of holiday rentals while providing more certainty and safety for local communities and visitors.

However, the new STRA policy included a deferred commencement clause, meaning the new planning rules did not take effect until 1 November 2021.

Byron Shire

The NSW Government has explicitly acknowledged that STRA is a complex issue in the Byron LGA, and therefore the new State-wide STRA policy will not apply in the Byron LGA until 31 January 2022. This delayed commencement date for the LGA allows Council to submit a Planning Proposal to justify a reduction in the numbers of days that non-hosted STRA may be carried out. The provisions of Ministerial Direction 3.7 enables Council to submit a planning proposal for this intent.

Should the Planning Proposal not be finalised by 31 January 2022, the STRA provisions as detailed in *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* will apply, including a maximum of 180 days per year for non-hosted STRA.

A Planning Proposal has therefore been prepared by Council in direct response to Ministerial Planning Direction 3.7 and seeks to implement an alternative regulatory framework for non-hosted STRA in the Byron LGA.

Byron Shire Council submitted the Planning Proposal to the NSW Department of Planning Industry and Environment (the Department) for a Gateway Determination in February 2020. A Gateway Determination was issued on 24 June 2020 that provided default approval subject to certain conditions. These conditions included a requirement that further economic impact analysis be undertaken to assess the potential impacts of the proposed non-hosted STRA day limits set out in Council's Planning Proposal.

The Planning Proposal was later amended following a resolution of Council submitted through the NSW Planning Portal on 4 May 2021.

However, the Department advised Council that Council had not adequately assessed the potential economic impacts of the proposed non-hosted STRA day limits set out in the Planning Proposal. The Department has advised Council that, as per Ministerial Planning Direction 3.7, the Planning Proposal requires an Economic Impact Assessment that considers the impacts of the proposed non-hosted STRA cap on the tourism industry and long term rental housing market.

Project Objectives

The Department's Planning Delivery Unit (PDU) and Council have jointly engaged Urbis to undertake an Economic Impact Assessment of the proposal to analyse the potential impacts of implementing varying caps on the number of days per year properties can be made available as non-hosted STRA.

More specifically, the three key objectives of this economic impact assessment are to:

1. Review Council's proposed STRA Precincts (i.e. designated areas of the Byron LGA where residential properties would not be subject to any caps on the maximum number of days per year properties can be made available as non-hosted STRA) and provide an independent view of how the STRA Precincts should be defined
2. Identify, analyse and assess the potential varying economic and social impacts of different policy options regarding the implementation of caps on the maximum number of days per year properties within the Byron LGA can be made available as non-hosted STRA
3. Identify which potential policy option would best balance potential benefits to the housing market and local community against potential disbenefits to the Tourism sector.

COUNCIL'S PROPOSED STRA POLICY

Byron Shire Council's Planning Proposal first intends to amend the SEPP and introduce the concept of STRA Precincts, though the introduction of a new Local Environmental Plan (LEP) mapping overlay known as the Short-term Rental Accommodation Precinct Map. Council's proposed STRA Precincts represent areas where Council considers most of the housing stock has already been converted to non-hosted STRA.

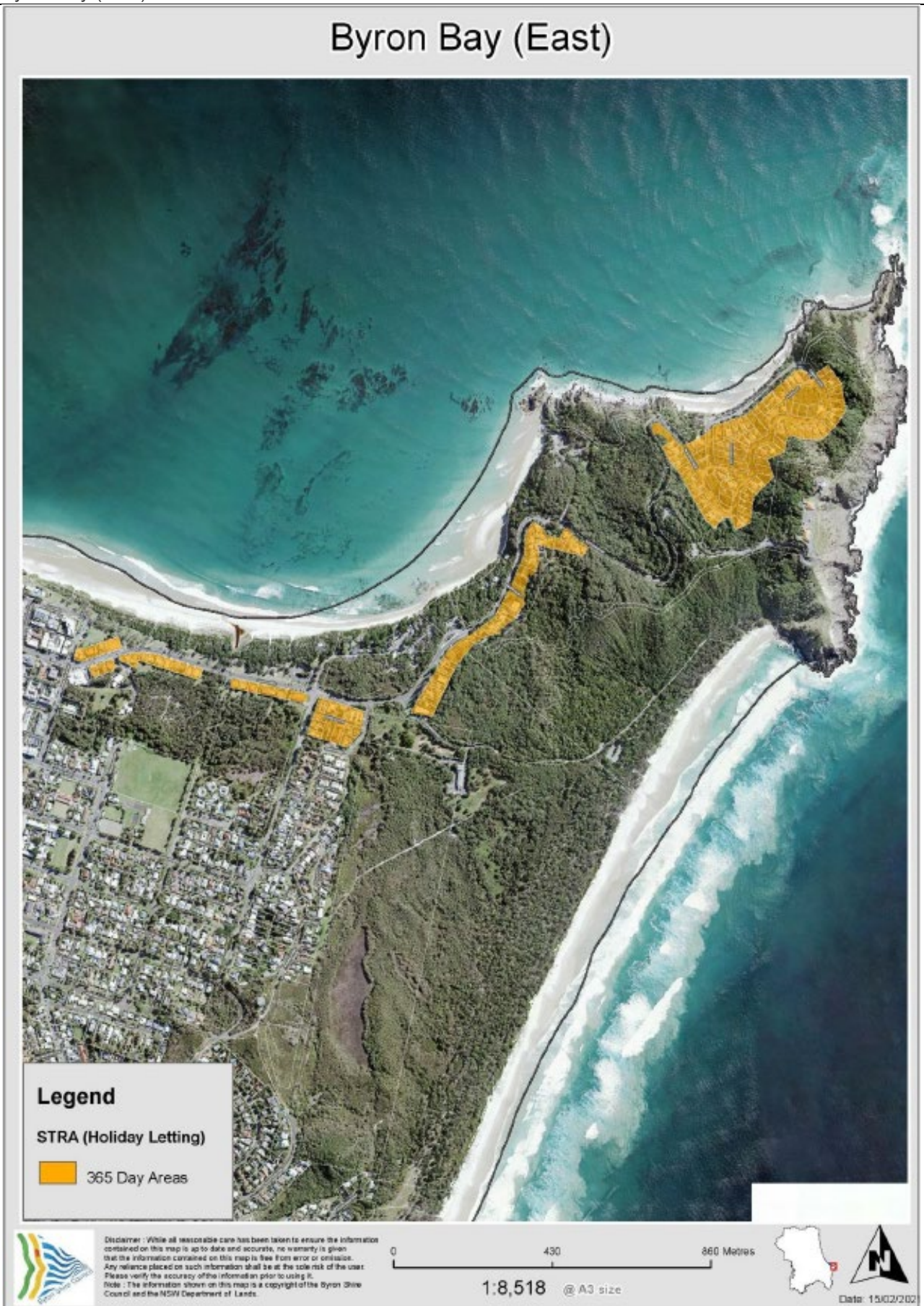
Most importantly, the Planning Proposal will seek to introduce the following limitations in regards to non-hosted STRA:

- Non-hosted STRA will be permitted for up to 365 days per year on land within a STRA Precinct
- Outside the STRA Precincts, non-hosted STRA will be capped at 90 days per year.

Indicative maps of Council's proposed STRA Precincts are provided overleaf. Council's proposed STRA Precincts.

Map E.1 – Council’s Proposed STRA Precincts

Byron Bay (East)



Map E.2 – Council’s Proposed STRA Precincts

Byron Bay (West)



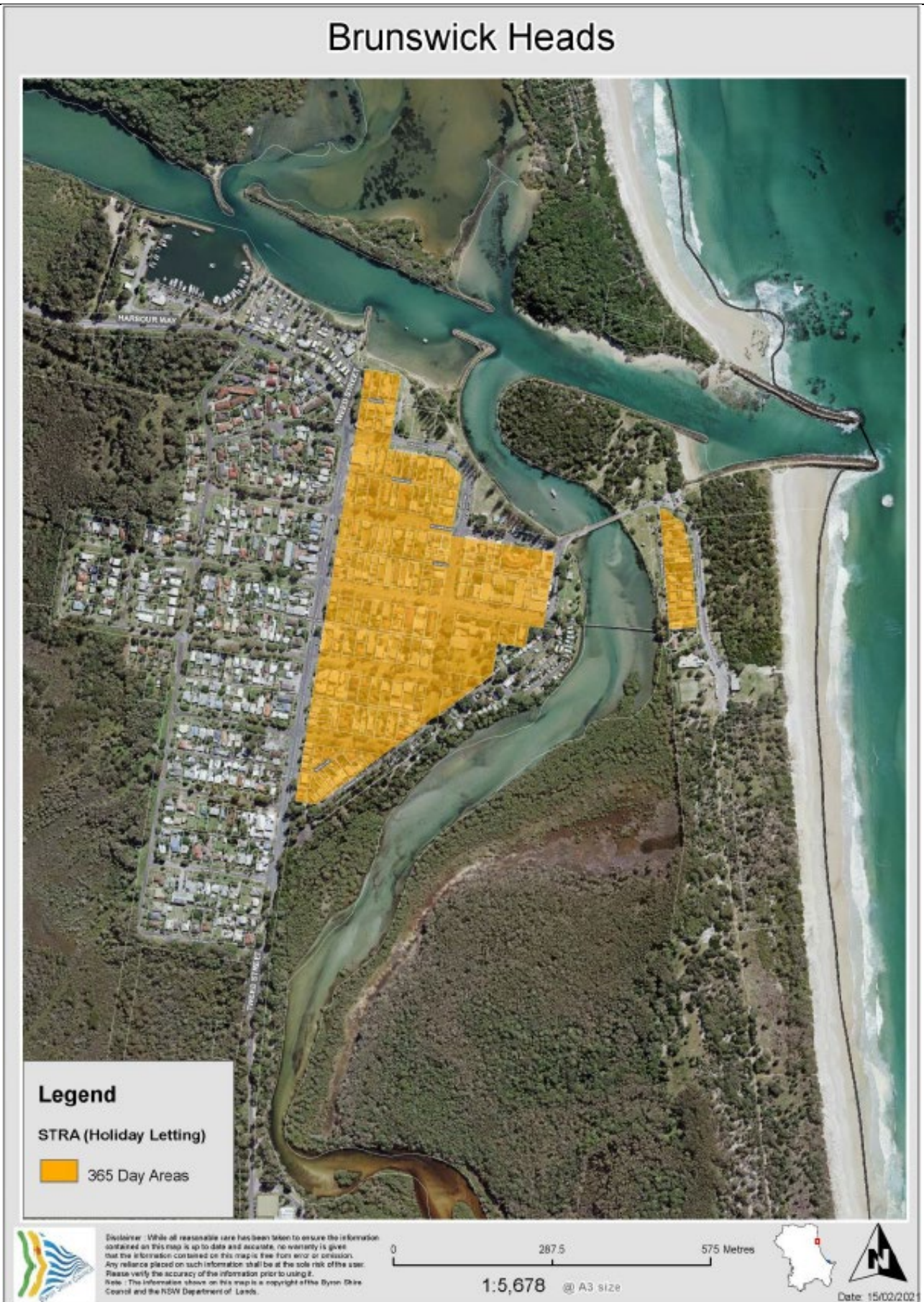
Map E.3 – Council’s Proposed STRA Precincts

Suffolk Park



Map E.4 – Council’s Proposed STRA Precincts

Brunswick Heads



SOCIO-ECONOMIC CONTEXT

We have undertaken a review of the current socio-economic context of the Byron LGA to identify the key issues currently being faced. This has included compiling a socio-demographic profile of Byron Shire residents and analysing the local housing market, Tourism Sector (i.e. visitation, visitor spending, occupancy rates in commercial short term accommodation, revenue from commercial short term accommodation) and STRA market.

Key Issues Impacting the Byron LGA

Based on a review of the socio-economic context of the Byron LGA, we have identified a number of key issues being faced in the Byron Shire economy and community:

- The Byron LGA is generally characterised by a low average per capita income and a high proportion of renters, relative to the non-metro NSW average. The issue of rental affordability has been exacerbated in recent years by the sharp increases in median rents and dwelling prices across the Byron LGA.
- Vacancy rates have remained extremely low between 2016 to 2019, indicating that the rental market is undersupplied. This has resulted in limited choice for residents and significant rent and price growth.
- Between 2017 and 2019, long term rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings).
- In Byron Bay, a major tourism and employment centre within the Byron LGA, ~44% of dwellings were being used at non-hosted STRA in 2019. The diminishing availability of housing near major employment areas such as Byron Bay town centre may result in increased use of the Pacific Motorway for commuter traffic (potentially impacting its efficiency as inter/intra-state freight and passenger infrastructure), and limit the LGA's ability to attract workers to the region.
- Although ~62% of non-hosted STRA properties in the LGA were available for more than 180 days in the year (2019), ~61% of these properties were occupied for less than 90 days in the year. Moreover, between 2017 and 2019 (pre-COVID), short term rental properties accounted for an increasing proportion of total rental stock in the market. This highlights the potential underutilisation of dwellings that could be diverted to the long term rental market.

Table E.1 – Key Socio-Economic Issues

Byron LGA

| Key Issue | Description |
|---|--|
| Insufficient Housing Supply | <ul style="list-style-type: none"> ▪ In the Byron LGA, 62% of non-hosted STRA properties were available for more than 180 days in the year (2019), however 61% of these properties were occupied for less than 90 days in the year ▪ Between 2017 and 2019, long term rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings) ▪ The number of non-hosted STRA properties in the LGA have increased from ~3,860 properties in 2017 (24% of total dwellings) to ~5,250 properties in 2019 (35% of total dwellings) |
| Residential Rental Low Vacancy Rates | <ul style="list-style-type: none"> ▪ Between 2016 and 2019, vacancy rates in the Byron Shire and across the broader North Coast have remained below 2.1% |
| Poor Housing Affordability | <ul style="list-style-type: none"> ▪ Average per capita income of Byron Shire residents is \$38,818, 5% lower than the non-metropolitan NSW average |

| Key Issue | Description |
|---|--|
| | <ul style="list-style-type: none"> ▪ Approximately 33% of households are renters, broadly in-line with the non-metropolitan NSW average of 30% ▪ Less than 47% of rental stock in the Byron Shire is affordable to very low-to moderate-income households, compared to 79% in non-metropolitan NSW ▪ Median rents have increased by 26%-35% across dwelling types (house, townhouse, flat/unit and other) between June 2020 and March 2021, while dwelling supply increased by only 0.8% (~130 dwellings) over the same period ▪ In the five years to March 2021, house and unit prices have grown by an average of 16.3% and 8.9% per annum, respectively |
| <p>Reduced Housing Located Close to Employment Opportunities</p> | <ul style="list-style-type: none"> ▪ As at the 2016 Census, ~42% of jobs (5,437 jobs) in the Byron LGA were located in the Byron Bay town centre ▪ However, in 2019, 44% of dwellings in the Byron Bay town centre were being used as non-hosted STRA ▪ Therefore, the ability for workers to live close to their place of work has diminished since 2016. Nonetheless, in 2016, the Byron LGA enjoyed a relatively high employment self-containment rate of ~70.8% (compared to ~63.6% in the Ballina LGA and ~61.5% in the Tweed LGA). |

Unfortunately, this represents a market failure where a lack of clear regulation and attractive revenue prospects have led many residential property owners to convert their properties into STRA properties. This has caused further tightening of an already low vacancy residential market, thereby creating further upward rent and price pressure which attracts additional investors and is leading to worsening affordability for renters and prospective purchasers.

Therefore, Council and the NSW Government are considering policy interventions to address this market failure.

STRA PROPERTY OWNERS AND INDUSTRY INSIGHTS

To inform the assessment of potential impacts, engagement with the property management industry and property owners in the LGA was undertaken. Property owners were invited to participate in the survey which they could access via the Council website, although important to note it was not a Council survey. The responses from the owners operating their properties as STRA were particularly important to model the potential impacts under the different policy scenarios, specifically what would they do with their property including the option to convert to long-term rental market. A total of 941 owners opened the survey with complete data from 249 STRA owners (representing ~6% of ~4,040 STRA properties in the LGA in 2021).

Industry is very concerned about the potential impacts of reducing the number of available days for STRA properties particularly those located outside the Council-defined STRA Precincts that could be subject to a 90-day cap. Non-hosted accommodation particularly detached houses has been an important product of the visitor economy and supports larger groups and a higher yielding visitor compared to most hosted options such as apartments, caravan park etc. Not having adequate options for these segments is weighing on industry and the potential risk of losing visitors to other locations if they are unable to rent properties suited to them.

The drivers of ownership and STRA are not as simple as owners seeking to get a return on an investment. For many owners, properties are foremost a holiday property for personal use and operated as STRA at

other times through the year. A policy change for this type of owner is unlikely to result in a shift in property to the permanent rental market.

We heard also that owners take pride in their properties customising to a high standard that is not appropriate for permanent rental. It is therefore not an easy switch to make from holiday to permanent rental. Not all owners are seeking a minimum yield as holiday properties for many will be an emotional decision motivated by enjoyment, not investment or business. Hence, limits on days they can holiday-let may not have any impact on what they do with the property.

Key Survey Insights

The survey data provided a strong indication of how STRA owners would be likely to respond to different policy options. These insights are summarised below in Table E.2, and were used to directly inform the assessment of impacts.

Table E.2 – STRA Owner Responses to Different Policy Options

Survey Insights

| Policy Options | STRA Owner Responses to the Policy Options | |
|---|--|--|
| | STRA Properties in STRA Precincts | STRA Properties in Rest of LGA |
| 180-Day Cap Across the Entire LGA | <ul style="list-style-type: none"> ▪ Keep as STRA: ~82% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~2% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~80% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~3% |
| 90-Day Cap Outside STRA Precincts | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~61% ▪ Shift to Long Term Rental: ~32% ▪ Sell to Owner-Occupier: ~7% |
| 180-Day Cap Outside STRA Precincts | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~80% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~3% |
| No Caps Across the Entire LGA | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% |

ECONOMIC IMPACT ASSESSMENT OF POTENTIAL POLICY OPTIONS

In order to determine the best potential policy for addressing the key issues being faced in the Byron LGA, we have undertaken an economic impact assessment of different possible policy options.

Potential Policy Options

We identified six potential policy options (including a Base Case) that could be implemented in the Byron LGA to address the key issues currently being faced, particularly in the housing market. Given, a key driver of the key issues currently being faced in the Byron LGA relate to the proliferation of STRA, these potential policy options all relate to the implementation of a cap on the number of days a property can be made available as STRA each year.

As outlined below, there are three core bases for the policy options – based on the default policy under the SEPP (Base Case), based on Council's Current Gateway Planning Proposal (Option 1), and based on no regulation (Option 2). Under these three bases, we have identified additional policy options which assume variations to either the capped number of days or the STRA Precinct boundaries.

Therefore, the six policy options we have assessed comprise:

- **Base Case: SEPP Default** – The default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. a 180-day cap on non-hosted STRA across the entire LGA)
 - **Base Case Alternative** – A variation to the default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021*. It assumes a 180-day cap on non-hosted STRA across the LGA, except in the designated Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA.
- **Option 1: Council's Current Gateway Planning Proposal** – Council's Current Gateway Planning Proposal (i.e. a 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1A** – A variation to Council's Current Gateway Planning Proposal. It assumes a 180-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1B** – A variation to Council's Current Gateway Planning Proposal. It assumes a 90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA)
- **Option 2: No Caps** – No caps on non-hosted STRA across the entire LGA.

A summary of these policy options and their respective policy bases are shown overleaf in Table E.3.

Table E.3 – Overview of Policy Options

| Policy Basis | Policy Options | | |
|--|--|--|--|
| Default Policy Under the SEPP | <u>Base Case: SEPP Default</u> Default Policy Under the SEPP (180-day cap on non-hosted STRA across the entire LGA) | | <u>Base Case Alternative</u> Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA <u>outside of Urbis-defined STRA Precincts</u>) |
| Council's Current Gateway Planning Proposal | <u>Option 1: Council's Current Gateway Planning Proposal</u> Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1A</u> Variation to Council's Current Gateway Planning Proposal (<u>180-day cap</u> on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1B</u> Variation to Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of <u>Urbis-defined STRA Precincts</u>) |
| No Regulation | <u>Option 2: No Caps</u> No caps on non-hosted STRA across the entire LGA. | | |

Short Term Rental Accommodation Precinct Boundaries

As noted above, a number of the policy options being assessed are based on Council-defined STRA Precincts while others are based on Urbis-defined STRA Precincts.

The Council-defined STRA Precincts are those set out and defined in Council's Current Gateway Planning Proposal, while the Urbis-defined STRA Precincts have been specifically defined as part of this economic impact assessment. The Council-defined STRA Precincts and Urbis-defined STRA Precincts are all shown in Map E.5.

In defining the Urbis STRA Precincts, we aimed to identify areas that capture both a large share of STRA listings and a small share of residential dwellings. This would minimise potential detrimental impacts on the tourism industry while maximising the number of dwellings able to be delivered to the housing market. Therefore, the Urbis-defined STRA Precincts account for 3,509 of the 5,249 non-hosted STRA properties (~67%) in the Byron LGA in 2019 (base year).

Map E.5 –STRA Precinct Boundaries (Council-Defined and Urbis-Defined)

Byron LGA



Economic Impact Assessment

In order to identify a preferred policy option, we have undertaken a multi-criteria assessment of each of the proposed options. Each potential policy option has been assessed against three key criteria:

- Direct Impacts
- Indirect Impacts
- Social Impacts

For the purposes of this assessment, direct impacts are defined as impacts that are the immediate and direct result of the proposed policy. In contrast, indirect impacts are defined as impacts that are the result of the direct impacts and/or other indirect impacts.

Finally, social impacts represent the non-measurable potential direct and indirect impacts of the proposed policy on the Byron Shire economy.

Approach to Ratings

As part of this assessment, it is necessary to identify different degrees and directions of potential impacts. Therefore, we have adopted the following consistent approach to rating the potential impacts of the different policy options:

- Each impact is first categorised by its likely degree of impact:
 - Low
 - Moderate
 - High
- Then the impact is categorised by its direction:
 - Increase
 - Decrease.

Importantly, these ratings are value-neutral. In other words, they do not reflect whether or not a potential impact is beneficial or detrimental. The reason for this being that whether an impact is beneficial or detrimental depends on the person or group being impacted. For example, increased property values would be beneficial for property owners but detrimental for prospective property purchasers.

The value lens has only been applied in the Cumulative Distributed Net Benefits analysis. In this analysis, each impact has been given a rating out of 3 based on whether the degree of impact has been assessed to be Low (1), Moderate (2) or High (3).

If a particular impact would benefit a particular group, the rating is positive for that group (e.g. +3). However, if a particular impact would be detrimental to a particular group, the rating is negative for that group (e.g. -3).

For example, under the Base Case: SEPP Default (a 180-day cap across the entire LGA), we have estimated potential for this policy option to result in a **Moderate Decrease** in residential property values. Therefore, this impact has a degree of significance of “2”.

From the perspective of residential property purchasers, this would be a beneficial and therefore in the Cumulative Distributed Net Benefits analysis, it has been rated “+2” for residential property purchasers (reflecting a benefit). However, this same impact would be detrimental from the perspective of residential property owners. As such, in the Cumulative Distributed Net Benefits analysis, it has been rated “-2” for residential property owners (reflecting a disbenefit).

Key Findings – Cumulative Distributed Net Benefits

Our economic impact assessment has found that each of the six potential policy options is estimated to result in a number of direct and indirect economic and social benefits and disbenefits to different groups within the Byron LGA economy and community.

Therefore, it is necessary to identify the cumulative net benefits estimated to result from each of the policy options in order to determine a preferred policy option. However, it is also important to analyse the likely distribution of impacts across different groups within the Byron LGA.

The following tables provide a summary of the cumulative net benefits of the six potential policy options, distributed across the following key groups/categories:

- Visitor Market (i.e. the Byron LGA Tourism Sector) – Operators
- Visitor Market (i.e. the Byron LGA Tourism Sector) – Visitors
- Residential Property Market – Renters and Purchasers (i.e. individuals/groups who will suffer disbenefits if rents or property values increase)
- Residential Property Market – Owners (i.e. individuals/groups who will enjoy benefits if rents or property values increase)
- Local Businesses and Services
- Local Workers (i.e. local employment)
- Local Residents / Community (i.e. quality of life of and permanency).

As shown in Table E.4, our assessment finds that all six policy options are likely to result in moderate-to-high overall net benefits.

Critically, we have determined that the **Base Case: SEPP Default** (a 180-day cap across the entire LGA) has potential to result in the highest overall net benefit of +13.5. In contrast, **Option 1: Council’s Current Gateway Planning Proposal** (a 90-day cap outside of Council-defined STRA Precincts) has been found to have potential to result in a moderate overall net benefit of +7.

The other four policy options were primarily assessed to determine if any further improvement to economic outcomes could be achieved. As shown in Table E.4, while all of these options show total overall improvements over Option 1, none were found to result in a better outcome than the Base Case: SEPP Default.

Table E.4 – Summary of Overall Outcomes

All Policy Options

| Policy Option | Overall Rating |
|---|---------------------------------|
| Base Case: SEPP Default | High Net Benefit (+13.5) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Moderate Net Benefit (+7) |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Moderate Net Benefit (+8.33) |
| Option 2: No Caps | Moderate Net Benefit (+7.5) |

In addition to assessing the overall cumulative net benefits of each policy option, we have also given consideration to the likely distribution of impacts across different groups within the Byron LGA.

As outlined in Table E.5, the most heavily impacted groups, both in terms of benefits and disbenefits differ across the different policy options. However, the Base Case: SEPP Default and Option 1: Council's Current Gateway Planning Proposal were both found to deliver the highest net benefit to Residential Property Market Renters and Purchasers (+6 and +7.5, respectively). These two options were also both found to deliver the highest net disbenefit to the Visitor Market Visitors (-4 under the Base Case and -6 under Option 1).

In comparison, the Base Case Alternative (a 180-day cap outside of Urbis-defined STRA Precincts) was estimated to have the largest beneficial impact on Visitor Market Operators (+4) and the largest detrimental impact on Visitor Market Visitors (-2).

Furthermore, under Option 2: No Caps, unsurprisingly the largest beneficial impacts were found to accrue to both Visitor Market Operators (+3) and Local Workers (+3). However, the lack of regulation under this option also resulted in Residential Property Market Renters and Purchasers being the most detrimentally impacted (-1.5).

Table E.5 – Most Heavily Impacted Groups

All Policy Options

| Policy Option | Highest Net Benefit | Highest Net Disbenefit |
|---|---|---|
| Base Case: SEPP Default | Residential Property Market – Renters and Purchasers (+6) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators (+4) | Visitor Market (Tourism Sector) – Visitors (-2) |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+7.5) | Visitor Market (Tourism Sector) – Visitors (-6) |
| Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators And Residential Property Market – Renters and Purchasers (+4) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+5.5) | Visitor Market (Tourism Sector) – Visitors (-4.5) |
| Option 2: No Caps | Visitor Market (Tourism Sector) – Operators And Local Employment (+3) | Residential Property Market – Renters and Purchasers (-1.5) |

RECOMMENDATIONS

Based on the outcomes of the economic impact assessment, we consider the implementation of a 180-day cap across the entire Byron LGA in accordance with *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. the Base Case: SEPP Default) to represent the best proposed policy option. In the absence of an approved Planning Proposal, this policy will automatically come into effect from 31 January 2022.

As shown in Table E.6, overleaf, the Base Case: SEPP Default is not only estimated to generate the highest overall net benefits, it is also estimated to generate net benefits for all relevant groups except Visitor Market Visitors. Critically, under this option, strong benefits are expected to accrue to Residential Property Market Renters and Purchasers and Local Residents / Community without any net disbenefits accruing to Residential Property Market Owners, Local Services and Businesses, Local Workers.

Although Option 1: Council's Current Gateway Planning Proposal is estimated to also generate strong benefits for Residential Property Market Renters and Purchasers and Local Residents / Community, these net benefits come at the cost of net disbenefits accruing to Residential Property Market Owners, Visitors, Local Services and Businesses, and Local Workers.

Therefore, we consider the Base Case: SEPP Default (a 180-day cap across the entire LGA) to represent the preferred policy option from an economic perspective. It is estimated to provide the most substantial benefits across almost all relevant groups while minimising detrimental impacts on Visitor Market Visitors.

Importantly, we also recommend that a post-impact policy evaluation be undertaken no later than 2027 to determine the actual impacts of whatever policy is ultimately implemented. The findings of this evaluation can then be used to inform a policy position post-2027.

Table E.6 – Summary of Cumulative Distributed Net Benefits and Disbenefits

All Policy Options

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|---|--|--|---|--|--|---|
| Visitor Market – Operators | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +5 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4.33 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +1.33 ▪ Social: 0 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +1 ▪ Indirect: +2 ▪ Social: 0 |
| Visitor Market – Visitors | Net Disbenefit: -4 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -2 <ul style="list-style-type: none"> ▪ Direct: -1.5 ▪ Indirect: -0.5 ▪ Social: 0 | Net Disbenefit: -6 <ul style="list-style-type: none"> ▪ Direct: -3 ▪ Indirect: -3 ▪ Social: 0 | Net Disbenefit: -4 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -4.5 <ul style="list-style-type: none"> ▪ Direct: -2.5 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -1 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: 0 |
| Residential Property Market – Renters and Purchasers | Net Benefit: +6 <ul style="list-style-type: none"> ▪ Direct: +1.5 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +1 <ul style="list-style-type: none"> ▪ Direct: -0.5 ▪ Indirect: +0.5 ▪ Social: +1 | Net Benefit: +7.5 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +0.5 ▪ Indirect: +1.5 ▪ Social: +2 | Net Benefit: +5.5 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +1.5 ▪ Social: +2 | Net Disbenefit: -1.5 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: +0.5 ▪ Social: -1 |
| Residential Property Market – Owners | Net Benefit: +2 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: 0 ▪ Social: +1 | Net Disbenefit: -0.5 <ul style="list-style-type: none"> ▪ Direct: -3 ▪ Indirect: -0.5 ▪ Social: +3 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +1 ▪ Indirect: 0 ▪ Social: +2 | Net Neutral: 0 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: 0 ▪ Social: -1 |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|--|--|---|--|--|--|
| Local Services and Businesses | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Disbenefit: -0.5 ▪ Direct: 0 ▪ Indirect: -0.5 ▪ Social: 0 | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Neutral: 0 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 |
| Local Workers | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 | Net Disbenefit: -1 ▪ Direct: 0 ▪ Indirect: -1 ▪ Social: 0 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 |
| Local Residents / Community (Quality of Life of and Permanency) | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +1 |
| TOTAL | High Net Benefit (+13.5) | High Net Benefit (+12) | Moderate Net Benefit (+7) | High Net Benefit (+12) | Moderate Net Benefit (+8.33) | Moderate Net Benefit (+7.5) |

INTRODUCTION

Byron Shire Council (Council) has submitted a Planning Proposal and received a Gateway Determination that has potential to have important implications for Short Term Rental Accommodation (STRA) in the Byron Local Government Area (LGA). More specifically, the Planning Proposal seeks to implement a cap on the number of days per year properties within the Byron LGA can be made available as non-hosted STRA.

The aim of this Planning Proposal is to minimise the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in Byron LGA.

PROJECT BACKGROUND AND OBJECTIVES

In February 2020, Byron Shire Council submitted a Planning Proposal to the NSW Department of Planning Industry and Environment (the Department) for a Gateway Determination. A Gateway Determination was issued on 24 June 2020 that provided default approval subject to certain conditions. These conditions included a requirement that further economic impact analysis be undertaken to assess the potential impacts of the proposed non-hosted STRA day limits set out in Council's Planning Proposal.

The Planning Proposal was later amended following a resolution of Council submitted through the NSW Planning Portal on 4 May 2021.

However, the Department advised Council that Council had not adequately assessed the potential economic impacts of the proposed non-hosted STRA day limits set out in the Planning Proposal. The Department has advised Council that, as per Ministerial Planning Direction 3.7, the Planning Proposal requires an Economic Impact Assessment that considers the impacts of the proposed non-hosted STRA cap on the tourism industry and long term rental housing market.

Project Objectives

The Department's Planning Delivery Unit (PDU) and Council have jointly engaged Urbis to undertake an Economic Impact Assessment of the proposal to analyse the potential impacts of implementing varying caps on the number of days per year properties can be made available as non-hosted STRA.

More specifically, the three key objectives of this economic impact assessment are to:

1. Review Council's proposed STRA Precincts (i.e. designated areas of the Byron LGA where residential properties would not be subject to any caps on the maximum number of days per year properties can be made available as non-hosted STRA) and provide an independent view of how the STRA Precincts should be defined
2. Identify, analyse and assess the potential varying economic and social impacts of different policy options regarding the implementation of caps on the maximum number of days per year properties within the Byron LGA can be made available as non-hosted STRA
3. Identify which potential policy option would best balance potential benefits to the housing market and local community against potential disbenefits to the Tourism sector.

The findings and recommendations of our assessment may ultimately inform amendments to the Planning Proposal.

LIMITATIONS OF THE STUDY

This study aims to provide an objective assessment of the likely benefits and disbenefits that would result from various different policy options.

However, the analysis presents a number of challenges including:

- **The non-hosted STRA market is not mature** – The launch of platforms such as AirBNB over the last decade has seen a significant increase in the number of non-hosted STRA properties across Australia, including in the Byron LGA. However, the market is still relatively immature and experiencing strong growth. Therefore, establishing a stable base year for the purposes of this assessment has been difficult.

- **Limited data availability** – Although AirDNA provides detailed data for AirBNB and Stayz listings in the Byron LGA over the last five years, this data does not provide any detail as to the type of guests making bookings, the purpose of their stays, or the type of owner. This significantly limits the ability to analyse in detail the likely differing impacts of different policy options on different types of STRA owners and visitors.

Additionally, the latest available ABS Census data is from the 2016 Census. However, the Byron LGA has experienced significant growth in STRA properties since 2016. Therefore, Census data cannot be relied on to demonstrate the impacts the proliferation of STRA properties has already had on the Byron LGA. As such, certain considerations such as changes to journey to work patterns cannot be reliably quantified.

- **Lack of comparable policies in other jurisdictions** – The proliferation of STRA properties across Australia and internationally is attracting increased attention from policy-makers. However, to date there are no sufficiently comparable policies that have been adopted and evaluated in other jurisdictions. Therefore, there is little guidance as to the impacts that the potential policy options are likely to have.

As a result of these challenges, there is potential for the actual absolute impacts of the different policy options to differ from the impacts we have identified and quantified in this study. Therefore, in order to ensure a highly rigorous and objective assessment, we have primarily focused on relative differences in impacts between the different policy options rather than absolute impacts.

Importantly, regardless of which policy option is ultimately implemented, the proposed increased regulation of STRA properties is welcomed. It is expected that this regulation will enable the collection of more granular and relevant data which will, in turn, enable more detailed policy analysis, development and evaluation in the future.

We therefore strongly recommend that a post-impact policy evaluation be undertaken no later than 2027 to determine the actual impacts of whatever policy is ultimately implemented. The findings of this evaluation can then be used to inform a policy position post-2027.

REPORT STRUCTURE

The report is structured as follows:

- **Section 1 – Council’s Proposed STRA Policy:** Provides an overview of Byron Shire Council’s Planning Proposal that is seeking to implement a cap on the number of days per year properties within the Byron LGA can be made available as non-hosted STRA
- **Section 2 – Socio-Economic Context:** Outlines the current context of STRA in the Byron LGA by reviewing the socio-demographic profile of Byron Shire residents, the local housing market, tourism sector and the STRA market
- **Section 3 – STRA Property Owners and Industry Insights:** Details the key findings of market sounding and a comprehensive survey of STRA providers in the Byron LGA, including the actions STRA providers would be likely to take if different potential caps on non-hosted STRA were implemented
- **Section 4 – Economic Impact Assessment:** Identifies, analyses and assesses the potential direct and indirect economic and social impacts of different potential caps on non-hosted STRA on the Byron Shire economy
- **Section 5 – Findings and Recommendations:** Summarises the key findings of our analysis and provides clear recommendations as to whether a cap on non-hosted STRA should be implemented, what the cap should be, and where it should apply.

1. COUNCIL'S PROPOSED STRA POLICY

Byron Shire Council (Council) is seeking to lodge a Planning Proposal that would have important implications for Short Term Rental Accommodation (STRA) in the Byron Local Government Area (LGA).

The aim of this Planning Proposal will be to minimise the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in Byron LGA.

1.1. BACKGROUND AND CONTEXT

1.1.1. New State-wide Regulatory Framework for STRA

It is important to view Byron Shire Council's Planning Proposal in the context of the new State-wide regulatory framework for STRA that has recently been implemented by the NSW Government.

The new State-wide STRA planning policy framework comprises new standard provisions and introduces:

- A new definition for STRA, hosted STRA and non-hosted STRA
- An exempt development pathway for:
 - Hosted STRA in a dwelling, 365 days per year
 - Non-hosted STRA in a dwelling, 180 days per year in Greater Sydney and nominated regional NSW LGAs and 365 days per year in all other locations
- An exemption of bookings of 21 consecutive days or more from day limits for non-hosted STRA.

The STRA policy is supported by:

- Amendments to the *Environmental Planning and Assessment Regulation 2000* (EP&A Regulation) to introduce minimum fire safety standards for dwellings used for STRA and associated penalty notice offences for non-compliance
- The implementation of a new Government-run STRA register that will ensure compliance with the new fire safety standards, as well as tracking day limits of each STRA dwelling and provide details to assist local councils with monitoring STRA in their LGA.

These new State-wide STRA framework imposes new obligations on booking platforms, hosts, letting agents and guests, and is intended to benefit homeowners who want to take advantage of holiday rentals while providing more certainty and safety for local communities and visitors.

However, the new STRA policy included a deferred commencement clause, meaning the new planning rules did not take effect until 1 November 2021.

Code of Conduct

The new planning framework compliments the mandatory Code of Conduct and changes to strata legislation recently made by the Department of Customer Service.

The Code of Conduct for the STRA industry was established under the Fair Trading Act 1987 and the Fair Trading Regulation 2019. It is administered by the Commissioner for Fair Trading in the NSW Department of Customer Service, with the Code of Conduct and exclusion register taking effect on 18 December 2020.

The Code of Conduct sets out the legal responsibilities and compliance approach for hosts, letting agents, guests and booking platforms for STRA in NSW.

1.1.2. Byron Shire

The NSW Government has explicitly acknowledged that STRA is a complex issue in the Byron LGA, and therefore the new State-wide STRA policy will not apply in the Byron LGA until 31 January 2022. This delayed commencement date for the LGA allows Council to submit a Planning Proposal to justify a reduction in the numbers of days that non-hosted STRA may be carried out. The provisions of Ministerial Direction 3.7 enables Council to submit a planning proposal for this intent.

Should the Planning Proposal not be finalised by 31 January 2022, the STRA provisions as detailed in *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* will apply, including a maximum of 180 days per year for non-hosted STRA.

A draft Planning Proposal was therefore prepared by Council in direct response to Ministerial Planning Direction 3.7 and sought to implement an alternative regulatory framework for non-hosted STRA in the Byron LGA.

1.2. DRAFT PLANNING PROPOSAL

To achieve the intended outcomes of minimising the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in the Byron LGA, the draft Planning Proposal sought to amend the Byron LEP 2014 in the manner described below.

1.2.1. Definitions

A new land use definition will be required to define short-term rental accommodation. The definitions shown below have been borrowed from the *State Environmental Planning Policy (Short-term Rental Accommodation) 2019*, except that any reference to the host residing 'on the premises' has been replaced with the phrase 'in the dwelling'. This has been done to remove any ambiguity over the meaning of the term 'premises', which is not defined in the SEPP or the Standard Instrument.

Definitions are shown below.

short-term rental accommodation means an existing dwelling—

- (a) that is lawfully used by the owner, tenant or permanent resident of the dwelling (the host) to provide accommodation on a commercial basis for a temporary or short-term period, with or without the host residing in the dwelling during that period, and*
- (b) that, if it were used predominantly as a place of residence, would be one of the following types of residential accommodation—*
 - (i) an attached dwelling,*
 - (ii) a dual occupancy,*
 - (iii) a dwelling house,*
 - (iv) multi dwelling housing,*
 - (v) a residential flat building,*
 - (vi) a rural workers' dwelling,*
 - (vii) a secondary dwelling,*
 - (viii) a semi-detached dwelling,*
 - (ix) shop top housing*

non-hosted short-term rental accommodation means short-term rental accommodation provided where the host does not reside in the dwelling during the provision of the accommodation.

hosted short-term rental accommodation means short-term rental accommodation provided where the host resides in the dwelling during the provision of the accommodation.

host—see the definition of short-term rental accommodation

permanent resident of a dwelling means a person who permanently resides at the dwelling.

tenant has the same meaning as in the Residential Tenancies Act 2010.

1.2.2. Land Use Table

To achieve the intent of the Planning Proposal, it will be necessary to amend the land use table in LEP 2014 to make STRA permissible in all land use zones where dwellings are also permitted with consent.

The following zones will be affected:

- RU1 Primary Production
- RU2 Rural Landscape
- RU5 Village
- R2 Low Density Residential
- R3 Medium Density Residential
- R5 Large Lot Residential
- B1 Neighbourhood Centre (shop top housing only)
- B2 Local centre (shop top housing only)
- B4 Mixed Use.

1.2.3. Short Term Rental Accommodation Precincts

The Planning Proposal intends to first introduce the concept of STRA Precincts, though the introduction of a new LEP mapping overlay known as the Short-term Rental Accommodation Precinct Map. Indicative maps of Council's proposed STRA Precincts are provided at the end of this Section. Council's proposed STRA Precincts represent areas where Council considers most of the housing stock has already been converted to non-hosted STRA.

Most importantly, the Planning Proposal will seek to introduce the following limitations in regards to non-hosted STRA:

- Non-hosted STRA will be permitted for up to 365 days per year on land within a STRA Precinct
- Outside the STRA Precincts, non-hosted STRA will be capped at 90 days per year.

1.2.4. Exempt Development

Certain low-impact activities will be permitted as exempt development. This will be achieved by inserting a new clause into Schedule 2 of Byron LEP 2014 that will allow hosted and non-hosted STRA as exempt development in the following circumstances:

- Hosted STRA allowed 365 days per calendar year
- Non-hosted STRA limited to 90 days per calendar year unless the dwelling is located within a mapped STRA precinct, in which case it will be permitted 365 days per year
- Non-hosted STRA not permitted on bush fire prone land or flood prone land
- The dwelling must not be (or be part of), a group home, a hostel, seniors housing, an eco tourist facility, tourist and visitor accommodation, a camping ground, caravan park or a moveable dwelling
- The dwelling must not be approved under the State Environmental Planning Policy (Affordable rental Housing) 2009
- Occupancy limited to 2 persons per bedroom, up to a maximum of 12 persons in total, whichever is the lesser
- Requires compliance with fire safety standards under the BCA and EP&A regulations
- Requires property to be included on a Council or NSW Government register of short-term rental accommodation

- Requires an A3 sign to be placed at the front of the property advising the public of the landowners or property manager's details to enable complaints to be made and wording to advise that the property is registered with Byron Shire Council
- Minimum requirement for car parking of 1 space for a two bedroom dwelling and two carparks for a dwelling with three bedrooms or more
- Dwellings not connected to reticulated sewer must be serviced by an approved on-site waste water management system with a current approval to operate.

1.2.5. Development Application Pathway

A development application pathway will be available to STRA proponents who are unable to comply with the exempt development provisions. However, the DA process is not intended to permit any variation to the 90 day per year limitation for non-hosted STRA on land outside a mapped STRA precinct.

The assessment process will be guided by a new local provisions clause under Part 6 of LEP 2014. The clause will provide relevant matters for consideration and establish certain pre-requisites and prohibitions.

In summary, the new clause will:

- Establish the aims and objectives and matters to be considered when assessing a development application for short-term rental accommodation
- Set out certain matters for consideration for potential impacts on neighbourhood amenity and the adequacy of parking and wastewater
- Require Council to impose a condition of consent limiting non-hosted STRA to no more than 90 days if a dwelling is located outside a STRA precinct
- Restrict the number of persons occupying a dwelling being used for non-hosted STRA to no more than 2 persons per bedroom, up to a maximum of 12 persons in total, whichever is the lesser.

1.3. GATEWAY DETERMINATION

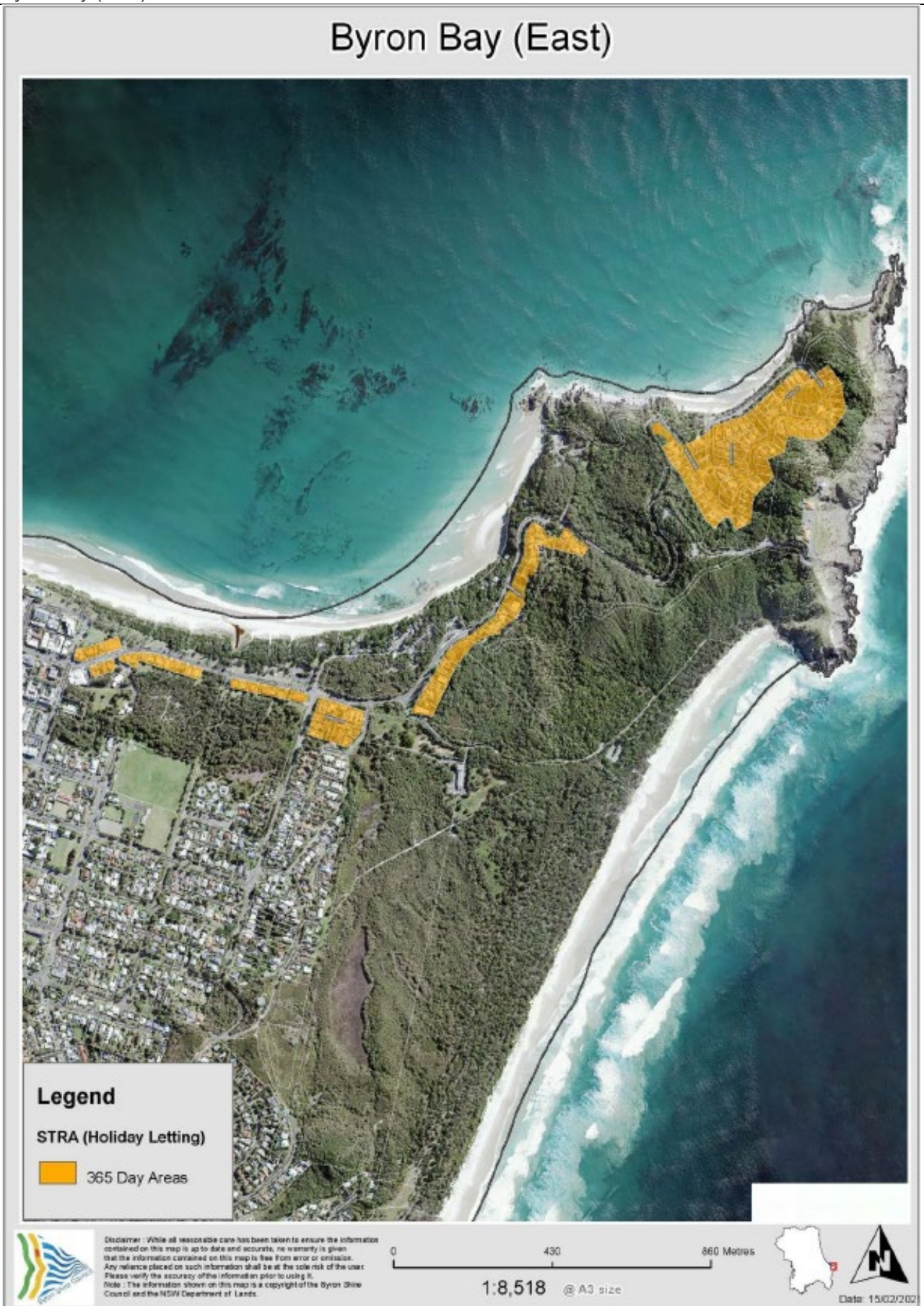
A Gateway Determination was issued on 24 June 2020 in relation to the draft Planning Proposal described above. The Gateway Determination provided default approval subject to certain conditions. These conditions included requirements that:

- Prior to exhibition, the Planning Proposal be amended to (among other things):
 - Remove the proposed amendments summarised above in Sections 1.2.1 to 1.2.5
 - Identify that the Planning Proposal comprises a single amendment to *State Environmental Planning Policy (Affordable Rental Housing) 2009*
- Further economic impact analysis be undertaken to assess the potential economic and social impacts of the proposed non-hosted STRA day limits set out in Council's Planning Proposal.

Council is now preparing a revised Planning Proposal in accordance with these requirements. Therefore, it is anticipated that the findings and recommendations of this economic impact assessment report may ultimately inform amendments to the Planning Proposal.

Map 1.1 – Council’s Proposed STRA Precincts

Byron Bay (East)



Map 1.2 – Council’s Proposed STRA Precincts

Byron Bay (West)



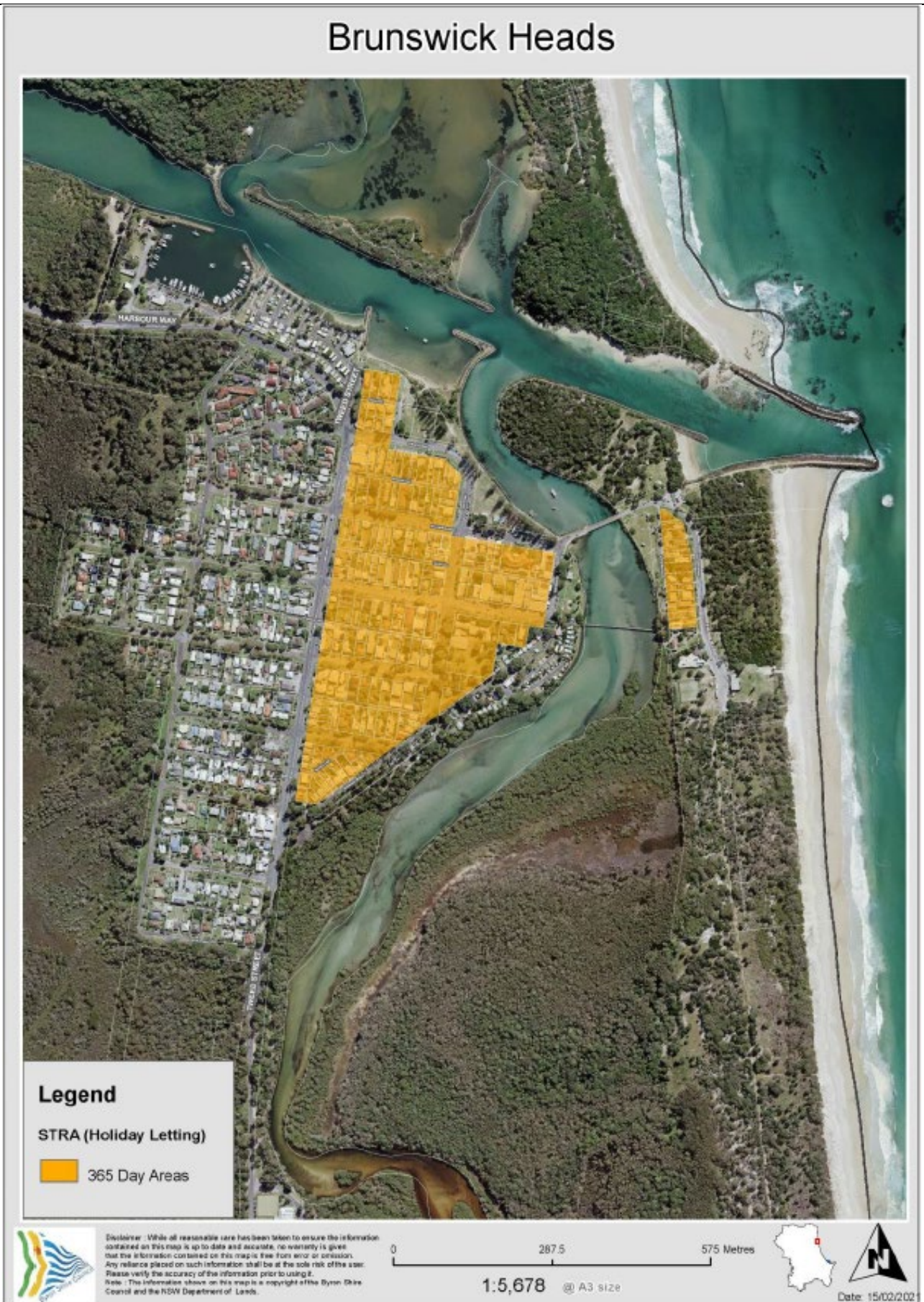
Map 1.3 – Council’s Proposed STRA Precincts

Suffolk Park



Map 1.4 – Council’s Proposed STRA Precincts

Brunswick Heads



2. SOCIO-ECONOMIC CONTEXT

This section assesses the current context of STRA in the Byron Shire LGA, by describing the strategic context, socio-demographic profile of Byron Shire residents, the local housing market, Tourism Sector and the STRA market.

2.1. STRATEGIC CONTEXT

The STRA policy framework being developed does not operate in isolation. Rather, it interacts with a number of other strategies to shape the LGA's overall offering to existing and future residents, employees and visitors.

Several key strategic planning frameworks govern the Byron Shire's long-term vision for housing, employment and tourism, namely:

- Byron Shire Residential Strategy 2020
- Byron Shire Business and Industrial Lands Strategy 2020
- Draft Byron Shire Sustainable Visitation Strategy 2020-2030

Persistent sentiments echoed by Council throughout these strategies include ensuring adequate provision of residential housing and employment lands in the right locations, preserving the local identity and unique character of each region and improving infrastructure and amenity, all with a focus on environmentally sustainable practices.

The strategies also place an emphasis on minimising the negative impacts that the growth in tourism have had on the needs of residents, including the affordability and supply of housing, which is a key consideration of this STRA policy framework.

Byron Shire Residential Strategy 2020

Released in December 2020, the Byron Shire Residential Strategy identifies policies and actions to guide residential development and manage housing provision sustainably over the next 20 years. The Strategy outlines the following key policies:

- **Policy 1: Providing land for future housing**, with a focus on sensitive and appropriate infill development in established urban areas and controlling the spread of housing into rural areas.
- **Policy 2: Improved housing choice, diversity and equity**, in order to address the affordability, location and space requirements that influence people's housing choices. There is a particular focus on providing affordable housing for low-income households and critical workers.
- **Policy 3: Housing that reflects the 'local' in our places**, with a focus on enhancing and respecting the established local character of communities through good urban design.
- **Policy 4: Make our neighbourhoods local**, by addressing the impacts of the rapid growth in short term rental accommodation activity within the LGA. Future directions focus on preserving the amenity, character and affordability of housing for residents, while also supporting the thriving local tourism industry.

Byron Shire Business and Industrial Lands Strategy 2020

The Byron Shire Business and Industrial Lands Strategy, finalised in 2020, provides a 20-year strategic framework to sustainably manage future growth in business and industrial lands within the Shire. The Strategy outlines the following key future directions:

- **Direction 1: Enable business centres to retain an individual identity and fulfil their potential.** This necessitates balancing elements such as urban design, traffic, trade and tourism, as well as the need to house workers.

- **Direction 2: Improve the use of existing industrial areas for industrial and urban services.** Ensuring traditional industrial uses are not 'pushed out' by increased land values or reduced site availability for alternative uses such as retail and bulky goods.
- **Direction 3: Secure a sustainable long-term supply of suitable industrial lands** by proactively investigating areas with potential for rezoning to employment-generating land uses.
- **Direction 4: Promote an attractive investment environment with people-friendly industrial areas and business centres.** This includes creating specialised precincts that anchor the knowledge, innovation and creative industries. Future directions focus on creating high levels of amenity, delivering appropriate infrastructure and providing certainty and transparency in the development approval process.
- **Direction 5: Improve infrastructure in business centres and industrial areas,** ranging from essential services to communication, access and support services (e.g. child care facilities). This will strengthen the Shire's capacity to retain existing businesses and attract new businesses.

Draft Byron Shire Sustainable Visitation Strategy 2020-2030

The Sustainable Visitation Strategy outlines a framework to minimise the impacts and maximise the benefits that tourism can bring to the Byron Shire, whilst protecting the natural and built environment. The Strategy was developed around six priority themes:

- **Leadership and Destination Management:** focusses on the role of local government in supporting sustainable growth in the local tourism industry and acquiring revenue streams to support the implementation of the Strategy.
- **Repositioning Byron Shire:** using Council-driven campaigns to reposition Byron Shire as a sustainable and environmentally responsible tourism destination to attract visitors that share the community's values.
- **Culture:** developing an Arts and Cultural Policy that defines Council's role in protecting and enhancing the Shire's indigenous, heritage, artistic and cultural diversity.
- **Events:** developing an Events Strategy that focusses on improving the sustainability, coordination and management of festivals, business and leisure events, weddings and filming in the Shire.
- **Transport, Infrastructure and Open Spaces:** improving road infrastructure, parking availability, open spaces and improving accessibility and safety.
- **Planning for Visitor Accommodation:** improving the planning, zoning and regulation of short-term rental accommodation and tourism.

2.2. KEY ISSUES

Based on our review of the strategic and socio-economic context of the Byron LGA, we have identified a number of key issues currently facing the Byron Shire economy and community. These issues comprise the following:

- The Byron LGA is generally characterised by low average per capita incomes and a high proportion of renters, relative to the non-metro NSW average. The issue of rental affordability has been exacerbated in recent years by the sharp increases in median rents and dwelling prices across the Byron LGA.
- Residential rental vacancy rates have remained extremely low between 2016 to 2019, indicating that the rental market is undersupplied. This has resulted in limited choice for residents and significant rent and price growth.
- Between 2017 and 2019, long term residential rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings).
- In Byron Bay, a major tourism and employment centre within the Byron LGA, ~44% of dwellings were being used as non-hosted STRA in 2019. The diminishing availability of housing near major employment areas such as Byron Bay town centre may result in increased use of the Pacific Motorway for commuter

traffic (potentially impacting its efficiency as inter/intra-state freight and passenger infrastructure), and limit the LGA's ability to attract workers to the region.

- Although ~62% of non-hosted STRA properties in the LGA were available for more than 180 days in the year (2019), ~61% of these properties were occupied for less than 90 days in the year. Moreover, between 2017 and 2019 (pre-COVID), short term rental properties accounted for an increasing proportion of total rental stock in the market. This highlights the potential underutilisation of dwellings that could be diverted to the long term rental market.

Table 2.1 – Key Socio-Economic Issues

Byron LGA

| Key Issue | Description |
|--|--|
| Insufficient Housing Supply | <ul style="list-style-type: none"> ▪ In the Byron LGA, 62% of non-hosted STRA properties were available for more than 180 days in the year (2019), however 61% of these properties were occupied for less than 90 days in the year ▪ Between 2017 and 2019, long term residential rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings) ▪ The number of non-hosted STRA properties in the LGA have increased from ~3,860 properties in 2017 (24% of total dwellings) to ~5,250 properties in 2019 (35% of total dwellings) |
| Low Residential Vacancy Rates | <ul style="list-style-type: none"> ▪ Between 2016 and 2019, residential vacancy rates in the Byron Shire and across the broader North Coast have remained below 2.1% |
| Poor Housing Affordability | <ul style="list-style-type: none"> ▪ Average per capita income of Byron Shire residents is \$38,818, 5% lower than the non-metropolitan NSW average ▪ Approximately 33% of households are renters, broadly in-line with the non-metropolitan NSW average of 30% ▪ Less than 47% of rental stock in the Byron Shire is affordable to very low-to moderate-income households, compared to 79% in non-metropolitan NSW ▪ Median rents have increased by 26%-35% across dwelling types (house, townhouse, flat/unit and other) between June 2020 and March 2021, while dwelling supply increased by only 0.8% (~130 dwellings) over the same period ▪ In the five years to March 2021, house and unit prices have grown by an average of 16.3% and 8.9% per annum, respectively |
| Reduced Housing Located Close to Employment Opportunities | <ul style="list-style-type: none"> ▪ As at the 2016 Census, ~42% of jobs (5,437 jobs) in the Byron LGA were located in the Byron Bay town centre ▪ However, in 2019, 44% of dwellings in the Byron Bay town centre were being used as non-hosted STRA ▪ Therefore, the ability for workers to live close to their place of work has diminished since 2016. Nonetheless, in 2016, the Byron LGA enjoyed a |

| Key Issue | Description |
|-----------|---|
| | relatively high employment self-containment rate of ~70.8% (compared to ~63.6% in the Ballina LGA and ~61.5% in the Tweed LGA). |

Many of these key issues are assumed to be driven or at least exacerbated by the proliferation of STRA in the Byron LGA.

Unfortunately, this represents a market failure where a lack of clear regulation and attractive revenue prospects have led many residential property owners to convert their properties into STRA properties. This has caused further tightening of an already low vacancy residential market, thereby creating further upward rent and price pressure which attracts additional investors and is leading to worsening affordability for renters and prospective purchasers.

Therefore, the Council and NSW Government are considering options for policy intervention to address this market failure.

Further details of the current socio-economic context of the Byron LGA are provided below.

2.3. BYRON SHIRE SOCIO DEMOGRAPHIC PROFILE

2.3.1. Key Socio-Demographic Features

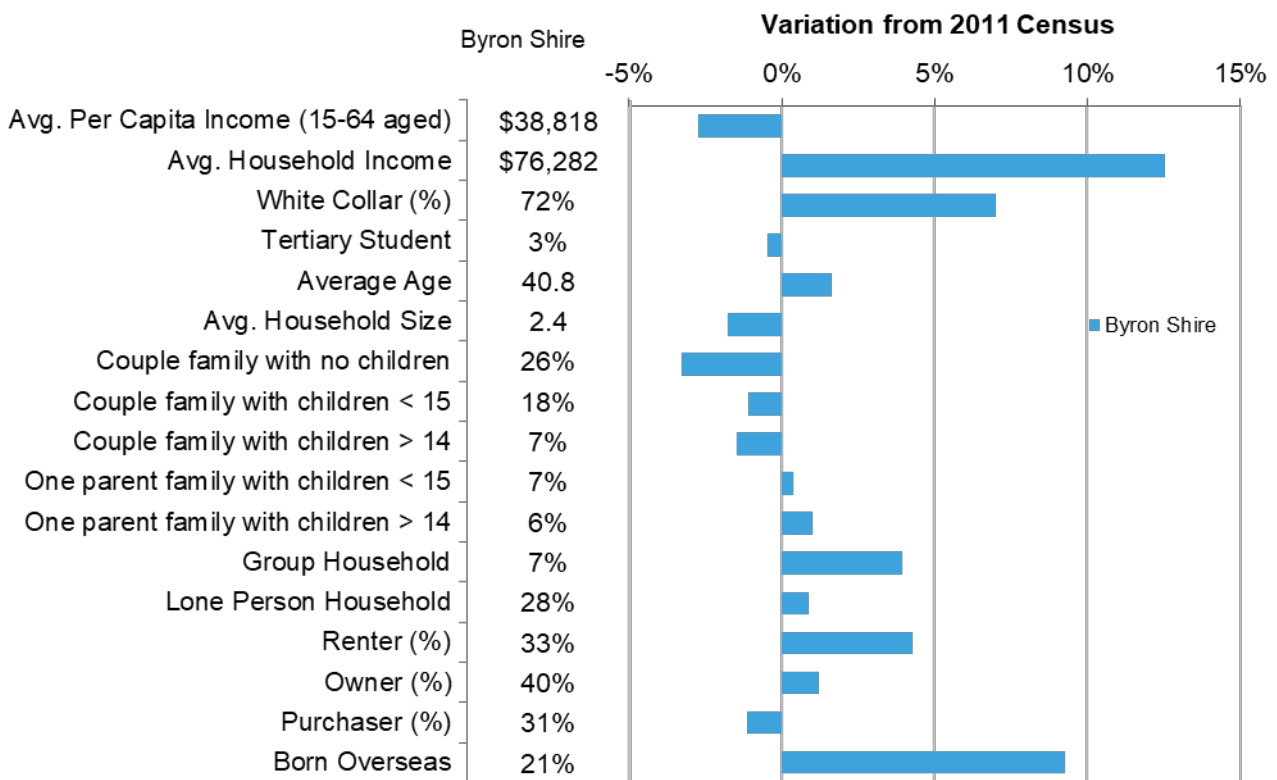
In the 2016 Census, the Byron Shire recorded 31,580 residents and 11,250 households, equating to 2.4 persons per household. Additionally, the Byron Shire Residential Strategy notes that in 2016, there were an estimated 327 homeless people in the Shire.

Chart 2.1 shows the demographic profile of residents within the Byron LGA. When compared to 2011, Byron Shire residents and households have the following trends emerge:

- **Average per capita income** was \$38,818 in 2016, which is 3% lower than in 2011
- The proportion of **white-collar workers** has increased by 7%, reaching 72% in 2016
- The proportion of **couple family households with no children** is three percentage points lower than in 2011, while the proportion of **group households** increased by four percentage points in 2016
- Between 2016 and 2011, the proportion of **renters** has increased by four percentage points to reach 33%, while the proportion of **households with a mortgage** (i.e. **purchasers**) has fallen by one percentage point
- The proportion of **residents born overseas** has increased by nine percentage points to reach 21% in 2016.

Chart 2.1 – Key Demographics, 2016 vs 2011

Byron LGA



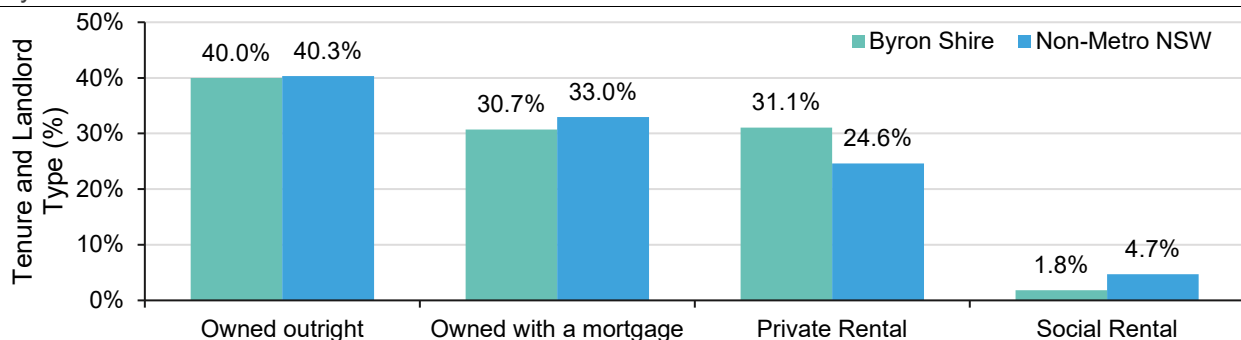
Source: ABS, Urbis

2.3.2. Tenure and Age Distribution

As shown in Chart 2.2, as at the 2016 Census the Byron LGA had a higher proportion of **private renting households** compared to the non-metropolitan NSW average. This reflects the relatively less affordable house prices for purchase in the Shire and the limited availability of social/community housing, as detailed in the next section of this report.

Chart 2.2 – Tenure and Landlord Types, 2016

Byron LGA



Source: ABS Census 2016

Note: Total does not add up to 100% due to rounding

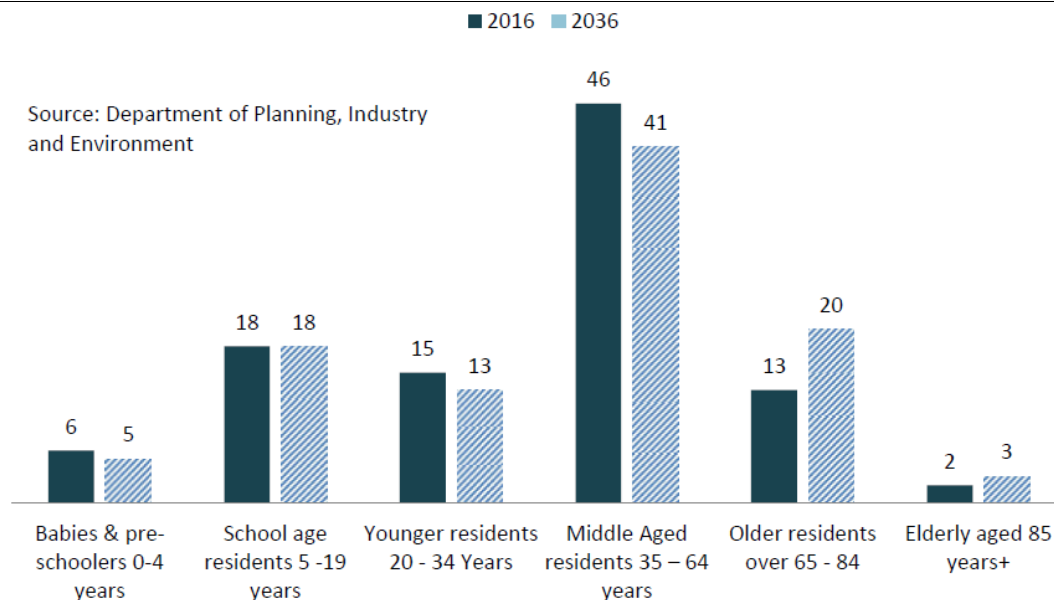
Chart 2.3 presents the Department of Planning, Industry and Environment (DPIE) projections of population by key life stage for the Byron Shire in 2016 and 2036. It illustrates that:

- Currently **middle-aged residents (aged 35-64)** comprise the largest share of the resident population at 46%. By 2036, this proportion is projected to decrease to 41%.

- The key growth life stage is **older residents (aged 65-84)**, growing from a share of 13% in 2016 to a share of 20% in 2036. Ensuring the Shire's housing stock meets the needs of these older residents will be a key consideration for Council in the next 20 years.
- **Younger age groups**, from children to young adults aged 34 and under are projected to grow in line with the overall population.

Chart 2.3 – Change in Life Stage Percentage Distribution, 2016 to 2036

Byron LGA



Source: Department of Planning, Industry and Environment

Source: Department of Planning, Industry and Environment; Byron Shire Council Affordable Housing Contributions Scheme April 2021

2.3.3. Projected Population and Dwellings

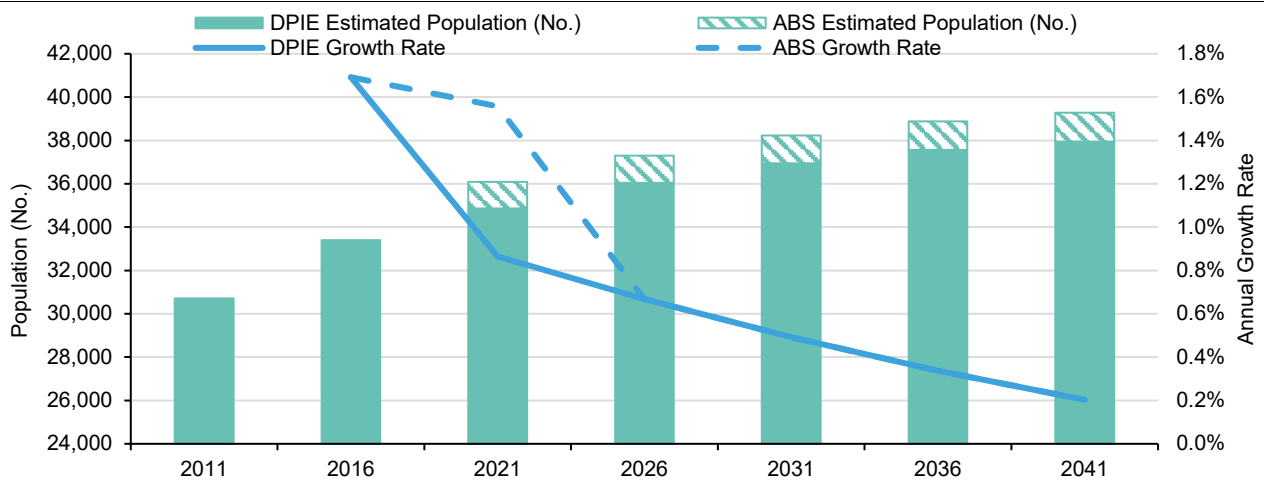
The March 2017 North Coast Regional Plan (NCRP) anticipates that the Byron LGA will accommodate around 6,400 additional residents between 2016 and 2036, requiring an additional 3,150 homes in this period. Since the making of this Plan, Government population and housing projections for the Byron LGA have been revised downwards.

Chart 2.4 shows the DPIE's 2019 population projections and projected growth rates between 2011 and 2041. This has been supplemented with the ABS' Estimated Resident Population (ERP) figures between 2016 and 2020, to present revised estimates from 2021 and onwards. Key findings include:

- Between 2011 and 2016, the Byron LGA experienced strong population growth of around 540 new residents each year, equating to 1.7% growth per annum.
- DPIE forecasts anticipated a decrease in the growth rate to 0.9% per annum between 2016 and 2021. However, ABS ERP data shows that the Byron LGA continued to experience strong growth of around 1.6% per annum during this period, with almost 540 additional residents each year. DPIE forecasts that population growth rate will decrease significantly over time to 2041.
- Total population is projected to grow to 37,955 – 39,276 residents by 2041, reflecting an **additional 3,000 – 3,190 residents between 2021 to 2041**.

Chart 2.4 – Projected Population, 2016 - 2041

Byron LGA



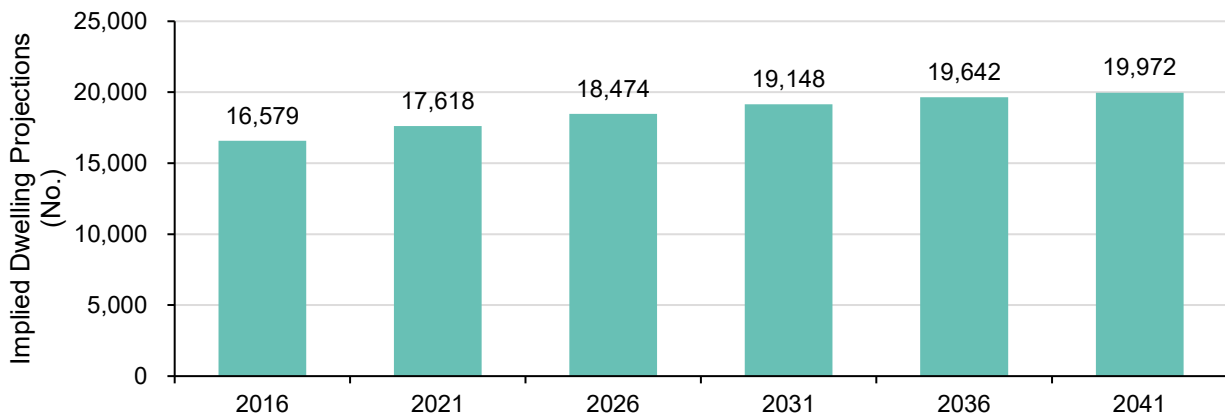
Source: ABS; NSW Department of Planning, Industry and Environment, 2019

Chart 2.5 illustrates the DPIE implied dwelling projection for the Byron LGA to 2041, by applying projected household size to projected population. It shows that by 2041 there will be an implied need for almost 20,000 dwellings, representing an implied **demand for 2,354 additional dwellings** in the Byron Shire between 2021 and 2041 to meet population growth.

However, it is noted that these implied dwellings projections do not account for a share of dwellings being utilised as non-hosted STRA rather than permanent residential housing. Therefore, the DPIE implied dwelling projections are likely underestimating the true number of dwellings required to meet the needs of residents within the LGA over the next 20 years.

Chart 2.5 – Implied Dwelling Projection, 2016 - 2041

Byron LGA



Source: NSW Department of Planning, Industry and Environment, 2019

Chart 2.6 further illustrates the DPIE projected breakdown of household types in the Byron Shire to 2041, as compiled and reported in the Byron Shire Affordable Housing Contributions Scheme. Key findings include:

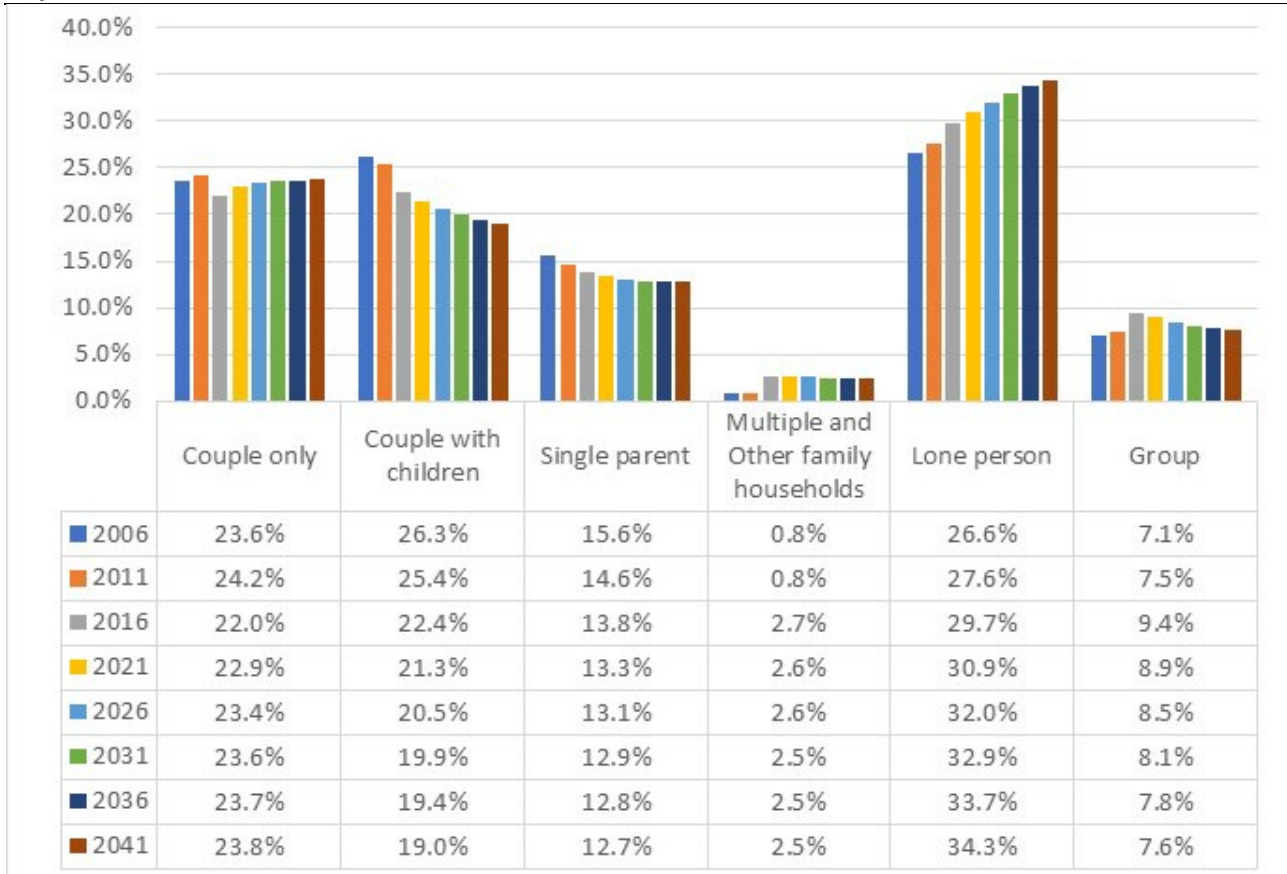
- In line with the projected growth in population aged over 65, the chart shows the highest **growth in the proportion of lone person households**, growing from 30.9% in 2021 to 34.3% in 2041. This trend has already been observed since 2006.
- Family households (couple with children and single parents) are projected to see a decline in their share of Byron Shire households.

- Group households are projected to see a reverse in the growth in proportion experienced to 2016, with a gradual decline in their share of households to 2041.

Overall, these trends point to **a need for more dwellings suitable for single person and couple households** (e.g. apartments and smaller one-two bedroom houses) to 2041.

Chart 2.6 – Projected Household Type Breakdown, 2016 - 2041

Byron LGA



Source: Department of Planning, Industry and Environment; Byron Shire Council Affordable Housing Contributions Scheme April 2021

2.4. BYRON SHIRE HOUSING MARKET

2.4.1. Residential Building Approvals

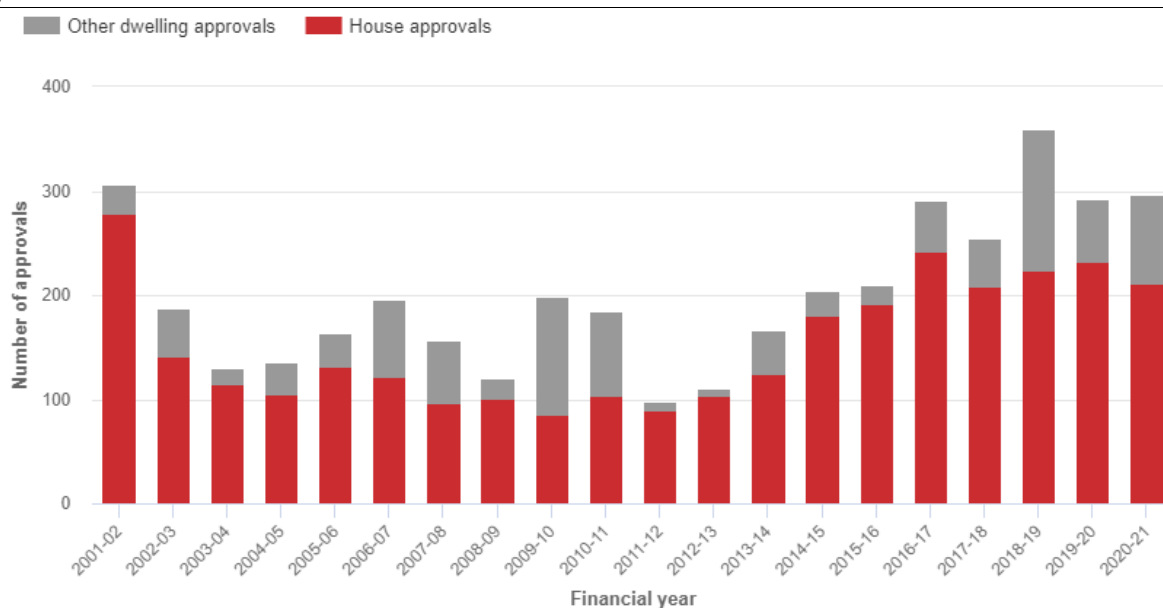
Chart 2.7 shows the historic dwelling approvals in the Byron Shire to 2020-21. In the ten years to 2015-16, the Byron Shire experienced new dwelling approvals fluctuating widely between 100 and 200 dwellings each year.

Between 2015-16 and 2020-21, there have been more consistent dwelling approvals of around **300 dwellings each year**. This compares to the 2019 DPIE **implied dwelling need of 170 dwellings per year** for the Byron Shire over the next five years (noting that not all approvals may proceed and could include some replacement of existing dwellings rather than net additions).

It is also likely that a significant proportion of these dwelling approvals that proceed to construction will result in dwellings that service the non-hosted STRA market rather than long term residential market.

Chart 2.7 – Projected Household Type Breakdown, 2016 - 2041

Byron LGA



Source: Australian Bureau of Statistics, Building Approvals, Australia (8731.0). Compiled and presented by .id (informed decisions).

2.4.2. Affordable Housing Stock

The rapid growth in STRA has impacted residential supply and rents within the LGA. The impacts have likely been exacerbated among vulnerable groups within the community, such as low to moderate income households.

Table 2.2 shows the benchmarks of affordable housing for very low to moderate income households in the Byron Shire, as reported in the Byron Shire Council Affordable Housing Contributions Scheme April 2021. It presents the weekly rent and dwelling purchase prices that are affordable to each household category based on statutory benchmarks of affordable housing and average household income across non-metropolitan NSW.

Table 2.2 – Affordable Housing Benchmarks

Byron LGA

| | Very low-income household | Low-income household | Moderate-income household |
|---|---|---|---|
| Income Benchmark | <50% of Gross Median H/H Income for Rest of NSW | 50-80% of Gross Median H/H Income for Rest of NSW | 80%-120% of Gross Median H/H Income for Rest of NSW |
| Income Range (2) | <\$616 per week | \$617-\$985 per week | \$986-\$1,478 per week |
| Affordable Rental Benchmarks (3) | <\$184 per week | \$185-\$295 per week | \$296-\$443 per week |
| Affordable Purchase Benchmarks (4) | <\$200,000 | \$200,001-\$327,500 | \$327,501-\$493,750 |

Source: ABS (2016) Census; ABS (2019) Consumer Price Index; Byron Shire Council Affordable Housing Contributions Scheme April 2021

(1) All values reported are in September Quarter 2019 dollars

(2) Total weekly household income

(3) Calculated as 30% of total household income

(4) Calculated using ANZ Loan Repayment Calculator, using 27 November 2019 interest rate (4.19%) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan and 30% of total household income as repayments.

Available interest rate for repayments for very low income households was 4.29%.

Table 2.3 illustrates the proportion of Byron Shire rental stock that is affordable to these very low to moderate income households as at 2016, including:

- 6.8% of rental housing is affordable to very low-income households, compared to 40.6% of rental housing in non-metropolitan NSW
- An additional 12.4% of rental housing is affordable to low-income households, compared to 25.2% of rental housing in non-metropolitan NSW.
- A total of 46.8% of rental housing is affordable to very low to moderate income households, compared to 79% in non-metropolitan NSW

This highlights the presence of affordable housing issues within the Byron LGA as at 2016, which is likely to have been exacerbated further, given the rapid growth of STRA over the past 5 years.

To encourage more affordable rental housing, in 2012 Council launched a policy to waive fees for building secondary dwellings on the condition that they were used as affordable rental housing under SEPP 70. Whilst over 400 secondary dwellings were added to the LGA's housing supply, a review of the program in 2019 found:

- In practice, most of these dwellings are used for STRA
- No impact on the rate of increase of median rents for single bedroom dwellings.

The success of such a policy requires ongoing regulation efforts to ensure compliance and the enforcement of penalties for non-compliance, at the financial expense of Council and the community.

Table 2.3 – Affordable Rental Stock as at 2016 Census

Byron LGA

| | Byron LGA | | | Rest of NSW | | |
|----------------------------|----------------------------------|--|--|----------------------------------|--|--|
| | Proportion of Renting Households | Proportion of rental stock affordable (excluding social housing) | Social housing as a proportion of rental stock | Proportion of Renting Households | Proportion of rental stock affordable (excluding social housing) | Social housing as a proportion of rental stock |
| Very low-income households | 26.4% | 6.8% | 6.3% | 26.9% | 40.6% | 16.4% |
| Low-income households | 21.6% | 12.4% | | 22.5% | 25.2% | |
| Moderate income households | 20.1% | 27.6% | | 19.6% | 13.2% | |
| Total | 68.1% | 46.8% | 6.3% | 69.0% | 79.0% | 16.4% |

Source: ABS (2016) Census; Byron Shire Council Affordable Housing Contributions Scheme April 2021

(1) Proportions of rental stock are not cumulative. That is, housing that is affordable to very low-income households is also affordable to low income households but is not included in the total for low income households.

(2) Households with negative/nil income excluded.

2.4.3. Rental Market

Charts 2.8 and 2.9 present the change in median rent in the Byron LGA since September 2017 by dwelling type and number of bedrooms, respectively, based on data from the NSW Department of Communities and Justice.

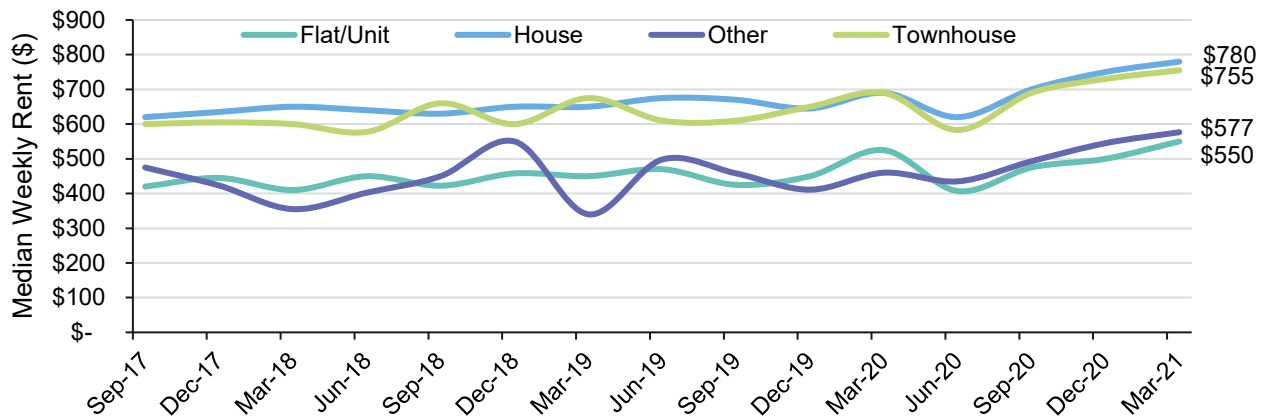
Key findings include:

- Rents were stable from September 2017 to December 2019 at around \$440 per week for units and 'other' dwellings, \$620 per week for townhouses and \$650 per week for houses.

- Rents across all dwelling types and sizes rose sharply by 10% to \$625 per week in the quarter to March 2020, before falling by 11% to \$555 per week in the following quarter to June 2020.
- Since June 2020, median rent has risen strongly to **\$710 per week in the March quarter 2021** across all dwelling types. Growth has been particularly strong in dwellings with 3 or more bedrooms.

Chart 2.8 – Median Weekly Rent by Dwelling Type

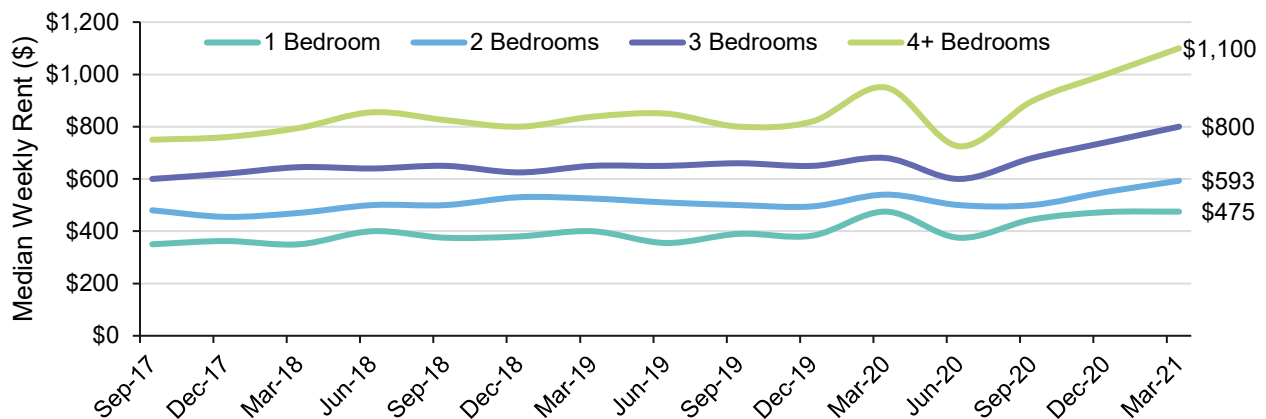
Byron LGA



Source: NSW Department of Communities & Justice

Chart 2.9 – Median Weekly Rent by Number of Bedrooms

Byron LGA



Source: NSW Department of Communities & Justice

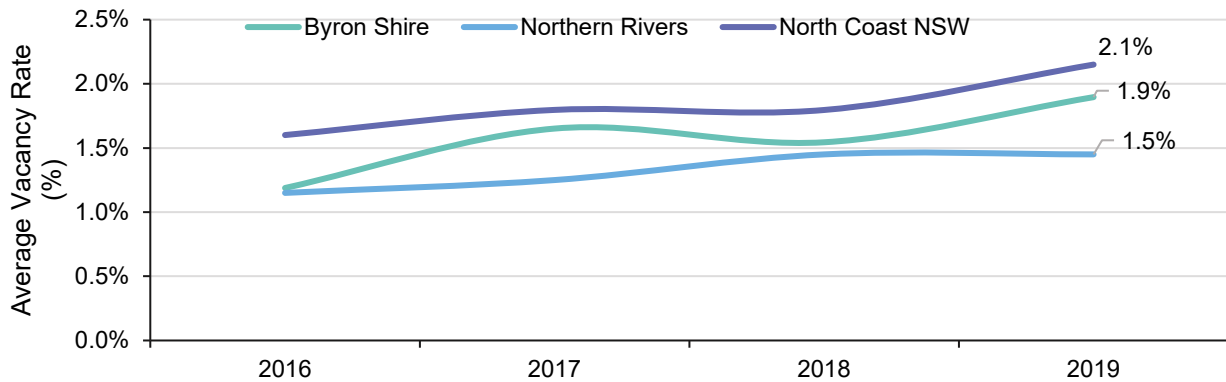
Chart 2.10 compares the pre-COVID-19 average annual vacancy rates between Byron Shire, Northern Rivers and North Coast NSW regions. As a rule of thumb, a vacancy rate of 2.5% to 3.5% indicates a rental market that is in equilibrium. A vacancy rate of less than 2.5% indicates a market that is undersupplied, resulting in limited choice for consumers and potential for rental price growth.

Key findings include:

- All three markets experienced a slight increase in vacancy rates between 2016 and 2019.
- In 2019, the vacancy rate in Byron Shire was approximately 1.9%, which was slightly lower than the overall North Coast vacancy of 2.1% and higher than that of the Northern Rivers, at 1.5%. While vacancy rates have increased since 2016, they are still relatively low, indicating that the rental market is undersupplied.

Chart 2.10 – Vacancy Rate, 2016 - 2019

Byron LGA



Source: SQM research, REINSW, Urbis

2.4.4. Housing Purchase Prices

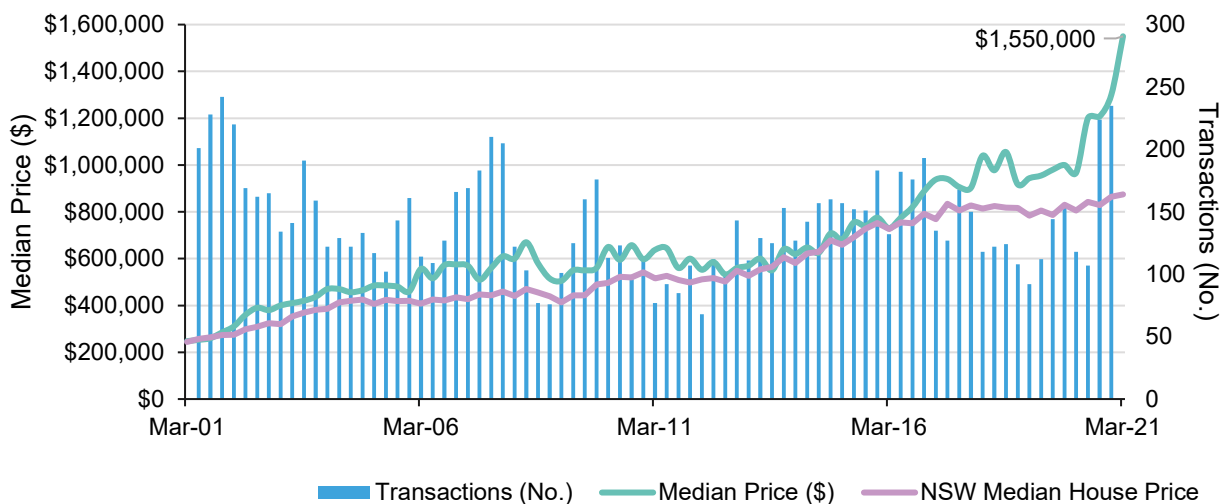
Charts 2.11 and 2.12 present the Byron Shire monthly median dwelling price and number of transactions for houses and units, respectively, based on Pricerfinder data.

Key findings include:

- House prices in the Byron Shire have grown at 9.6% per annum and unit prices at 7.5% per annum over the last 20 years. This compares to the NSW price growth in the same period of 6.6% per annum for houses and 5.6% per annum for units.
- Dwelling price growth has been particularly high in the Byron Shire in the last five years, growing at 16.3% per annum for houses and 8.9% per annum for units.
- Median house prices grew from less than \$1 million in March 2020 to \$1.55 million in March 2021. There were 749 transactions recorded in this period, significantly higher than the 20-year average of 567 transactions per year.
- Median unit prices also rose sharply from \$700,000 in March 2020 to \$900,000 in March 2021. There were also 293 unit transactions in this period, higher than the 20-year average of 207 unit transactions per year.

Chart 2.11 – Housing Price Growth

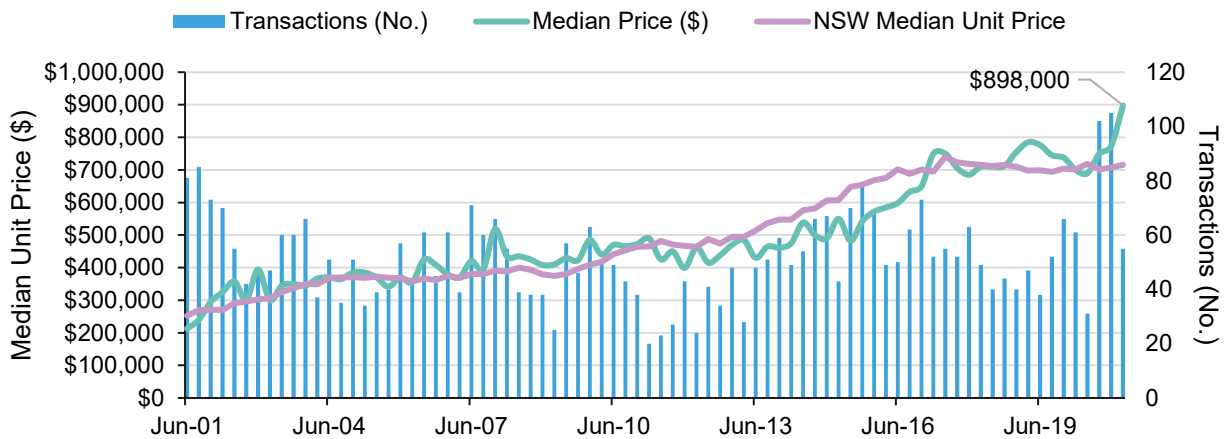
Byron LGA



Source: Pricerfinder; Urbis

Chart 2.12 – Unit Price Growth

Byron LGA



Source: Pricefinder; Urbis

2.5. BYRON SHIRE TOURISM INDUSTRY

Council's long-term vision for tourism is largely guided by the Draft Byron Shire Sustainable Visitation Strategy 2020-2030. As summarised in Section 2.1, the Strategy provides a framework to minimise the impacts and maximise the benefits that tourism can bring to the Byron Shire, whilst protecting the Shire's natural and built environment, culture, community and heritage.

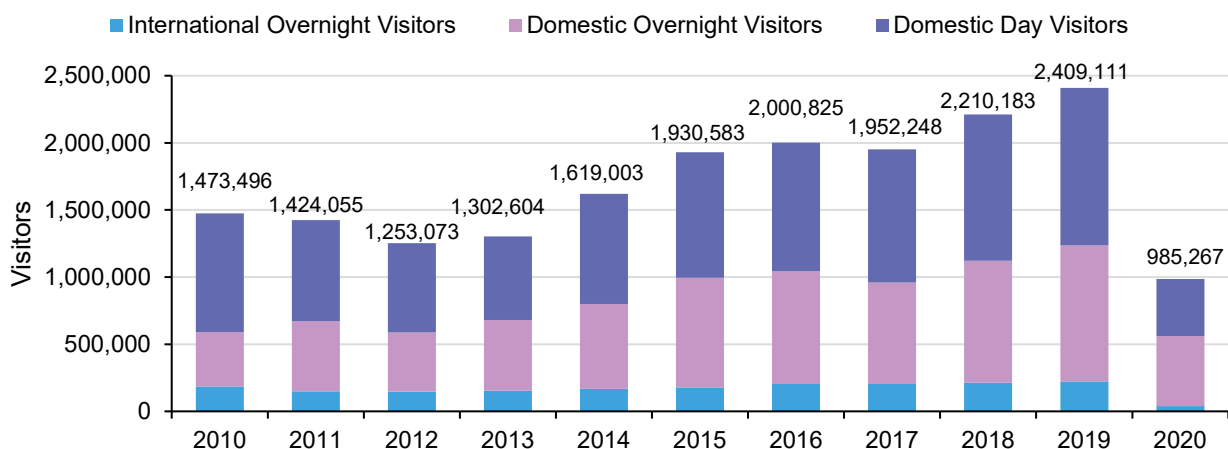
2.5.1. Total Visitation

Chart 2.13 shows the number of visitors to Byron LGA in the last ten years, based on data from Tourism Research Australia (TRA). In 2019, there were over 2.4 million visitors to the Byron LGA, reflecting the highest number of visitor volume to date.

Domestic day visitors have historically represented the highest share of all visitors. In 2019, they comprised 49% of visitors, compared to 42% domestic overnight visitors and 9% international overnight visitors. In 2020, following the impact of COVID-19, domestic overnight visitors comprised the highest share at 53% of visitors, compared to 43% domestic day visitors.

Chart 2.13 – Total Visitors 2010-2020

Byron LGA



Source: Tourism Research Australia; Urbis

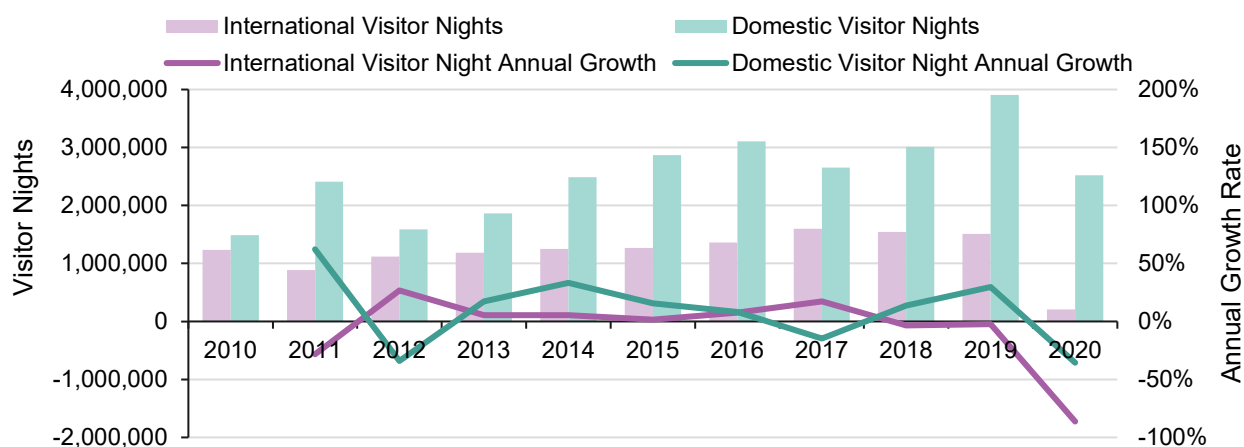
Chart 2.14 shows the visitor nights spent in the Byron LGA, based on TRA data. In 2019, there were a total of **5.4 million visitor nights** spent in the Byron Shire.

Domestic visitor nights grew at 11.3% per annum between 2010 and 2019. By comparison, international visitor nights grew at 2.3% per annum in the same period.

The impact of COVID-19 on visitation to the Byron LGA is clear. In 2020, total visitors declined by -59% and visitor nights declined by -50%. While international visitation was most heavily impacted, domestic visitors declined by -57% and domestic visitor nights declined by -50% in 2020. As such, **modelling of the impact of a STRA cap on tourism will adopt 2019 visitation as a base.**

Chart 2.14 – Total Visitor Nights 2010-2020

Byron LGA



Source: Tourism Research Australia; Urbis

Table 2.4 shows the breakdown of visitor nights in the Byron LGA from 2010 to 2020. The 5.42 million visitor nights in 2019 equates to 14,841 visitor nights per day on average, indicating the minimum required number of beds to accommodate this level of visitation. To note, given that certain periods of the year and days of the week attract higher visitation, there was likely to be days where a higher number of beds were occupied.

Domestic visitors generally contribute most visitor nights, contributing 72% visitor nights in 2019 compared to 28% from international visitors.

Table 2.4 – Total Visitor Nights 2010-2020

Byron LGA

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| International Visitor Nights (million) | 1.23 | 0.88 | 1.12 | 1.18 | 1.25 | 1.27 | 1.36 | 1.60 | 1.54 | 1.51 | 0.21 |
| Domestic Visitor Nights (million) | 1.49 | 2.41 | 1.59 | 1.86 | 2.49 | 2.87 | 3.11 | 2.65 | 3.01 | 3.91 | 2.52 |
| Total Visitor Nights (million) | 2.72 | 3.30 | 2.71 | 3.05 | 3.73 | 4.14 | 4.47 | 4.25 | 4.56 | 5.42 | 2.73 |
| Visitor Nights per day | 7,455 | 9,031 | 7,422 | 8,346 | 10,230 | 11,337 | 12,248 | 11,649 | 12,484 | 14,841 | 7,467 |
| Proportion of Total Visitor Nights | | | | | | | | | | | |
| International Visitor Nights | 45% | 27% | 41% | 39% | 33% | 31% | 31% | 38% | 34% | 28% | 8% |
| Domestic Visitor Nights | 55% | 73% | 59% | 61% | 67% | 69% | 69% | 62% | 66% | 72% | 92% |

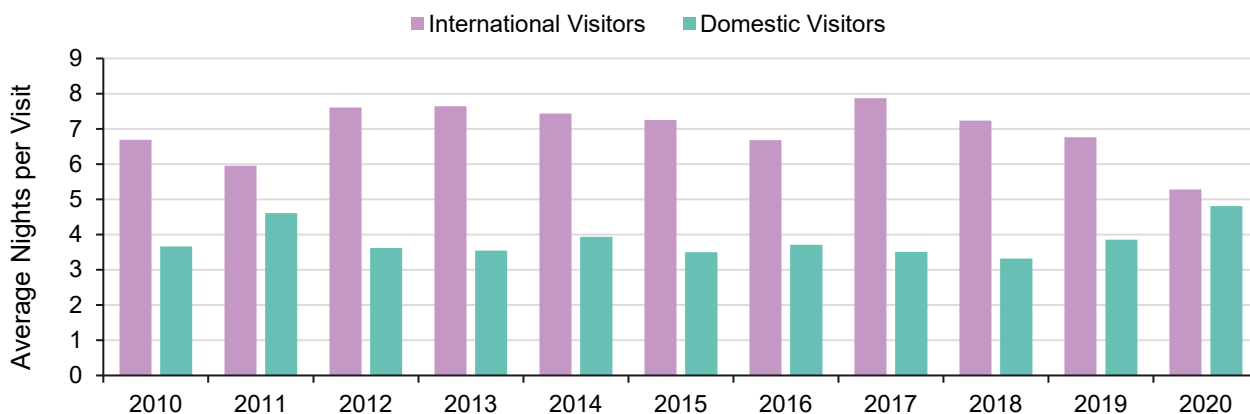
Source: Tourism Research Australia; Urbis

Chart 2.15 presents the average length of overnight visitor stay in the Byron LGA, based on TRA data.

International visitors generally stay for longer periods than domestic visitors. Over the last ten years, international visitors had an average length of stay of 7.1 days, compared to domestic visitors with 3.8 days average length of stay.

Chart 2.15 – Visitor Average Length of Stay

Byron LGA



Source: Tourism Research Australia; Urbis

2.5.2. Visitor Accommodation

Table 2.5 is sourced from the Byron Shire Sustainable Visitation Strategy 2020-2030 and presents the findings of the 2019 Byron Shire Council Accommodation Audit.

Key findings include:

- In 2019, there were a total of **22,025 visitor bed spaces** available across **3,325 properties**. The 5.4 million visitor nights spent in the Shire in 2019 (14,794 visitor nights per day on average), would occupy 67% of bed spaces on average in the year, assuming all bed spaces are available throughout the year.
- The largest share of accommodation properties in 2019 included **holiday houses** (60%), **holiday apartments** (20%) and **private/home stays** (17%). Caravan camping also contributed a large share of the total available beds (24%).
- Hotels and resorts only contributed a combined 1.2% of properties and 9% of bed spaces in 2019.
- Between 2008 and 2019, the largest growth in number of bed spaces was in private/home stays (1,098% growth) and holiday houses (257% growth).

The Strategy notes several issues that the LGA is facing in terms of visitor accommodation, namely:

- There is a lack of business and conference accommodation
- There is community opposition to high-rise hotel chains entering the market
- The Shire is impacted by unauthorised camping activity.

A key action outlined in the Sustainable Visitation Strategy is to investigate the introduction of planning controls to support a diversity of accommodation types in different localities to suit various visitor types. This, in addition to any regulation imposed on STRA, may influence the future distribution of visitor accommodation types within the Shire.

Table 2.5 – Visitor Accommodation Summary, 2008 and 2019

Byron LGA

| Accommodation Type | 2019 | | | | 2008 | | % change in number of bed spaces from 2008 to 2019 |
|---------------------|--------------|---------------|--------------------|-------------------|--------------|---------------|--|
| | Properties | Bed Spaces | Total properties % | Total bed space % | Properties | Bed Spaces | |
| Hostels/Backpackers | 10 | 1,751 | 0.5% | 8.0% | 11 | 1,178 | 49% |
| Caravan Camping | 13 | 5,318 | 0.5% | 24.0% | 13 | 5,255 | 1% |
| Resorts | 2 | 800 | 0.4% | 4.0% | 9 | 949 | -16% |
| Holiday Apartments | 671 | 2,846 | 20.0% | 13.0% | 615 | 2,885 | -1% |
| Hotels/Motels | 29 | 1,096 | 0.8% | 5.0% | 25 | 890 | 23% |
| Guest Houses | 27 | 228 | 0.8% | 1.0% | 48 | 335 | -32% |
| Holiday Houses | 1,998 | 8,836 | 60.0% | 40.0% | 393 | 2,473 | 257% |
| Private/Home Stays | 575 | 1,150 | 17.0% | 5.0% | 7 | 96 | 1098% |
| Total | 3,325 | 22,025 | 100% | 100% | 1,121 | 14,061 | 57% |

Source: Byron Shire Council Accommodation Audit 2019

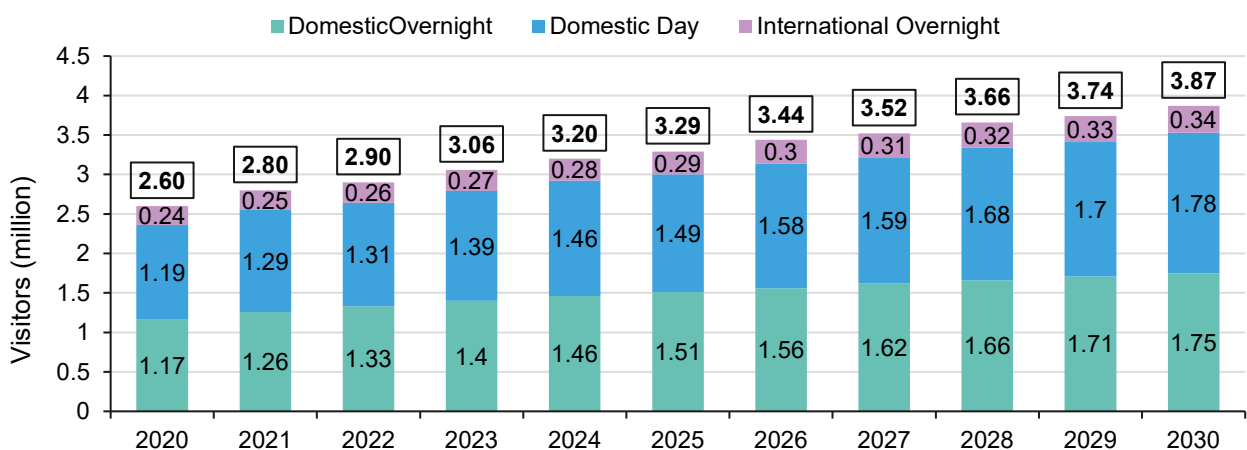
2.5.3. Visitor Forecast

Charts 2.16 and 2.17 are sourced from the Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030. They present the TRA visitor and visitor night forecast, respectively, for the Byron Shire to 2030.

Between 2020 and 2030, total visitors to the Byron LGA are forecast to grow from 2.60 million to 3.87 million, reflecting annual growth of 4.0%. In the same period, visitor nights are forecast to grow at 3.9% from 5.86 million in 2020 to 8.59 million in 2030.

Chart 2.16 – Visitor Forecast, 2020-2030

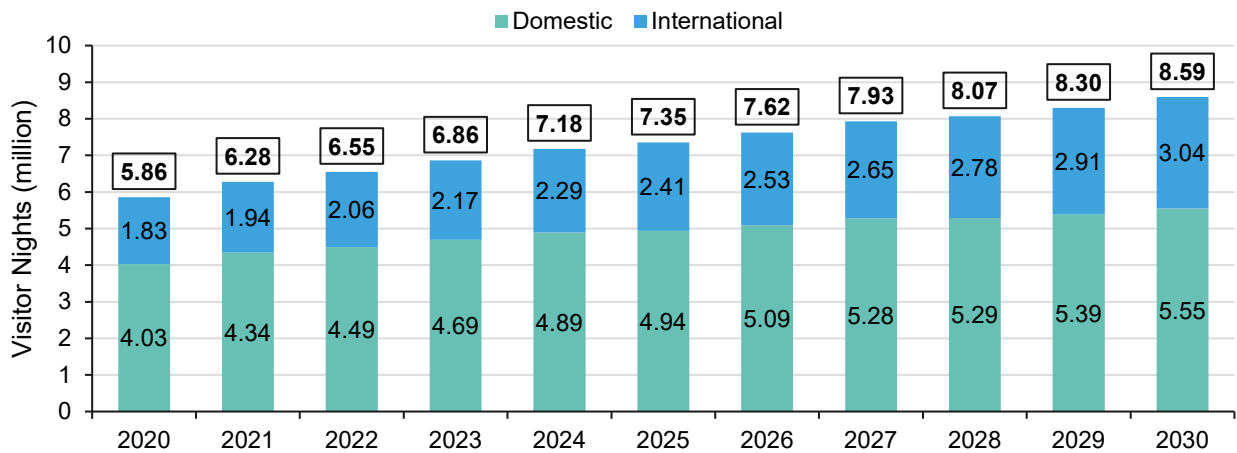
Byron LGA



Source: Tourism Research Australia; Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030

Chart 2.17 – Visitor Night Forecast, 2020-2030

Byron LGA



Source: Tourism Research Australia; Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030

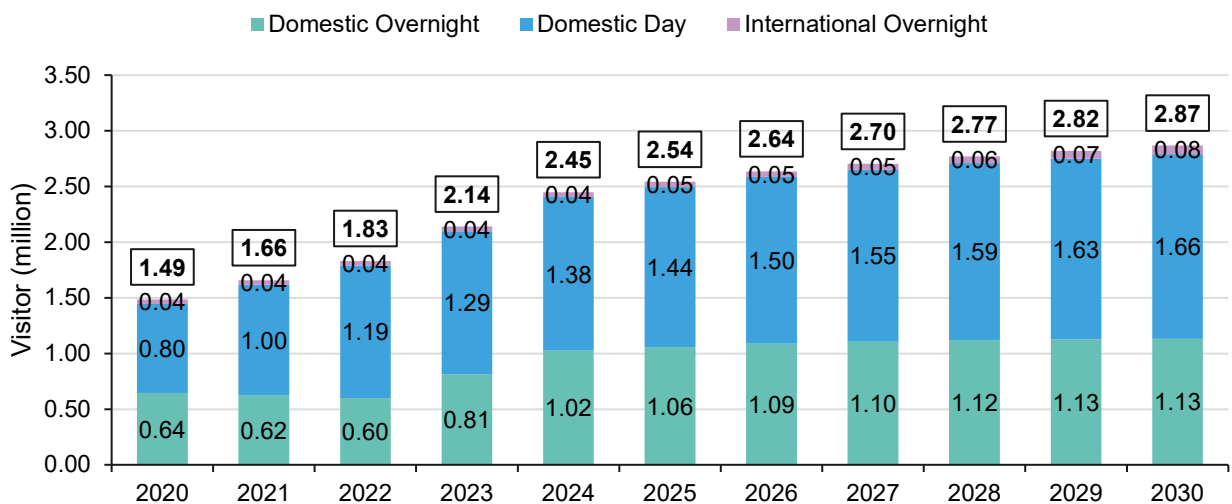
Charts 2.18 and 2.19 are sourced from the Byron Shire Council Tourism Resilience Discussion Paper (October 2020). The discussion paper shows revised visitor and visitor night forecasts to 2030 that account for the impacts of COVID-19. The discussion paper notes that the revised figures are based on the following assumptions:

- Visitors are not expected to return to 2019 numbers until 2024.
- Visitor nights are not expected to return to 2019 levels until after 2030.
- International visitors are not expected to return to 2019 numbers for at least 10 years.

Between 2020 and 2030, total visitors to the Byron Shire are forecast to grow from 1.49 million to 2.87 million, reflecting annual growth of 5.4%. In the same period, visitor nights are forecast to grow at 6.8%, from 2.53 million in 2020 to 4.28 million in 2030.

Chart 2.18 – Revised COVID-Impacted Visitor Forecast, 2020-2030

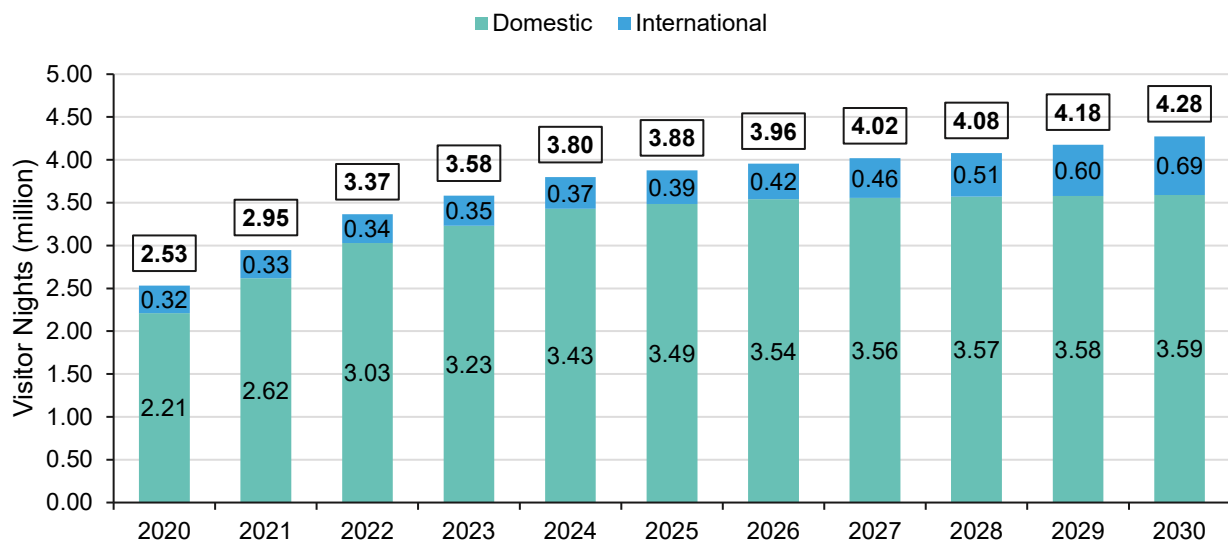
Byron LGA



Source: Byron Shire Council Tourism Resilience Discussion Paper 2020-2030

Chart 2.19 – Revised COVID-Impacted Visitor Night Forecast, 2020-2030

Byron LGA



Source: Byron Shire Council Tourism Resilience Discussion Paper 2020-2030

2.5.4. Visitor Spend

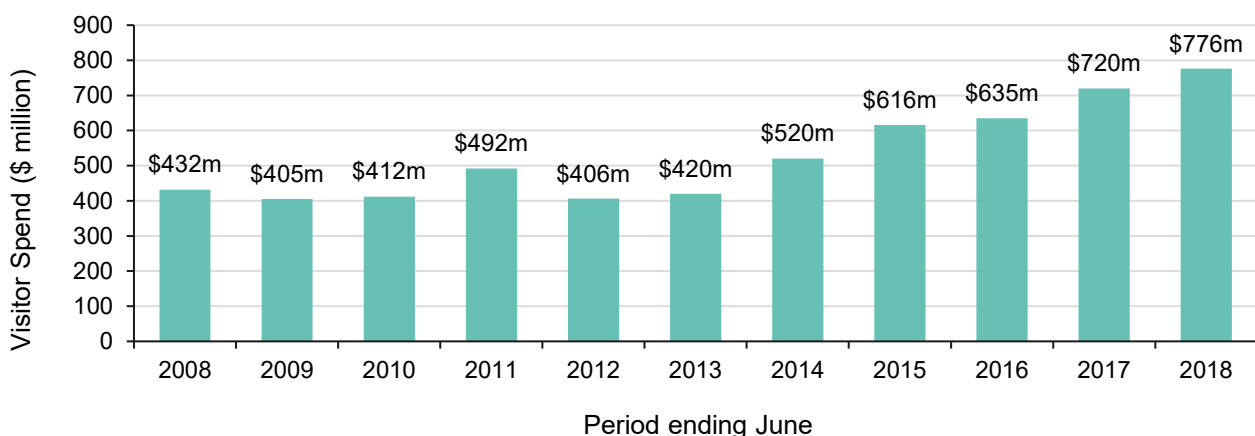
Charts 2.20 and 2.21 are sourced from the Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030.

Chart 2.20 shows the visitor spend in the Byron Shire from 2008 to 2018, based on TRA data. In 2018, visitors to the Byron Shire were estimated to have spent \$776 million, representing a major boost to the Shire economy. When compared to the number of visitors to the Byron Shire:

- \$412 million visitor spend in 2010 reflects \$280 spend per visitor to the Byron LGA
- \$776 million visitor spend in 2018 reflects \$351 spend per visitor to the Byron LGA.

Chart 2.20 – Visitor Spend, Year ending June 2008 – Year to June 2018

Byron LGA



Source: Tourism Research Australia; Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030

Chart 2.21 shows the TRA forecast visitor spend in the Byron LGA to 2030. Visitor spend is forecast to grow from \$1,009 million in 2020 to \$1.623 million in 2030. This reflects growth of 4.9% per annum, compared to

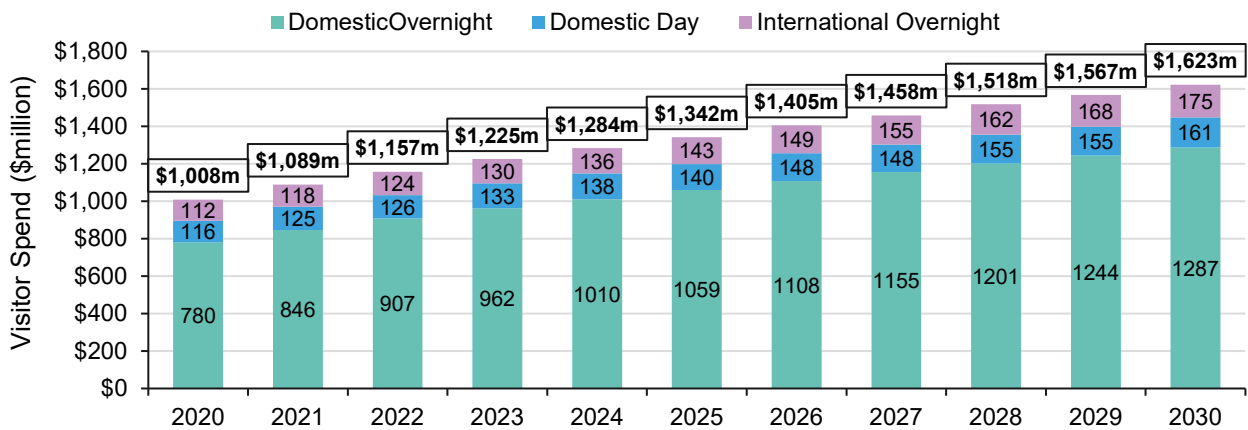
visitor growth of 4.0% in the same period. As such, visitors are forecast to spending more per trip to the Byron LGA.

Specifically, average TRA estimated/forecast spend per visitor to the Byron LGA is:

- \$280 per visitor in 2010
- \$351 per visitor in 2018
- \$388 per visitor in 2020
- \$420 per visitor in 2030.

Chart 2.21 – Visitor Spend Forecast, 2020-2030

Byron LGA



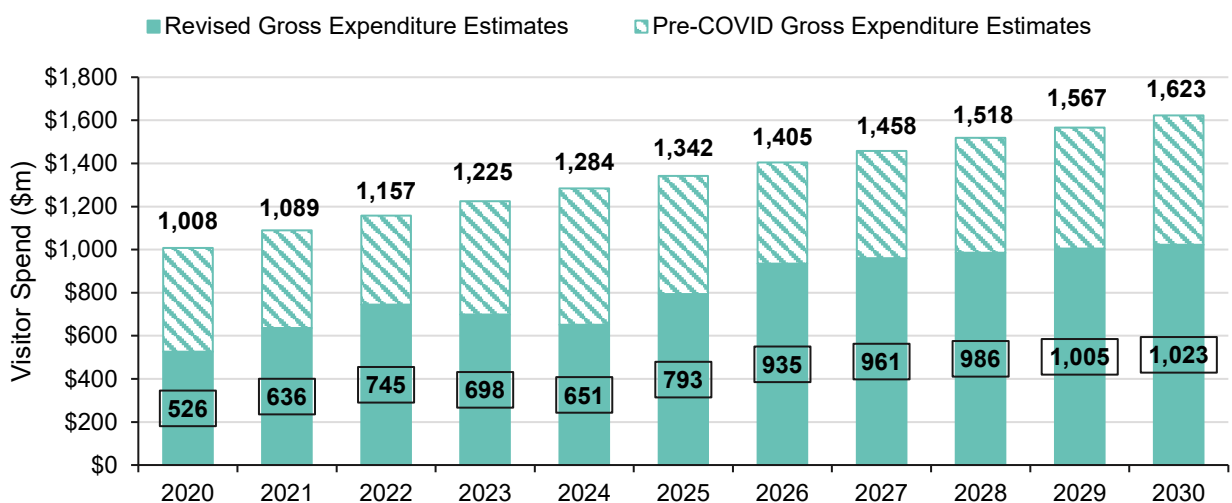
Source: Tourism Research Australia; Byron Shire Council Draft Sustainable Visitation Strategy 2020-2030

The Byron Shire Council Tourism Resilience Discussion Paper also provides revised total visitor spending forecasts that consider the impacts of COVID-19. The discussion paper does not provide a breakdown of expenditure by visitor type. Chart 2.22 compares these revised forecasts to the pre-COVID estimates reported in the Draft Sustainable Visitation Strategy 2020-2030.

The revised figures estimate that visitor spend will grow from \$526 million in 2020 to \$1.034 million in 2030, equating to growth of 6.9% per annum. Relative to pre-COVID estimates, this represents a loss in potential visitor spend of \$482 million in 2020, growing to \$600 million by 2030.

Chart 2.22 – Visitor Spend Forecast Comparison (Pre-COVID and Revised), 2020-2030

Byron LGA



Source: Byron Shire Council Tourism Resilience Discussion Paper 2020-2030

2.6. BYRON SHIRE SHORT TERM RENTAL ACCOMMODATION MARKET

Byron Shire Council have provided the following data sources for the supply of STRA in the Byron LGA:

- **SVS tourism product and accommodation audit (Jan 2019).** It reported a total of 3,271 STRA properties and 13,060 STRA bed spaces in January 2019 across holiday apartments, holiday houses, guest houses and private/home stays.
- **Review of Byron Shire Stayz listings (June 2013).**
- **AirDNA database of AirBNB and Stayz listings (Jan 2016 – June 2021).** This is considered the most accurate source of STRA supply data and has been adopted for analysis of the STRA market in this section.

2.6.1. STRA Available Property Days

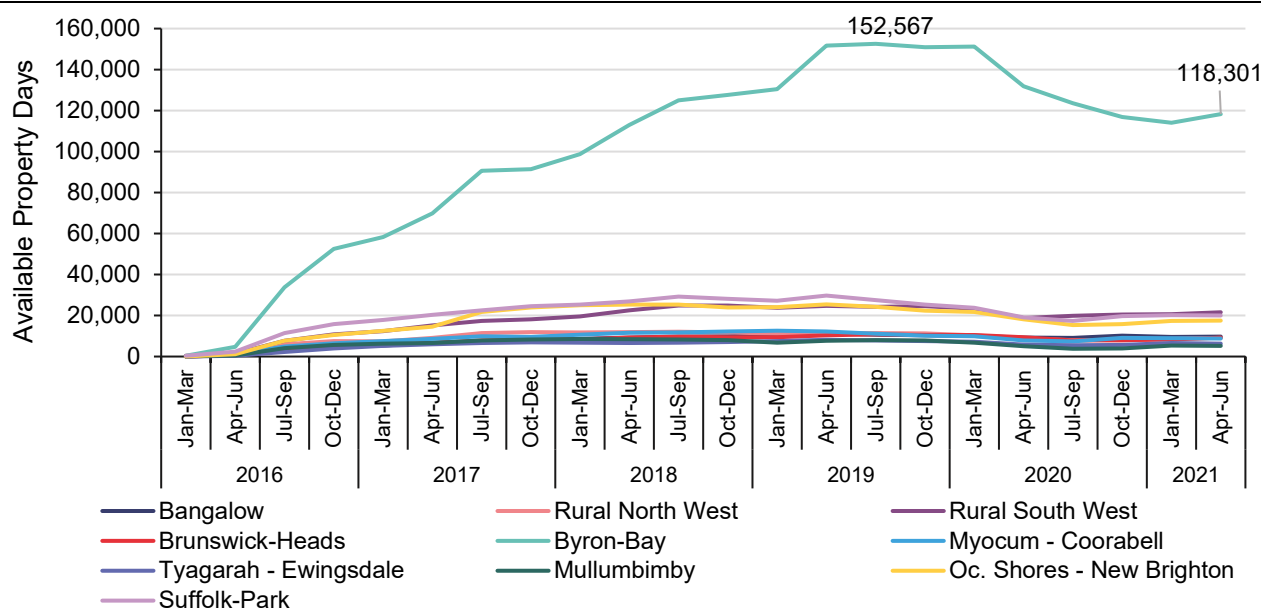
Chart 2.23 presents the number of available property days in different localities within the Byron Shire, from January 2016 to June 2021. We have analysed the AirDNA data using calendar quarters.

The chart shows that Byron Bay offers most of the available property days in the LGA. The number of property days in Byron Bay and across the LGA grew significantly between 2016 and 2019, before falling in 2020. As such, we have adopted January 2019 – December 2019 as the base period for our analysis of STRA supply in the Shire.

We note that the collection of AirDNA data from 2016 may result in underestimating the number of available STRA properties at this time.

Chart 2.23 – AirBNB and HomeAway Available Property Days by Location

Byron LGA



2.6.2. STRA Occupancy

Chart 2.24 presents a breakdown of the total available STRA property days and occupied STRA property days across the Byron LGA based on AirDNA data, and the resulting property occupancy rate.

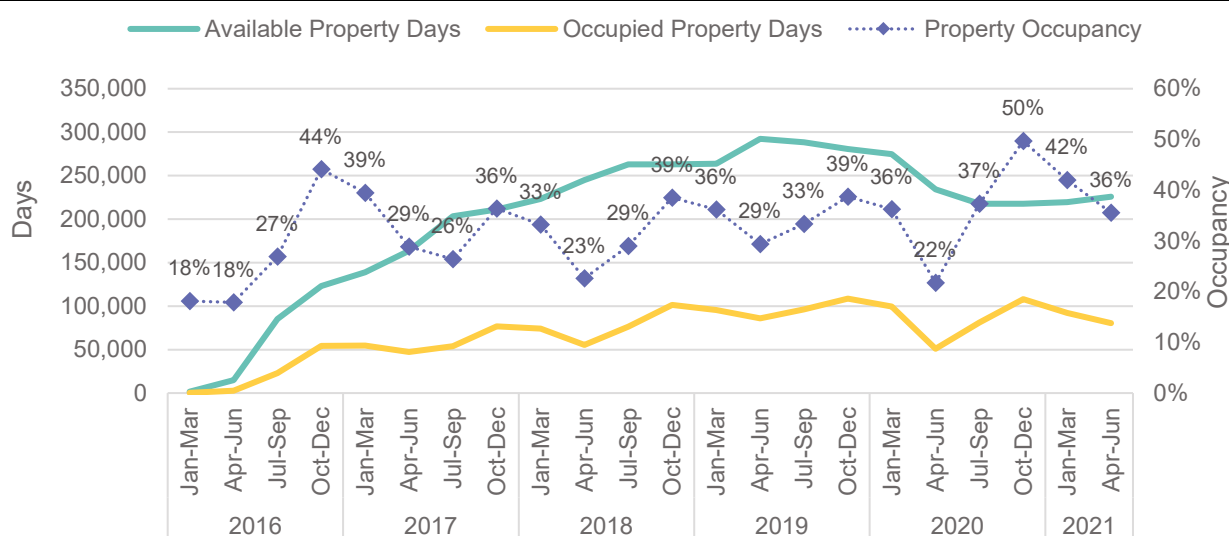
To note, the AirDNA dataset does not include number of beds for all listings, meaning that we are unable to analyse bed space availability and occupancy using this data.

Key findings include:

- In the January to December 2019 pre-COVID base analysis period, there were **1,126,000 available property days** and **386,000 occupied property days** in the Byron LGA, resulting in an average **occupancy rate of 34%** across the year.
- There is a clear pattern of seasonal occupancy when looking at the 2017 to 2019 period:
 - January to March – occupancy of 33% to 39%
 - **April to June is the low period** – occupancy of 23% to 29%
 - July to September – occupancy of 26% to 33%
 - **October to December is the high period** – occupancy of 36% to 39%.
- Occupied property days fell sharply in April to June 2020, as a result of COVID-19. The number of available property days declined in this period and continued to fall throughout 2020. This reflects STRA owners removing their listings to switch to alternative uses post-COVID (e.g. long term lease, owner-occupier, private holiday house).

Chart 2.24 – AirBNB and HomeAway Available and Occupied Property Days

Byron LGA



Source: AirDNA, Urbis

2.6.3. STRA Listings

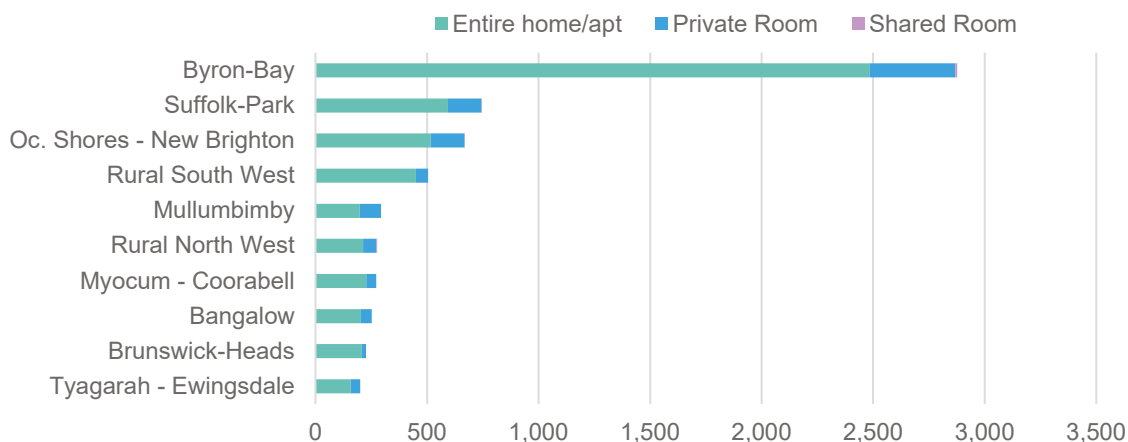
Chart 2.25 and Table 2.6 show the number of STRA listings (AirBNB and HomeAway) in the Byron LGA in the January to December 2019 period. This includes any property that was listed for at least one day in the year.

Key findings include:

- There was a total of **6,319 listed properties** in the period. Of these, **5,248 (83%) were an entire home / apartment listing (non-hosted)**, and the remaining 1,071 (17%) were private or shared rooms (hosted).
- Byron Bay accounted for the largest share of STRA properties in the LGA, with the 2,877 non-hosted properties accounting for 47% of all non-hosted properties in the Shire. Other key locations for non-hosted properties include Suffolk Park (11%), and Ocean Shores, South Golden Beach and New Brighton (10%).

Chart 2.25 – AirBNB and HomeAway Listings (Jan 2019 – Dec 2019)

Byron LGA



Source: AirDNA, Urbis

Table 2.6 – AirBNB and HomeAway Listings (Jan 2019 – Dec 2019)

Byron LGA

| | Entire home/apt | Private Room | Shared Room | Total |
|---------------------------|-----------------|--------------|-------------|--------------|
| Byron Bay | 2,483 | 385 | 9 | 2,877 |
| Suffolk Park | 593 | 151 | 1 | 745 |
| Oc. Shores - New Brighton | 516 | 152 | 1 | 669 |
| Rural South West | 450 | 55 | 0 | 505 |
| Mullumbimby | 198 | 96 | 0 | 294 |
| Rural North West | 214 | 59 | 4 | 277 |
| Myocum - Coorabell | 228 | 45 | 0 | 273 |
| Bangalow | 203 | 49 | 0 | 252 |
| Brunswick Heads | 206 | 21 | 0 | 227 |
| Tyagarah - Ewingsdale | 157 | 43 | 0 | 200 |
| Total | 5,248 | 1,056 | 15 | 6,319 |
| | 83% | 17% | 0% | 100% |

Source: AirDNA, Urbis

2.6.4. STRA Occupancy by Location

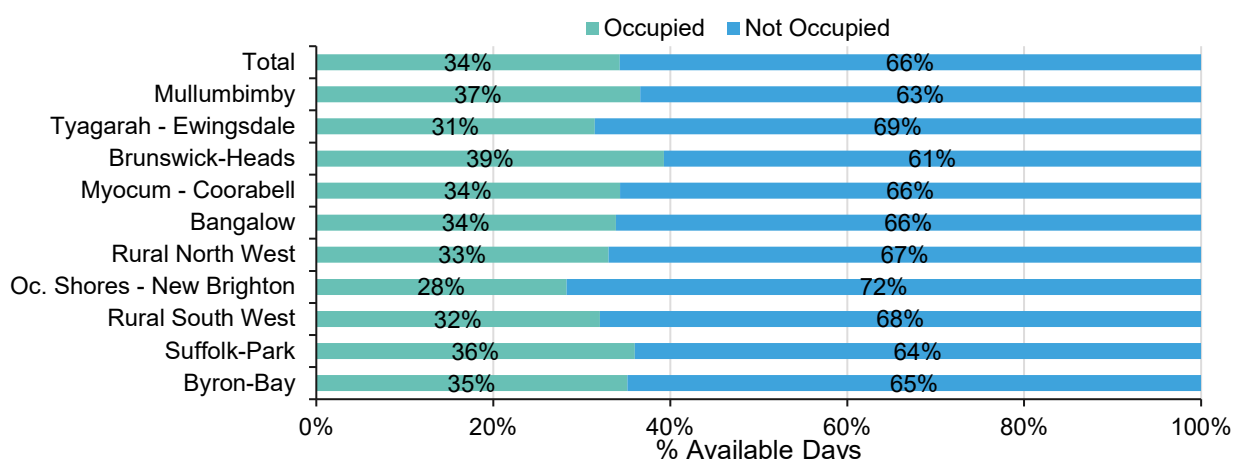
Chart 2.26 and Table 2.7 show STRA occupancy by location across the Byron LGA in the year to December 2019, measured as total occupied property days as a percentage of total available property days.

Key findings include:

- There were only minor differences in STRA occupancy across locations in the LGA.
- Between January to December 2019 the LGA had an occupancy rate of 34% of available property days.

Chart 2.26 – AirBNB and HomeAway Occupancy by Location (Jan 2019 – Dec 2019)

Byron LGA



Source: AirDNA, Urbis

Table 2.7 – AirBNB and HomeAway Occupancy by Location (Jan 2019 – Dec 2019)

Byron LGA

| | Available | Occupied | Occupancy Rate |
|---------------------------|------------------|----------------|----------------|
| Byron-Bay | 585,578 | 205,879 | 35% |
| Suffolk-Park | 109,901 | 39,562 | 36% |
| Rural South West | 97,189 | 31,161 | 32% |
| Oc. Shores - New Brighton | 96,195 | 27,223 | 28% |
| Rural North West | 45,247 | 14,946 | 33% |
| Bangalow | 42,959 | 14,550 | 34% |
| Myocum - Coorabell | 46,207 | 15,859 | 34% |
| Brunswick-Heads | 41,047 | 16,133 | 39% |
| Tyagarah - Ewingsdale | 30,944 | 9,740 | 31% |
| Mullumbimby | 30,264 | 11,075 | 37% |
| Total | 1,125,531 | 386,128 | 34% |

Source: AirDNA, Urbis

2.6.5. STRA Properties

Table 2.8 shows the proportion of non-hosted STRA properties in the LGA that were available and occupied for 1-90 days, 91-180 days and 181-365 days in the year ending December 2019.

It shows that **most properties (62%) were available for more than 180 days in the year**, however **most properties (61%) were occupied for less than 90 days in the year**. There were 1,014 properties (23%) that were occupied for 91-180 days and 696 properties (16%) that were occupied for more than 180 days. These properties would be negatively impacted by the proposed STRA cap.

Table 2.8 – Non-Hosted STRA Properties (Jan 2019 – Dec 2019)

Byron LGA

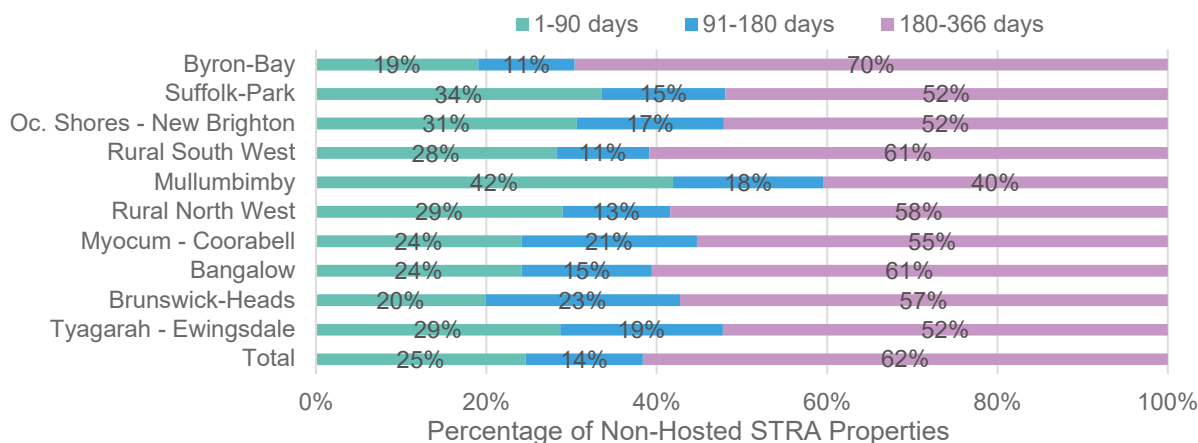
| | Available Properties | | Occupied Properties | |
|--------------|----------------------|-------------|---------------------|-------------|
| | No. | % | No. | % |
| 1-90 days | 1,292 | 25% | 2,636 | 61% |
| 91-180 days | 722 | 14% | 1,014 | 23% |
| 180-366 days | 3,234 | 62% | 696 | 16% |
| Total | 5,248 | 100% | 4,346 | 100% |

Source: AirDNA, Urbis

Charts 2.27 and 2.28 show the periods of availability and occupancy across locations in the LGA. They show that **Byron Bay** had the highest proportion of properties available for more than 90 days in the analysis year (81%). It also had the highest proportion of properties occupied for more than 90 days (46%).

Chart 2.27 – AirBNB and HomeAway Properties by Available Days (Jan 2019 – Dec 2019)

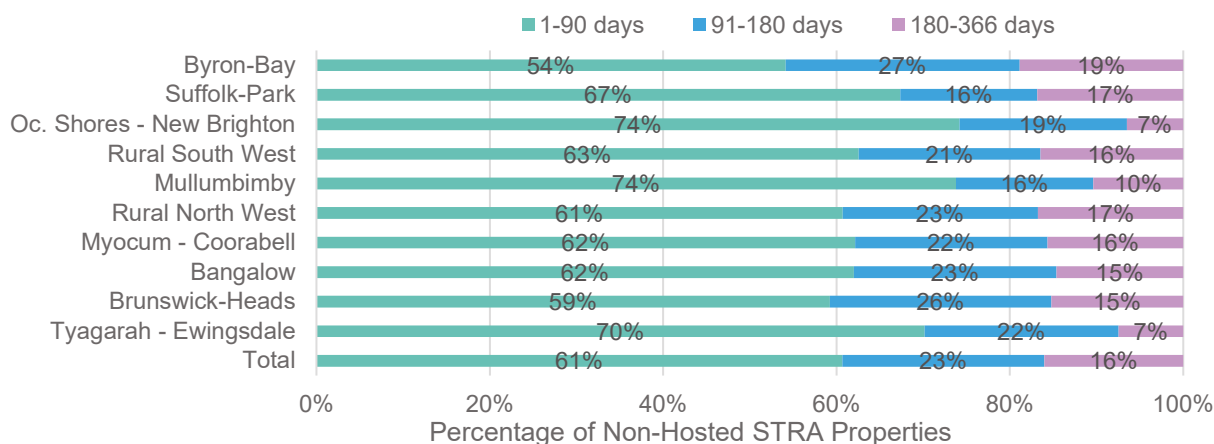
Byron LGA



Source: AirDNA, Urbis

Chart 2.28 – AirBNB and HomeAway Properties by Occupied Days (Jan 2019 – Dec 2019)

Byron LGA



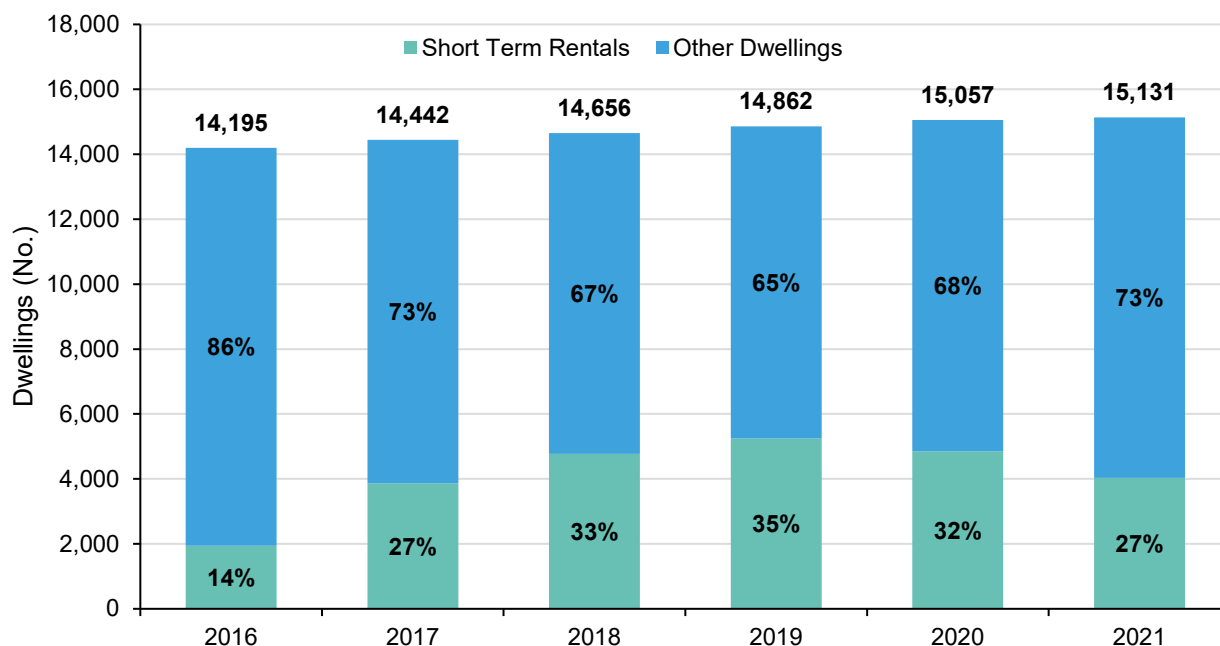
Source: AirDNA, Urbis

Chart 2.29 show the proportion of short term rentals as a proportion of total dwelling stock in the Byron LGA between 2016 and 2021. The chart presents dwelling counts as of the 2016 ABS Census, supplemented with occupational certificate data to 2021 as a proxy for new dwellings completed since the Census.

Between 2016 and 2021, total dwelling stock in the LGA increased by almost 940 dwellings to reach 15,131 dwellings in 2021. Between 2016 and 2019 (pre-COVID), the proportion of dwellings directed towards the short term rental market increased from 14% to 35%. That is, **by 2019, more than one third of total dwellings in the LGA were STRA**. This proportion has since fallen, reaching 27% by 2021, a likely consequence of COVID-19, border restrictions and the prolonged uncertainty around the tourism market recovery.

Chart 2.29 – Distribution of Total Dwelling Stock

Byron LGA



Note: 2021 figure is as of July 2021.

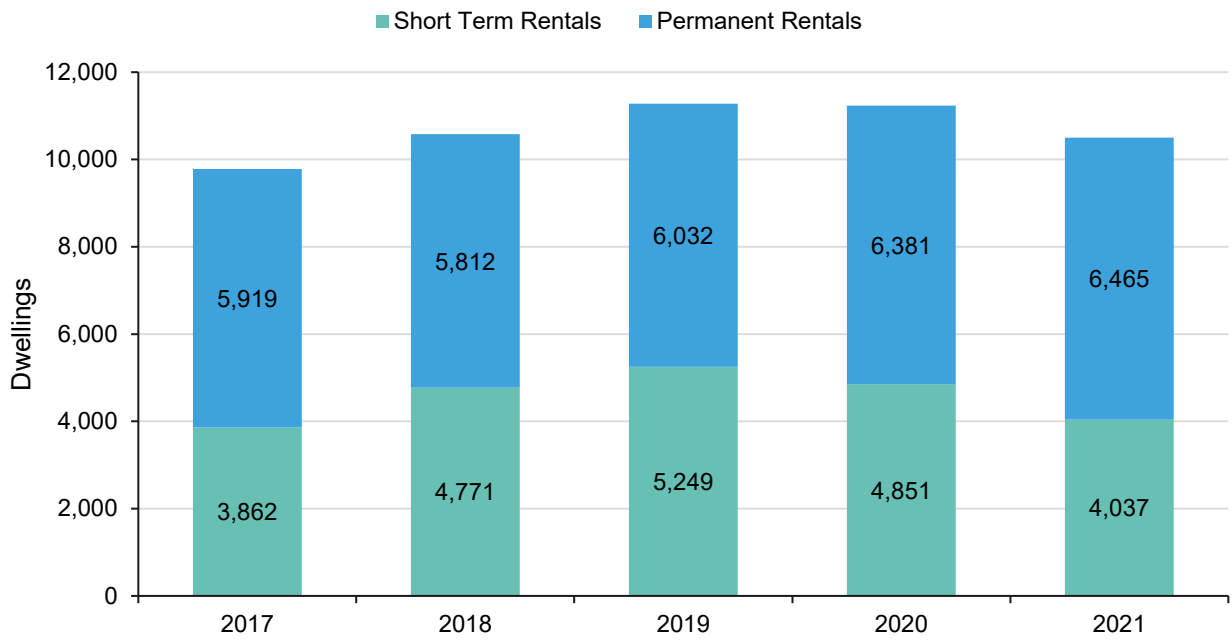
Source: ABS, Byron Shire Council, Urbis

Chart 2.30 compares the number of available short term and long term rental properties in the Byron LGA between 2017 and 2021. The overall stock of long term rental properties has generally increased over this period, reaching almost 6,500 properties in 2021. A significant portion of short term rental stock has been taken off the market since 2020 as a result of COVID-19.

While total overall rental stock has generally grown, between 2017 and 2019, the proportion of long term rentals has fallen from 61% to 53%. This highlights that new dwellings entering the rental market were largely being converted to the short term rental properties.

Chart 2.30 – Number of Short Term Rentals and Long Term Rentals

Byron LGA



Source: NSW Department of Communities & Justice, AirDNA, Urbis

Note: Long term rentals are proxied by the average number of bonds held during the year.

3. STRA PROPERTY OWNERS AND INDUSTRY INSIGHTS

This section presents the insights from the industry market sounding with real estate and property agents and the survey of STRA property owners.

To inform the assessment of potential impacts, engagement with the real estate and property management industry and property owners in the LGA was undertaken. Property owners were invited to participate in the survey which they could access via the Council website, although important to note it was not a Council survey.

The responses from the owners operating their properties as STRA were particularly important to model the potential impacts under the different policy scenarios, specifically what would they do with their property including the option to convert to long-term rental market. A total of 941 owners opened the survey with complete data from 249 STRA owners.

In this sector, there is a mix of reported results and verbatims from the survey, comments from industry and Urbis’s own commentary. For the purpose of clarification, when it is a direct sourcing of either the survey or industry the source will appear after either as (survey) or (industry).

It is important to note that industry comments are included to offer a perspective and are not censured, fact checked or verified. Urbis makes no allegation to its veracity. The reader may not agree with the comment if they don’t share that view, however it is still nonetheless a perspective relevant to the assessment as they provide insight into how the policy changes may impact behaviour of property owners. These industry comments do not underpin any modelling of impacts in the economic impact assessment.

Summary of Key Findings

Industry is very concerned about the potential impacts of reducing the number of available days for STRA properties particularly those located outside the Council-defined STRA Precincts that could be subject to a 90-day cap.

Non-hosted accommodation particularly detached houses have been an important product of the visitor economy and supports larger groups and a higher yielding visitor compared to most hosted options such as apartments, caravan park etc. (industry) Not having adequate options for these segments is a consideration for industry and the potential risk of losing visitors to other locations if they are unable to rent properties suited to them.

Key Survey Insights

The survey data provided a strong indication of how STRA owners would be likely to respond to different policy options. These insights are summarised below in Table 3.1, and were used to directly inform the assessment of impacts in Section 4.

Table 3.1 – STRA Owner Responses to Different Policy Options

Survey Insights

| Policy Options | STRA Owner Responses to the Policy Options | |
|--|--|--|
| | STRA Properties in STRA Precincts | STRA Properties in Rest of LGA |
| 180-Day Cap Across the Entire LGA | <ul style="list-style-type: none"> ▪ Keep as STRA: ~82% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~2% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~80% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~3% |
| 90-Day Cap Outside STRA Precincts | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~61% ▪ Shift to Long Term Rental: ~32% ▪ Sell to Owner-Occupier: ~7% |

| Policy Options | STRA Owner Responses to the Policy Options | |
|---|--|--|
| | STRA Properties in STRA Precincts | STRA Properties in Rest of LGA |
| 180-Day Cap Outside STRA Precincts | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~80% ▪ Shift to Long Term Rental: ~17% ▪ Sell to Owner-Occupier: ~3% |
| No Caps Across the Entire LGA | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% | <ul style="list-style-type: none"> ▪ Keep as STRA: ~92% ▪ Shift to Long Term Rental: ~8% |

3.1. DETAILED MARKET SOUNDINGS INSIGHTS

The issue of housing access for permanent residents and impacts of the STRA economy is complex and divisive, represented by different self-interest. On one side of the argument are the owners who benefit from STRA and the property sector that has built up business supporting the STRA market. From the other side are the local permanent residents and community who object to seeing the impacts on community amenity and access to affordable property for permanent residents. There are also a range of viewpoints in between.

The data and insights obtained through this process have been used in this assessment to provide a balanced and multi-dimensional perspective of the potential impacts of limiting STRA both on the STRA owner and operator, the business community and importantly long-term rental supply.

Industry representatives we engaged had experience and insight into the short-term rental market, long-term rentals and property sales so collectively could provide different views of the unique dynamics. The table below identifies those that we had discussions with.

Table 3.2 – Organisations Engaged in Market Sounding

Market Sounding Insights

| Organisation | STRA Specialist | Long-term Rental | Property Sales |
|--|-----------------|------------------|----------------|
| Byron Bay Realty | | | |
| North Coast Lifestyle Properties | | | |
| First National Byron | | | |
| Byron Bay Accommodation/Byron Coastal Real Estate Agency | | | |
| A Perfect Stay | | | |
| Brunswick Chamber of Commerce | | | |

Dynamics of Recent Years

The increase in population and visitors are the underlying drivers of angst and issues. Incoming population has driven up demand for rental and properties to buy. Anecdotal evidence the affluent buyer from outside the region has been a feature and the competitive nature of purchasing limited property has resulted in record prices. Rising rents are part of this same dynamic.

Motorway access from Brisbane has made the Byron LGA more accessible and direct flights to Ballina and the Gold Coast from Sydney and Melbourne have enabled access from southern capital cities.

Residents from the south have long had an interest in the area and through the lockdowns provided the catalyst for more people to make the move. The active strategy to position Byron Bay as a unique tourism experience has been highly successful and attracted a range of visitor groups. Reigning in the growth and

important part of the economy seems counter-intuitive. Notwithstanding there are important social issues to be sensitive to.

Insight from a local agent who lives in the Council-defined STRA Precinct of Byron Bay East and has good knowledge of both STRA and long term reports the interest from investors outside the areas has been significant (industry).

Prices and permanent rents have increased significantly. Pre and post-Covid there has been an increase in demand for regional real estate and a spike in demand for permanent property. Prior to Covid there was steady demand (industry) the.

“Supply has been constrained for the longest time with no supply for 25 plus years and values have increased”. (Property Manager)

Issue of Supply Is Front of Mind

Regardless of what restrictions are made limiting the number of days property can be rented in the STRA market, the fundamental issue of affordable supply is unlikely to go away. There are several reasons for this:

- Some and possibly the majority of owners who are not permanent owner occupiers have purchased and retain their property for the **main purpose of personal enjoyment**, and therefore the property would serve no purpose if put into long-term rental (industry)
- The high holding costs driven up by rising land values and land taxes has forced some owners to rely on STRA income to help offset some of these costs (industry)
- Depending on the policy some owners may sell which is unlikely to positively impact on the supply of affordable properties for rent or purchasing as the values are so high (industry)
- The high land values translate to high rent costs and most STRA property is not suited to long-term rental (industry).

Owners Buy and Hold Properties for their Enjoyment

Typically affluent owners who have purchased their property primarily for their own personal use and enjoyment. Consequently, they choose to rent the property out as short stay accommodation in the times they are not using it. Long-term rental would not be an option for this type of owner as it would remove the benefit and reason for owning the property (industry).

STRA Property is Unlikely to be Suitable for Long Term Rental

A lot of property has a level of specification to appeal to holiday makers and is different to a typical long-term rental property. Rents would reflect the standard of property if hypothetically some short-term properties were to transfer to the long-term rental market. This would not address the shortage of long-term rentals if priced above where the market gap is. Many owners have invested in their properties to suit their own holiday aspirations and may be reluctant to have those properties in the long-term market when there are not frequent inspections of the property to ensure it is being maintained (industry).

The minimum rents owners would seek for properties if they did transfer to the long-term rental market would be out of reach for local residents on average incomes.

“Our properties are not affordable houses and will never be long term lets. A basic 3-bedroom property commands \$650 per week for older style and \$800-\$900 per week for renovated. The changes will not create a bigger pool of affordable long-term rentals”. (Agent Brunswick Heads)

The Range of Properties Supports a Tourism Economy and Benefits Local Residents

The visitor economy is important for the Byron LGA from direct visitor consumption and spending, and the re-distribution impacts of owner revenue to businesses supporting the maintenance, servicing and management of properties. To restrict the size of the visitor market will have implications for the economy and jobs which are examined as part of the impact assessment.

STRA Market Supports a High Yielding Visitor Strategy

National Visitors Survey states that Council wants to attract more of a family market. It's estimated that 70% of the STRA visitors are travelling families according to a property agent. Having houses in the STRA pool creates product for this visitor segment. Restricting the supply of product will result in higher prices and a reduced number of this type of visitor (industry).

Family groups many of whom are affluent residents from Sydney, Melbourne and other cities are looking for houses to stay in. They have less interest in a hotel or resort in the Byron area which may not suit their needs, such as their spatial needs or be pet friendly (industry).

Not all visitors to the Byron area want to be in central Byron Bay and may prefer more peaceful areas for their holiday. Therefore STRA properties in more residential neighbourhoods serve a need for this type of visitor (industry).

As a family a larger group generates a higher spend per person than say a couple. Factor in the type of accommodation and cost of houses versus say apartments, the average spend is substantially higher. It was reported by a manager average spend for STRA groups is \$4,190 versus \$732 for a visitor in hosted accommodation such as a serviced apartment (Source: Tourism Research Australia/A Perfect Stay).

"Visitors want choice. Visitors have been visiting Byron and renting houses as long as I can remember. We used to do it 25 years ago. People want a quiet space, a place to accommodate a whole family, and a well-appointed option. Ultimately customers should be able to choose the accommodation that fits their needs and budget, as well as timing". (Survey)

Great Concern About the Impacts on Local Businesses from Caps

The impacts would have negative implications for local service providers, probably greater than to the owner themselves. The STRA market is an important contributor to the local economy which is quantified in detail in the economic impact assessment. We were told that 40%-55% of revenue received by property owners goes to local creditors (industry).

The Council-defined STRA Precinct Boundaries Do Not Make Sense to Industry

Industry has self-interests but the demand for property located outside the Council-defined STRA Precincts by visitors needs to be considered. Often the type of property is the driver rather than the location itself, so some visitors choose house over location (industry). Therefore, they go to areas that offer them the experience they want and that could be in a property an owner has developed to a high standard which happens to be in an area more residential. Byron Bay town centre is not the preferred location for all visitors regardless of whether there is a concentration of Airbnb listings.

The most bleed between Council-defined STRA Precincts and outside the Council-defined STRA Precincts in terms of houses both being used for STRA is the Council-defined STRA Precincts shown as Byron Bay East (industry).

In the area identified as Byron Bay West predominately around Belongil Beach, industry is perplexed as to the arbitrary line along Shirley Street. There are reportedly a lot of properties close to the south side of Shirley Street (outside the Council-defined STRA Precincts) operating as STRA (industry).

"The southern side of Shirley Street has a tourist feel but is slightly different as used by families in houses not apartments". (Property Manager)

Beachside in Suffolk Park east of Bangalow Road is seen as a mix of holiday lets and permanent residents though estimated that holiday lets account for about 60% of properties (industry).

Brunswick Heads operates as a residential and tourist town without the hard lines necessary to define the two so concerned part of the town could be subject to different rules (industry).

Dynamics Vary Across the LGA so the Same Policy Applied Overall is a Concern

Areas outside Byron LGA will potentially be adversely impacted by new policies yet may not have the same issues that are driving a review of policy related to STRA. Take for example Brunswick Heads which has also being a tourist town and residents co-exist with visitors. The visitor proposition is 'simple pleasures' and thus the visitor attracted to Brunswick Heads is there for traditional beach-side holiday. It's not a party town, it doesn't have the same overcrowding and traffic issues (industry).

A local agent said if they don't have the same issues as Byron Bay question why it should be subject to a rule that is designed to fix Byron Bay issues. Nor have they seen changing trends in the property market. Historically the town has had a low vacancy rate at around 2% consistent since 2012 according to the agent who has operated since that time (industry).

According to the Brunswick Heads agent 80% of local businesses rely on tourism which they have quantified with the business community in surveys. There is a real concern from that community if STRA is restricted the economic and social impacts could be very damaging. Without a vibrant retail and services economy visitors also may not be attracted (industry).

Impact of Policies will Vary Depending on the Owner's Circumstances

It is difficult for industry to predict how owners will react to potential policies restricting their use for short-stay rentals. The reactions will depend on:

- Their personal financial situation and how leveraged they are and the importance of revenue in servicing loan and other costs
- The type of property they own would be an important determinant particularly if they have invested in it to suit their needs and may be too highly specified for an average long-term rental
- Their main driver for owning, whether motivated by having the property for their enjoyment or purchased and run as an investment.

If adequate cost recovery is not achievable, they may sell the property rather than put into long-term which may not yield what they need, and further they would lose access to the property for their own needs. Some owners have had experience with renting out property long-term whether that is in the area or elsewhere. If they have experienced poor care by tenants they would be highly reluctant to risk damage to a property they have put effort into getting to a standard they enjoy, and a standard for a discerning visitor.

Owners are reportedly already considering their approach if caps are introduced and some indicating they will increase their rates.

"They will go hell for leather on the peak periods concentrating supply into the peak periods, putting pressure into peak periods." (Property Manager)

3.2. DETAILED SURVEY INSIGHTS

3.2.1. Survey Methodology

The survey was developed by Urbis with feedback from Byron Shire Council and the Department project team. Urbis provided the online survey link to Byron Shire Council and was made available on the Council website in the period 18 August 2021-8 September 2021. The Council emailed over 3,500 that included ratepayers, business chambers community groups, real estate agents and property managers. Not all ratepayers provide email addresses and so property managers were also used to distribute.

The purpose of the survey was to provide data to inform the assumptions of potential impacts considering how STRA owners would respond to the alternate policy options, i.e. the 180-day cap policy across the LGA or the 90-day cap on properties outside the Council-defined STRA Precincts. The options provided were:

- Continue to rent as short stay for the maximum period allowed

- Rent out on a long-term basis, i.e. 3 months plus
- Rent out on a 9-month lease and holiday let for 3 months in Summer
- Sell the property
- Buy additional property to rent as short stay.

All property owners in the Byron LGA had the opportunity to complete the survey with those who had not done STRA letting since January 2019 directed to a short version that focussed on the property profile and why they don't holiday let. Across both surveys there were over 800 survey participants who completed the survey. For the purpose of the analysis in this section, the focus is participants who have holiday let a property located in Byron LGA since January 2019 (31%). The results shown in the charts are drawn from a sample of 205-249 participants.

Most of the properties held by non-STRA owners were 3-bedroom detached houses. For the majority of owners this was their home (75% of properties) which they occupied and thus the main reason they don't holiday let. Some properties had a long-term tenant (29%). Note multiple reasons could be selected and some owners have multiple properties so the results do not add to 100%.

In our analysis we examine responses for properties in the Council-defined STRA Precincts and compare the impact of caps with properties outside.

The charts in this section focus on showing the results for questions that relate specifically to the impacts of the different policy scenarios. Other charts are provided in the Appendix that show results for:

- Property profile
- Management and Maintenance Expenditure
- Tipping point to long term rental, i.e. the point at which long term rental is more attractive than STRA.

SURVEY PROFILE

Responses are analysed for some questions by the location of properties either in Council-defined STRA Precincts or outside these precincts.

Across the Council-defined STRA Precinct properties 52% are detached houses and 26% are apartments. Outside these precincts, there was a higher proportion of detached houses represented (66%) and lower proportion of apartments (7%).

In the Council-defined STRA Precincts, there was a higher proportion of luxury properties accounted for compared to outside the precincts (28% vs. 19%) and the same proportion of mid-market homes. Properties targeted at the budget segment were more common outside the Council-defined STRA Precincts.

3.2.2. Survey Findings

Impact of 180-day cap scenario

Under the proposition of a universal 180-days cap across the LGA, the potential impacts are similar and expected given all owners are subject to the same rules. There is a potentially negative outcome as results show that owners of property in all areas would consider selling (8%-10%) which could be interpreted as a negative backlash to the policy or the importance of STRA income to owners regardless of where the property is.

Most properties will continue to be rented out as short stay for the maximum period allowed (76%-78%).

Impact of 90-day cap scenario

The results suggest a greater reliance on holiday tourist income for property owners in the Council-defined STRA Precincts. The owners in the Council-defined STRA Precincts are much more likely to sell (23%) compared to those outside the precincts (14%). Reflecting the sell down, the proportion of property owners in Council-defined STRA Precincts indicating they would continue with STRA (52%) reduces and owners outside the precincts are more likely to continue with STRA (62%).

The potential for properties to be transferred from STRA to long term rental doubles from 180 days to 90-day caps however still only accounts for 10%-12% of property owners.

The survey asked owners what impact the caps would have on prices. Under both policy options about half of the owners in both areas indicated they would increase prices, though less owners with properties outside the Council-defined STRA Precincts under a 180-day cap would increase. This indicates that interventions in the property market regardless of whether the owner is worse off unsettle owners. Outside the Council-defined STRA Precincts, under the 180-day cap 47% would maintain the same rate, and less owners in the Council-defined STRA Precincts would (35%) and thus highlighting they are probably more reliant on STRA revenue.

What properties could go to long term rental supply?

The impact of an increase in more properties available for long term rental is negligible. Under a 180-day cap scenario, among apartment owners 3% would transfer to a long-term arrangement, 9% of townhouse owners and 4% of detached owners would do the same. Under a 90-day cap scenario the potential increase to the long-term pool would mainly be in apartments and secondary dwellings, though still only 16% of apartment owners indicated they would do this. Among detached dwelling owners 8% would shift and 11% of townhouse owners would move from STRA. Under the 90-day cap, the potential for a positive improvement to the supply of houses for local residents does not look promising.

Under the 90-day cap scenario the proportion of properties classified by owners as 'budget' increases to 27% from 11% under the 180-day cap scenario meaning that about one in four budget style properties could become available to the long-term pool.

What properties would be sold?

When examining intent to sell by property typology, 22% of apartment owners indicated they would sell under the 90-day cap, doubling on the 12% who would under the 180-day cap. About one in four of those who have detached houses in the STRA market would consider selling under the 90-day scenario, though very few would under the 180-day cap scenario.

What type of properties would be impacted by daily rate increases?

As noted above about half of all STRA owners would increase rates regardless of whether in a Council-defined STRA Precincts or not are under the 90-day caps. The mid-market and high end properties would likely register price increase with 49% of the owners of mid-market indicating an increase and 61% of the high-end owners. Of the detached dwelling owners 56% indicated increasing rates. The ability to increase prices will ultimately be determined by the support of the market to pay the higher rates. The rate increases will impact on the family group visitors who are important contributors to the visitor spend. Some of these family groups particularly who stay in mid-market properties may choose to holiday elsewhere if there is no capacity to absorb the higher costs.

Demand and Rates for STRA in Council-defined STRA Precincts and Outside the Precincts

STRA owners participating in the survey were asked how many days their properties were occupied for quarterly periods from June 2020-May 2021 and for the 12 months January 2019-December 2019 to get pre-Covid data. The results show that while recalled occupancy was higher for properties in the Council-defined STRA Precincts there is still good demand for properties outside. In the 12 months period in 2019 properties in the Council-defined STRA Precincts were occupied 350 days to 280 days outside. As the survey relied on owners having an accurate recall of occupancy there is a degree for potential error in these numbers. The AirDNA data used is more suitable for the economic modelling given the substantial number of data points and accuracy. The main point to conclude from the survey results is that properties in all areas are facilitating an important role supporting the visitor economy.

Management and Maintenance Expenditure

To understand the broader local economy impacts participants were asked about the use of local services. A similar number of properties across the Council-defined STRA Precincts and outside the precincts used services including cleaning, linen service, gardeners, pool cleaners and trades people. Professional management fees was the highest spend at approximately \$10,000 per annum for property owners in the Council-defined STRA Precincts and approximately \$6,000 for properties outside. Spend levels for gardeners, pool cleaners and trades were similar for properties across all areas. A breakdown of spend distribution for STRA owners is provided as a chart in the Appendix. A comparison of costs for expenditure related to STRA versus permanent rental is considered in Section 4 Economic Impact Assessment.

The Tipping Point – STRA to Long Term Rental

A question raised in the inception for this project was interest in understanding at what point would an owner of a property used for STRA see long-term rental as a better or more attractive option.

The results show that owners of properties in Council-defined STRA Precincts might consider long-term rental if the number of days occupied annually is less than 180 days and less than 104 days for properties outside the precincts. Owners of detached houses across both areas may consider long-term rental if properties occupied less than 120 days. For other property types, owners have a higher threshold for weighing up the two options and could consider long-term rental if occupancy falls below 180 days.

Caution is needed here however as structure of the question is blunt and does not consider the multiple scenarios that some owners could sell or leave their property vacant for personal use before they would ever consider long-term rental. Not all owners are seeking a minimum yield as holiday properties for many will be an emotional decision motivated by enjoyment, not investment or business. The response will vary also based on the individual owners' financial profile and how highly geared they are.

Finally, a question was included that asked all participants what option they saw as the best to achieve the balance between supporting a visitor economy and improving the supply of long-term rental accommodation. The current situation plus the two policy options under consideration were included. One in three participants believe the current situation provides the best solution and had the same agreement regardless of whether owners had properties in or outside the Council-defined STRA Precincts.

3.2.2.1. Impacts of Potential Policy Options

Charts illustrating the potential reactions by property owners to the policy scenario options are provided on the following pages.

Participants were asked what their likely response would be to the different policy scenarios, i.e. 180 and 90 days with results profiled by Council-defined STRA Precincts and outside the precincts.

Results for the impact questions are shown by properties in the Council-defined STRA Precincts outside the precincts. To avoid potential skews in the data we have adopted the results for the whole of market, i.e. Council-defined STRA Precincts and outside the precincts as assumptions for the impact modelling. We took the responses for owners of property in the mid-market segment as a proxy for how the majority of owners would respond assuming mid-market comprises the majority of STRA supply.

Chart 3.1 – Response to Scenarios for Council-Defined STRA Precinct Properties

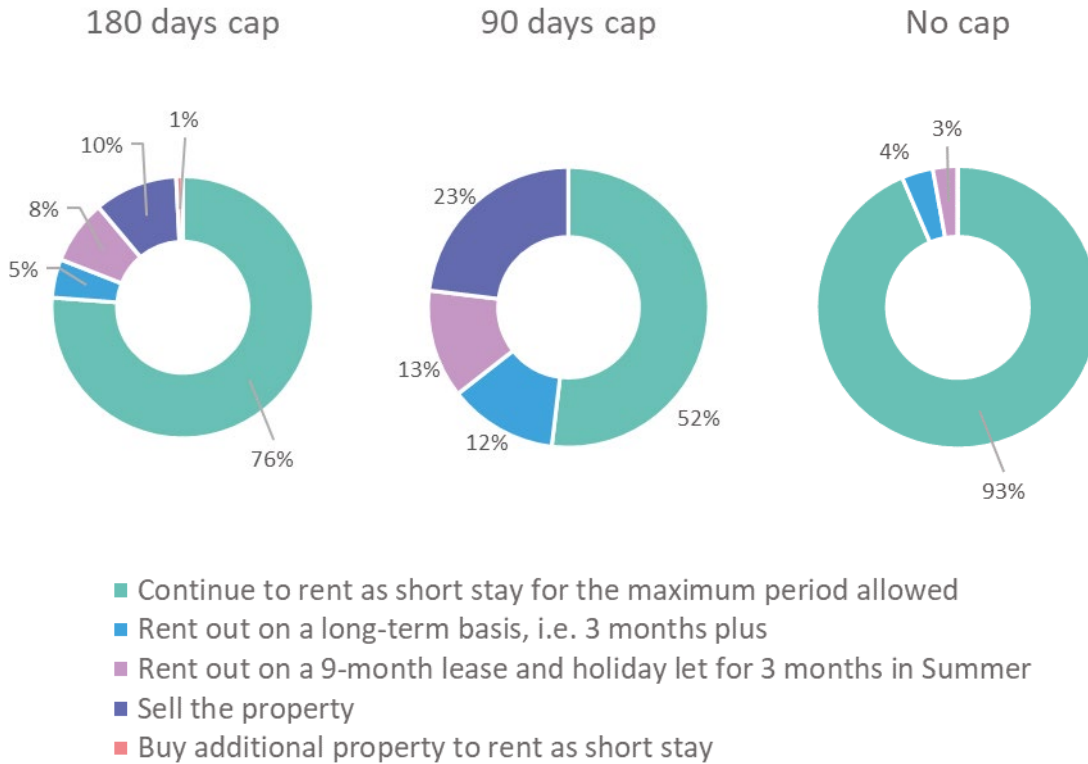
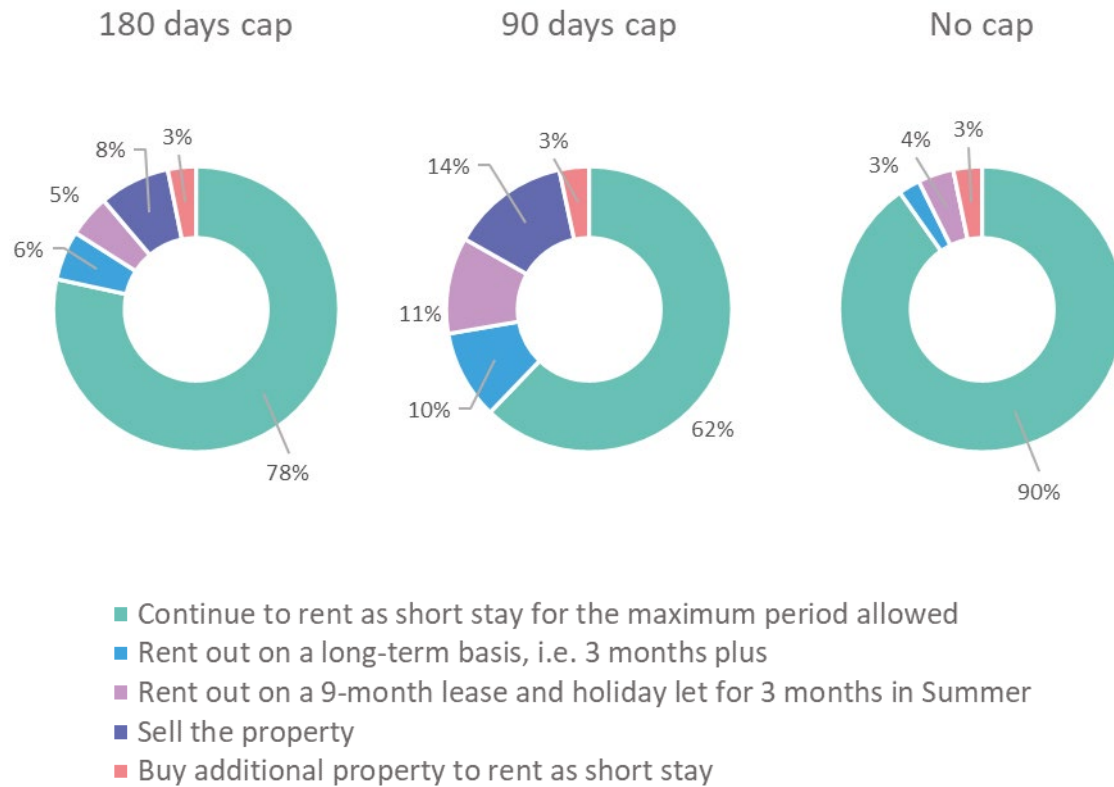
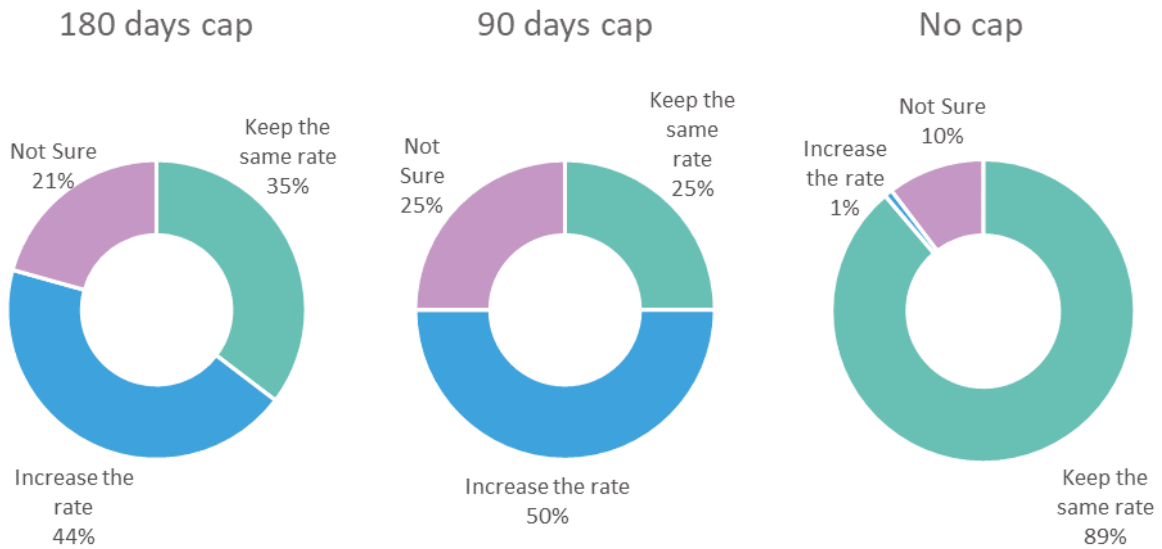


Chart 3.2 – Response to Scenarios for Properties Outside the Council-defined STRA Precincts



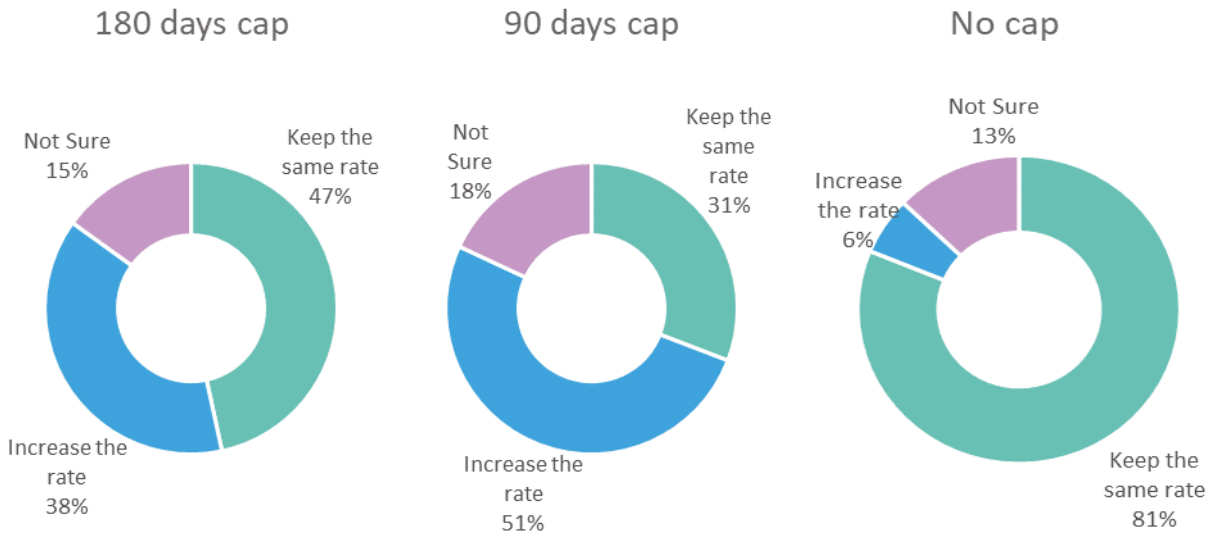
Participants were also asked what their response would be considering rates under the same scenarios.

Chart 3.3 – Change in Daily Rates under Different Scenarios for Council-defined STRA Precinct Properties



Source: Urbis
 Note: n = 249 participants

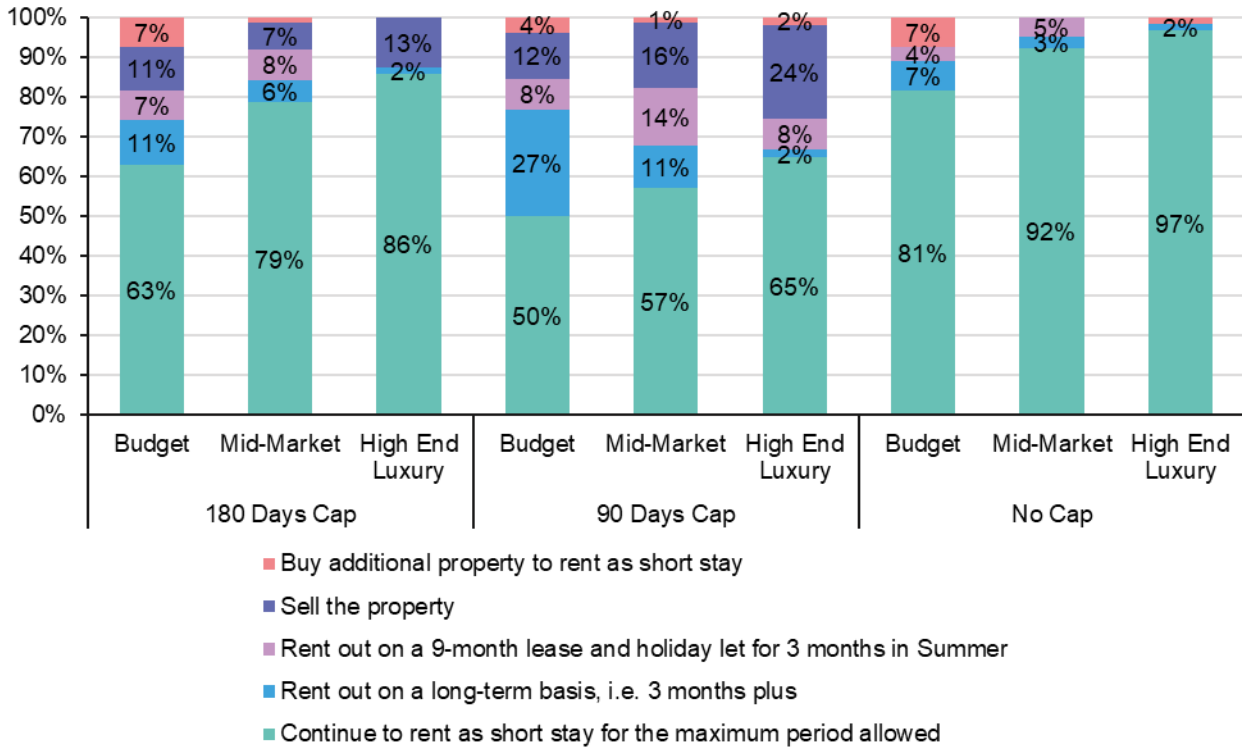
Chart 3.4 – Change in Daily Rates under Different Scenarios for Properties Outside the Council-defined STRA Precincts



Source: Urbis
 Note: n = 249 participants

To get a sense of the impacts by property type, results were cross tabulated with the type of property in terms of its market positioning, budget, mid-market or high-end luxury properties in Council-defined STRA Precincts and outside the precincts. There is an element of subjectivity in the size of each segment as defined by owner self-selection.

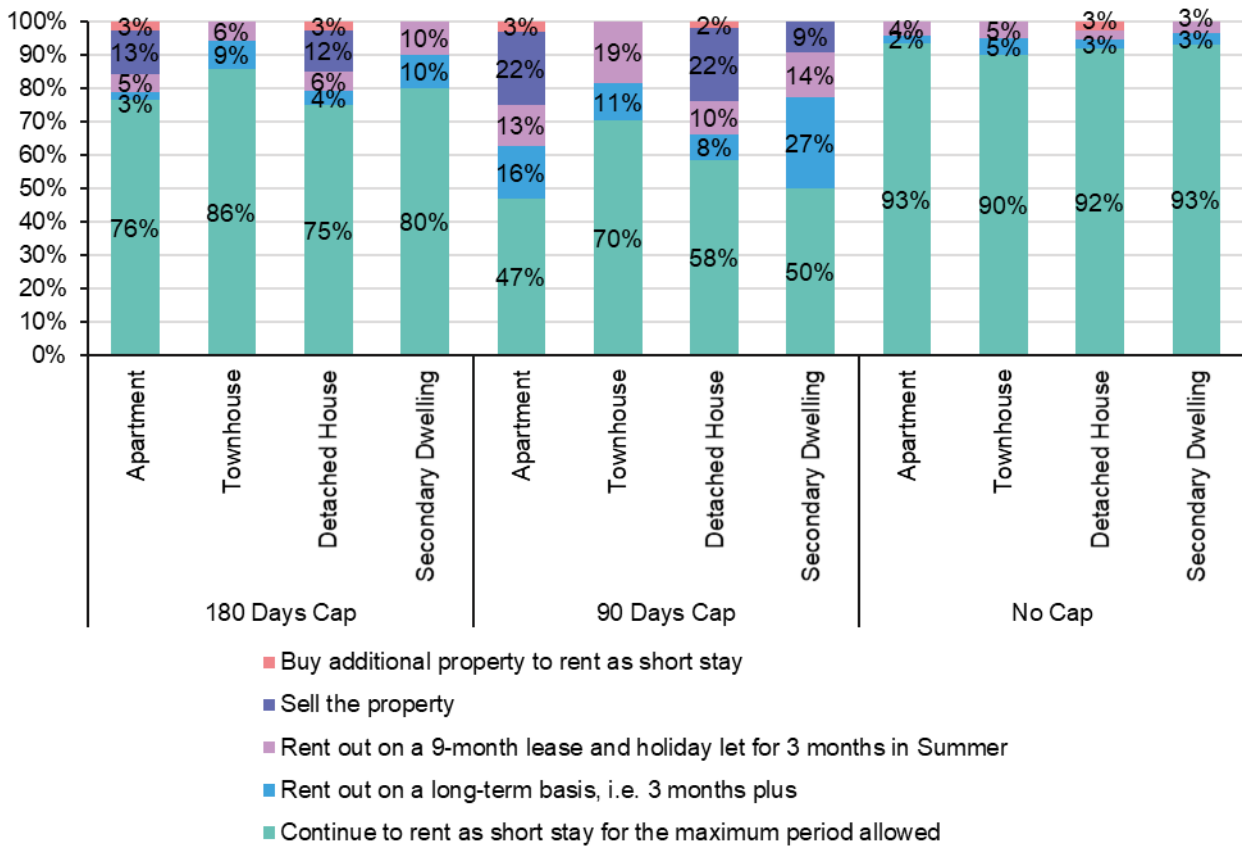
Chart 3.5 – Response to Scenarios by Property Positioning Type



Source: Urbis
 Note: n = 249 participants

To understand the potential impacts of the alternative policy scenarios by property type, the data was cross tabulated with property typology for properties in Council-defined STRA Precincts and outside the precincts.

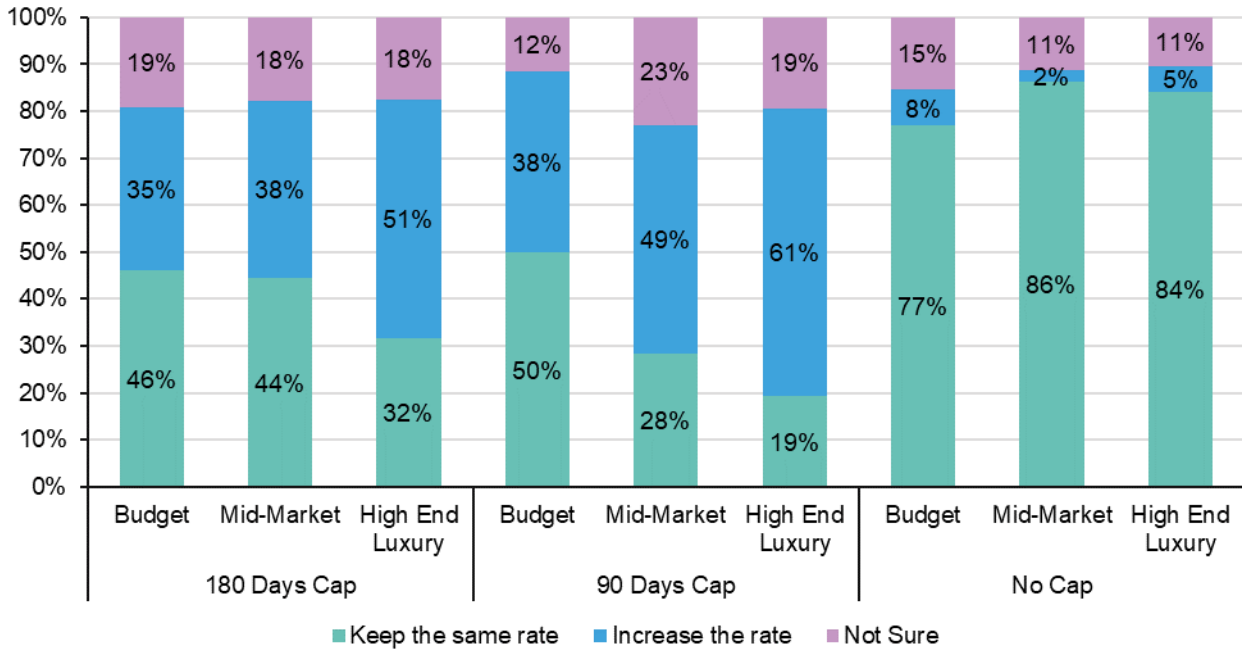
Chart 3.6 – Response to Scenarios by Property Typology



Source: Urbis
 Note: n = 249 participants

To understand potential impacts on prices under the different scenarios and how that varies by the type of dwelling we cross tabulated the data with the property typology profiles.

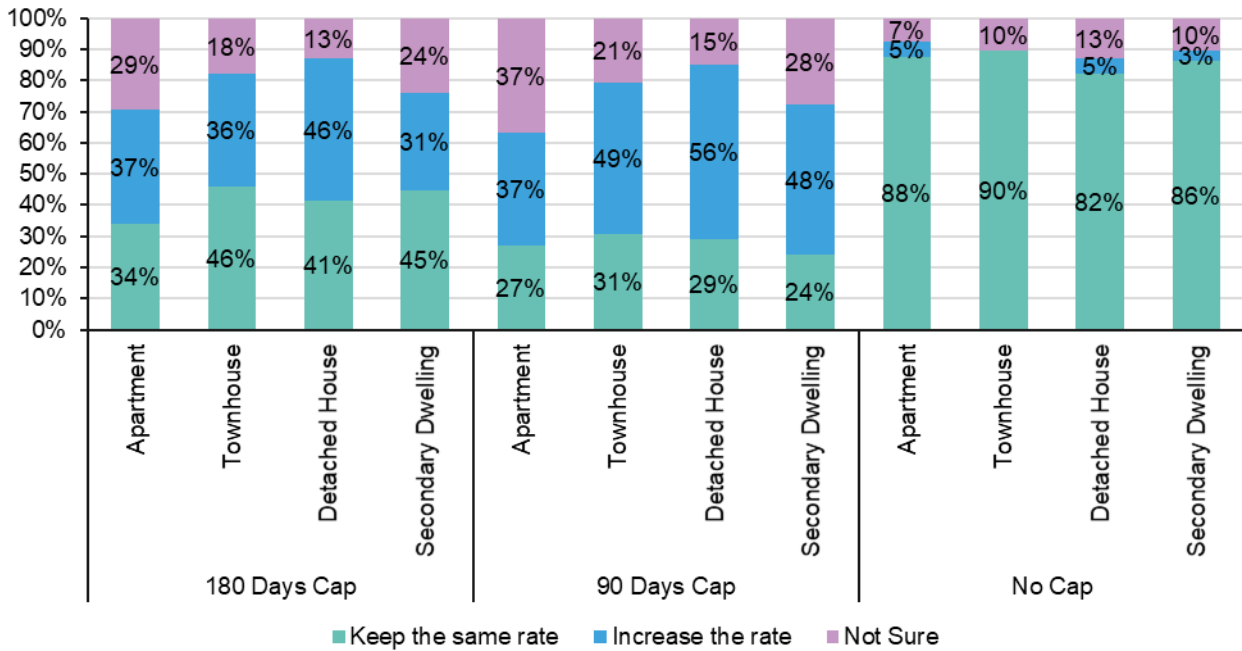
Chart 3.7 – Change in Daily Rates under Scenarios by Property Positioning Type



Source: Urbis
 Note: n = 249 participants

To understand the potential impact on property prices under the different scenarios the data was cross tabulated with property positioning type for properties in Council-defined STRA Precincts outside the precincts.

Chart 3.8 – Changes in Daily Rates under Scenarios by Property Typology



Source: Urbis
 Note: n = 249 participants

4. ECONOMIC IMPACT ASSESSMENT

In this section we have assessed the potential economic and social impacts of implementing a cap on the number of days non-hosted STRA is permitted in specific areas of the Byron LGA. This assessment considers the various potential impacts of the proposed policy, including impacts on STRA supply, STRA prices, visitation, the residential property market, employment, local consumption and trading, and quality of life.

4.1. ASSESSMENT METHODOLOGY

4.1.1. Potential Policy Options

We have identified six potential policy options (including a Base Case) that could be implemented in the Byron LGA to address the key issues currently being faced, particularly in the housing market. Given, a key driver of the key issues currently being faced in the Byron LGA relate to the proliferation of STRA, these potential policy options all relate to the implementation of a cap on the number of days a property can be made available as STRA each year.

As outlined below, there are three core bases for the policy options – based on the default policy under the SEPP (Base Case), based on Council’s Current Gateway Planning Proposal (Option 1), and based on no regulation (Option 2). Under these three bases, we have identified additional policy options which assume variations to either the capped number of days or the STRA Precinct boundaries.

Therefore, the six policy options we have assessed comprise:

- **Base Case: SEPP Default** – The default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. a 180-day cap on non-hosted STRA across the entire LGA)
 - **Base Case Alternative** – A variation to the default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021*. It assumes a 180-day cap on non-hosted STRA across the LGA, except in the designated Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA.
- **Option 1: Council’s Current Gateway Planning Proposal** – Council’s Current Gateway Planning Proposal (i.e. a 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1A** – A variation to Council’s Current Gateway Planning Proposal. It assumes a 180-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1B** – A variation to Council’s Current Gateway Planning Proposal. It assumes a 90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA)
- **Option 2: No Caps** – No caps on non-hosted STRA across the entire LGA.

A summary of these policy options and their respective policy bases are shown below in Table 4.1.

Table 4.1 – Overview of Policy Options

| Policy Basis | Policy Options | |
|-------------------------------|--|--|
| Default Policy Under the SEPP | <p><u>Base Case: SEPP Default</u></p> <p>Default Policy Under the SEPP (180-day cap on non-hosted STRA across the entire LGA)</p> | <p><u>Base Case Alternative</u></p> <p>Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA <u>outside of Urbis-defined STRA Precincts</u>)</p> |

| Policy Basis | Policy Options | | |
|--|--|--|---|
| Council's Current Gateway Planning Proposal | <u>Option 1: Council's Current Gateway Planning Proposal</u> Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1A</u> Variation to Council's Current Gateway Planning Proposal (<u>180-day cap</u> on non-hosted STRA outside of Council-defined STRA Precincts) | <u>Option 1B</u> Variation to Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of <u>Urbis-defined STRA Precincts</u>) |
| No Regulation | <u>Option 2: No Caps</u> No caps on non-hosted STRA across the entire LGA. | | |

4.1.2. Criteria

Each potential policy option has been assessed against three key criteria:

- Direct Impacts
- Indirect Impacts
- Social Impacts

For the purposes of this assessment, direct impacts are defined as impacts that are the immediate and direct result of the proposed policy. In contrast, indirect impacts are defined as impacts that are the result of the direct impacts and/or other indirect impacts.

Finally, social impacts represent the non-measurable potential direct and indirect impacts of the proposed policy on the Byron Shire economy.

4.1.3. Approach to Ratings

As part of this assessment, it is necessary to identify different degrees and directions of potential impacts. Therefore, we have adopted the following consistent approach to rating the potential impacts of the different policy options:

- Each impact is first categorised by its likely degree of impact:
 - Low
 - Moderate
 - High
- Then the impact is categorised by its direction:
 - Increase
 - Decrease.

Importantly, these ratings are value-neutral. In other words, they do not reflect whether or not a potential impact is beneficial or detrimental. The reason for this being that whether an impact is beneficial or detrimental depends on the person or group being impacted. For example, increased property values would be beneficial for property owners but detrimental for prospective property purchasers.

The value lens has only been applied in the Cumulative Distributed Net Benefits analysis (Section 4.2.). In this analysis, each impact has been given a rating out of 3 based on whether the degree of impact has been assessed to be Low (1), Moderate (2) or High (3).

If a particular impact would benefit a particular group, the rating is positive for that group (e.g. +3). However, if a particular impact would be detrimental to a particular group, the rating is negative for that group (e.g. -3).

For example, under the Base Case: SEPP Default (a 180-day cap across the entire LGA), we have estimated potential for this policy option to result in a **Moderate Decrease** in residential property values. Therefore, this impact has a degree of significance of "2".

From the perspective of residential property purchasers, this would be a beneficial and therefore in the Cumulative Distributed Net Benefits analysis, it has been rated "+2" for residential property purchasers (reflecting a benefit). However, this same impact would be detrimental from the perspective of residential property owners. As such, in the Cumulative Distributed Net Benefits analysis, it has been rated "-2" for residential property owners (reflecting a disbenefit).

4.1.4. Base Year Assumption

For the purposes of our assessment, we have adopted 2019 as the base year as this represents the most recent data that has not been impacted by the COVID-19 pandemic, and therefore is considered more representative of the STRA market.

4.2. SHORT TERM RENTAL ACCOMMODATION PRECINCT BOUNDARIES

As noted above, a number of the policy options being assessed are based on Council-defined STRA Precincts while others are based on Urbis-defined STRA Precincts.

The Council-defined STRA Precincts are those set out and defined in Council's Current Gateway Planning Proposal, while the Urbis-defined STRA Precincts have been specifically defined as part of this economic impact assessment. The Council-defined STRA Precincts and Urbis-defined STRA Precincts are all shown in Map 4.1.

In defining the Urbis STRA Precincts, we aimed to identify areas that capture both a large share of STRA listings and a small share of residential dwellings. This would minimise potential detrimental impacts on the tourism industry while maximising the number of dwellings able to be delivered to the housing market.

We mapped the distribution of 2019 AirBNB listings across the LGA using AirDNA data. This was done at an ABS Meshblock level, which is the smallest geographic area defined by the ABS. We found the listings were predominantly concentrated within key coastal town centres and, to a lesser extent, inland towns centres such as Mullumbimby and Bangalow.

Given their distinct locational profile, we initially defined three precincts at the Meshblock level:

- **Coastal Precincts:** Meshblocks with high concentrations of STRA listings within the coastal areas of Byron Bay, Suffolk Park, Brunswick Heads and Ocean Shores.
- **Residential Precincts:** Meshblocks that contain residential-zoned land (i.e R2, R3 and R5) and land earmarked by Council for future residential rezoning.
- **Residual Precincts:** Meshblocks that did not fall within the above two categories.

We then analysed key 2019 indicators for these defined precincts (see Appendix for detailed table). Our key findings were:

- Coastal Precincts accounted for **48% of total dwellings** within the Byron Bay LGA
- Coastal Precincts accounted for **72% of total STRA listings** within the Byron Bay LGA. The Residential and Residual Precincts accounted for 12% and 17%, respectively.
- Coastal Precincts accounted for **74% of occupied property nights** within the LGA. The Residential and Residual Precincts comprised a further 10% and 16%, respectively.
- Coastal Precincts accounted for **73% of available property nights** within the LGA. The Residential and Residual Precincts comprised a further 10% and 17%, respectively.
- Within Coastal Precincts, approximately **54% of dwellings are STRA listings**. Within Residual Precincts, only 22% of all dwellings are STRA listings, and this falls to 18% for Residential Precincts.

- The median unit price in Coastal Precincts, at \$781,500, is higher than that for the Residential Precincts, at \$695,000.
- The Median house price in Coastal Precincts, at almost \$977,000, is lower than that for Residential Precincts, at \$990,000, and Residual Precincts, at \$1.1 million. However, this is likely due to the presence of larger, rural blocks in the latter two precincts relative to the Coastal Precincts.

Given the similarity in profiles of Residential and Residual Precincts, we condensed our precincts into:

- **Coastal Precincts:** Meshblocks with high concentrations of STRA listings within the coastal areas of Byron Bay, Suffolk Park, Brunswick Heads and Ocean Shores. These represent the STRA Precincts.
- **Residual Precincts:** The remainder of the Byron Bay LGA.

The Urbis-defined STRA Precincts account for 3,509 of the 5,249 non-hosted STRA properties (~67%) in the Byron LGA in 2019 (base year).

Map 4.1 – STRA Precinct Boundaries

Byron LGA



4.3. KEY FINDINGS – CUMULATIVE DISTRIBUTED NET BENEFITS

Our economic impact assessment has found that each of the six potential policy options is estimated to result in a number of direct and indirect economic and social benefits and disbenefits to different groups within the Byron LGA economy and community.

Therefore, it is necessary to identify the cumulative net benefits estimated to result from each of the policy options in order to determine a preferred policy option. However, it is also important to analyse the likely distribution of impacts across different groups within the Byron LGA.

The following tables provide a summary of the cumulative net benefits of the six potential policy options, distributed across the following key groups/categories:

- Visitor Market (i.e. the Byron LGA Tourism Sector) – Operators
- Visitor Market (i.e. the Byron LGA Tourism Sector) – Visitors
- Residential Property Market – Renters and Purchasers (i.e. individuals/groups who will suffer disbenefits if rents or property values increase)
- Residential Property Market – Owners (i.e. individuals/groups who will enjoy benefits if rents or property values increase)
- Local Businesses and Services
- Local Workers (i.e. local employment)
- Local Residents / Community (i.e. quality of life of and permanency).

As shown in Table 4.2, our assessment finds that all six policy options are likely to result in moderate-to-high overall net benefits.

Critically, we have determined that the **Base Case: SEPP Default** (a 180-day cap across the entire LGA) has potential to result in the highest overall net benefit of +13.5. In contrast, **Option 1: Council's Current Gateway Planning Proposal** (a 90-day cap outside of Council-defined STRA Precincts) has been found to have potential to result in moderate overall net benefit of +7.

The other four policy options were primarily assessed to determine if any further improvement to economic outcomes could be achieved. As shown in Table 4.2, while all of these options represented improvements over Option 1, none were found to result in a better outcome than the Base Case: SEPP Default.

Table 4.2 – Summary of Overall Outcomes

All Policy Options

| Policy Option | Overall Rating |
|---|---------------------------------|
| Base Case: SEPP Default | High Net Benefit (+13.5) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Moderate Net Benefit (+7) |
| Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Moderate Net Benefit (+8.33) |

| Policy Option | Overall Rating |
|-------------------|--|
| Option 2: No Caps | Moderate Net Benefit (+7.5) |

In addition to assessing the overall cumulative net benefits of each policy option, we have also given consideration to the likely distribution of impacts across different groups within the Byron LGA.

As outlined in Table 4.3, the most heavily impacted groups, both in terms of benefits and disbenefits differ across the different policy options. However, the Base Case: SEPP Default and Option 1: Council's Current Gateway Planning Proposal were both found to deliver the highest net benefit to Residential Property Market Renters and Purchasers (+6 and +7.5, respectively). These two options were also both found to deliver the highest net disbenefit to the Visitor Market Visitors (-4 under the Base Case and -6 under Option 1).

In comparison, the Base Case Alternative (a 180-day cap outside of Urbis-defined STRA Precincts) was estimated to have the largest beneficial impact on Visitor Market Operators (+4) and the largest detrimental impact on Visitor Market Visitors (-2).

Furthermore, under Option 2: No Caps, unsurprisingly the largest beneficial impacts were found to accrue to both Visitor Market Operators (+3) and Local Workers (+3). However, the lack of regulation under this option also resulted in Residential Property Market Renters and Purchasers being the most detrimentally impacted (-1.5).

Table 4.3 – Most Heavily Impacted Groups

All Policy Options

| Policy Option | Highest Net Benefit | Highest Net Disbenefit |
|---|---|---|
| Base Case: SEPP Default | Residential Property Market – Renters and Purchasers (+6) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators (+4) | Visitor Market (Tourism Sector) – Visitors (-2) |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+7.5) | Visitor Market (Tourism Sector) – Visitors (-6) |
| Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators And Residential Property Market – Renters and Purchasers (+4) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+5.5) | Visitor Market (Tourism Sector) – Visitors (-4.5) |

| Policy Option | Highest Net Benefit | Highest Net Disbenefit |
|-------------------|--|--|
| Option 2: No Caps | Visitor Market (Tourism Sector) – Operators And Local Employment (+3) | Residential Property Market – Renters and Purchasers (-1.5) |

The following Table 4.4 and Table 4.5, overleaf, provide further detail as to the specific direct, indirect and social impacts estimated to result from each policy option. Importantly, these tables also illustrate the distribution of benefits and disbenefits across the different groups under each policy option.

As shown in Table 4.4, the Base Case: SEPP Default is estimated to generate net benefits for all relevant groups except Visitor Market Visitors. Critically, under this option, strong benefits are expected to accrue to Residential Property Market Renters and Purchasers and Local Residents / Community without any net disbenefits accruing to Residential Property Market Owners, Local Services and Businesses, Local Workers.

Although Option 1: Council’s Current Gateway Planning Proposal is estimated to also generate strong benefits for Residential Property Market Renters and Purchasers and Local Residents / Community, these net benefits come at the cost of net disbenefits accruing to Residential Property Market Owners, Visitors, Local Services and Businesses, and Local Workers.

Therefore, we consider the Base Case: SEPP Default (a 180-day cap across the entire LGA) to represent the preferred policy option from an economic perspective. It is estimated to provide the most substantial benefits across almost all relevant groups while minimising detrimental impacts on Visitor Market Visitors.

Table 4.4 – Summary of Cumulative Distributed Net Benefits and Disbenefits

All Policy Options

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|---|--|--|---|--|--|---|
| Visitor Market – Operators | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +5 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4.33 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +1.33 ▪ Social: 0 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +1 ▪ Indirect: +2 ▪ Social: 0 |
| Visitor Market – Visitors | Net Disbenefit: -4 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -2 <ul style="list-style-type: none"> ▪ Direct: -1.5 ▪ Indirect: -0.5 ▪ Social: 0 | Net Disbenefit: -6 <ul style="list-style-type: none"> ▪ Direct: -3 ▪ Indirect: -3 ▪ Social: 0 | Net Disbenefit: -4 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -4.5 <ul style="list-style-type: none"> ▪ Direct: -2.5 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -1 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: 0 |
| Residential Property Market – Renters and Purchasers | Net Benefit: +6 <ul style="list-style-type: none"> ▪ Direct: +1.5 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +1 <ul style="list-style-type: none"> ▪ Direct: -0.5 ▪ Indirect: +0.5 ▪ Social: +1 | Net Benefit: +7.5 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +4 <ul style="list-style-type: none"> ▪ Direct: +0.5 ▪ Indirect: +1.5 ▪ Social: +2 | Net Benefit: +5.5 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: +1.5 ▪ Social: +2 | Net Disbenefit: -1.5 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: +0.5 ▪ Social: -1 |
| Residential Property Market – Owners | Net Benefit: +2 <ul style="list-style-type: none"> ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +2 ▪ Indirect: 0 ▪ Social: +1 | Net Disbenefit: -0.5 <ul style="list-style-type: none"> ▪ Direct: -3 ▪ Indirect: -0.5 ▪ Social: +3 | Net Benefit: +3 <ul style="list-style-type: none"> ▪ Direct: +1 ▪ Indirect: 0 ▪ Social: +2 | Net Neutral: 0 <ul style="list-style-type: none"> ▪ Direct: -2 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2 <ul style="list-style-type: none"> ▪ Direct: +3 ▪ Indirect: 0 ▪ Social: -1 |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|--|--|---|--|--|--|
| Local Services and Businesses | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Disbenefit: -0.5 ▪ Direct: 0 ▪ Indirect: -0.5 ▪ Social: 0 | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Neutral: 0 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 |
| Local Workers | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 | Net Disbenefit: -1 ▪ Direct: 0 ▪ Indirect: -1 ▪ Social: 0 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 |
| Local Residents / Community (Quality of Life of and Permanency) | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +1 |
| TOTAL | High Net Benefit (+13.5) | High Net Benefit (+12) | Moderate Net Benefit (+7) | High Net Benefit (+12) | Moderate Net Benefit (+8.33) | Moderate Net Benefit (+7.5) |

Table 4.5 – Cumulative Distributed Net Benefits and Disbenefits (Detailed)

All Policy Options

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|--|--|--|--|--|---|
| Visitor Market (Tourism Sector) – Operators | <p>Overall Net Benefit (Rating: +4)</p> <p>Direct (Avg Rating: +2):</p> <ul style="list-style-type: none"> Potentially Moderate increase in non-hosted STRA prices (Rating: +2) <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> High increase in occupied room nights (Rating: +3) Moderate increase in short term accommodation prices (Rating: +2) Low increase in short term accommodation revenue (Rating: +1) | <p>Overall Net Benefit (Rating: +4)</p> <p>Direct (Avg Rating: +2):</p> <ul style="list-style-type: none"> Potentially Moderate increase in non-hosted STRA prices (Rating: +2) <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> High increase in occupied room nights (Rating: +3) Moderate increase in short term accommodation prices (Rating: +2) Low increase in short term accommodation revenue (Rating: +1) | <p>Overall Net Benefit (Rating: +5)</p> <p>Direct (Avg Rating: +3):</p> <ul style="list-style-type: none"> Potentially High increase in non-hosted STRA prices (Rating: +3) <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> Moderate increase in occupied room nights (Rating: +2) High increase in short term accommodation prices (Rating: +3) Low increase in short term accommodation revenue (Rating: +1) | <p>Overall Net Benefit (Rating: +4)</p> <p>Direct (Avg Rating: +2):</p> <ul style="list-style-type: none"> Potentially Moderate increase in non-hosted STRA prices (Rating: +2) <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> High increase in occupied room nights (Rating: +3) Moderate increase in short term accommodation prices (Rating: +2) Low increase in short term accommodation revenue (Rating: +1) | <p>Overall Net Benefit (Rating: +4.33)</p> <p>Direct (Avg Rating: +3):</p> <ul style="list-style-type: none"> Potentially High increase in non-hosted STRA prices (Rating: +3) <p>Indirect (Avg Rating: +1.33):</p> <ul style="list-style-type: none"> Moderate increase in occupied room nights (Rating: +2) Moderate increase in short term accommodation prices (Rating: +2) No change in short term accommodation revenue (Rating: 0) | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: +1):</p> <ul style="list-style-type: none"> Potentially Low increase in non-hosted STRA prices (Rating: +1) <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> High increase in occupied room nights (Rating: +3) Moderate increase in short term accommodation prices (Rating: +2) Low increase in short term accommodation revenue (Rating: +1) |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|---|--|--|---|--|---|
| | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts |
| <p>Visitor Market (Tourism Sector) – Visitors</p> | <p>Overall Net Disbenefit (Rating: -4)</p> <p>Direct (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in non-hosted STRA supply (Rating: -2) Potentially Moderate increase in non-hosted STRA prices (Rating: -2) <p>Indirect (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in available room nights in non-hosted STRA (Rating: -2) | <p>Overall Net Disbenefit (Rating: -2)</p> <p>Direct (Avg Rating: -1.5):</p> <ul style="list-style-type: none"> Low decrease in non-hosted STRA supply (Rating: -1) Potentially Moderate increase in non-hosted STRA prices (Rating: -2) <p>Indirect (Avg Rating: -0.5):</p> <ul style="list-style-type: none"> Low increase in available room nights in non-hosted STRA (Rating: +1) Moderate increase in short term | <p>Overall Net Disbenefit (Rating: -6)</p> <p>Direct (Avg Rating: -3):</p> <ul style="list-style-type: none"> High decrease in non-hosted STRA supply (Rating: -3) Potentially High increase in non-hosted STRA prices (Rating: -3) <p>Indirect (Avg Rating: -3):</p> <ul style="list-style-type: none"> High decrease in available room nights in non-hosted STRA (Rating: -3) High increase in short term | <p>Overall Net Disbenefit (Rating: -4)</p> <p>Direct (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in non-hosted STRA supply (Rating: -2) Potentially Moderate increase in non-hosted STRA prices (Rating: -2) <p>Indirect (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in available room nights in non-hosted STRA (Rating: -2) | <p>Overall Net Disbenefit (Rating: -4.5)</p> <p>Direct (Avg Rating: -2.5):</p> <ul style="list-style-type: none"> Moderate decrease in non-hosted STRA supply (Rating: -2) Potentially High increase in non-hosted STRA prices (Rating: -3) <p>Indirect (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in available room nights in non-hosted STRA (Rating: -2) Moderate increase in short term | <p>Overall Net Disbenefit (Rating: -1)</p> <p>Direct (Avg Rating: -1):</p> <ul style="list-style-type: none"> Low decrease in non-hosted STRA supply (Rating: -1) Potentially Low increase in non-hosted STRA prices (Rating: -1) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Moderate increase in available room nights in non-hosted STRA (Rating: +2) Moderate increase in short term |

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|---|--|---|---|--|---|--|
| | <ul style="list-style-type: none"> Moderate increase in short term accommodation prices (Rating: -2) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>accommodation prices (Rating: -2)</p> <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>accommodation prices (Rating: -3)</p> <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Moderate increase in short term accommodation prices (Rating: -2) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>accommodation prices (Rating: -2)</p> <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>accommodation prices (Rating: -2)</p> <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts |
| Residential Property Market – Renters and Purchasers | <p>Overall Net Benefit (Rating: +6)</p> <p>Direct (Avg Rating: +1.5):</p> <ul style="list-style-type: none"> Moderate increase in long term rental supply (Rating: +2) Low decrease in residential property values (Rating: +1) <p>Indirect (Avg Rating: +1.5):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental | <p>Overall Net Benefit (Rating: +1)</p> <p>Direct (Avg Rating: -0.5):</p> <ul style="list-style-type: none"> Low increase in long term rental supply (Rating: +1) Moderate increase in residential property values (Rating: -2) <p>Indirect (Avg Rating: +0.5):</p> <ul style="list-style-type: none"> Low decrease in long term rental | <p>Overall Net Benefit (Rating: +7.5)</p> <p>Direct (Avg Rating: +3):</p> <ul style="list-style-type: none"> High increase in long term rental supply (Rating: +3) High decrease in residential property values (Rating: +3) <p>Indirect (Avg Rating: +1.5):</p> <ul style="list-style-type: none"> High decrease in long term rental | <p>Overall Net Benefit (Rating: +4)</p> <p>Direct (Avg Rating: +0.5):</p> <ul style="list-style-type: none"> Moderate increase in long term rental supply (Rating: +2) Low increase in residential property values (Rating: -1) <p>Indirect (Avg Rating: +1.5):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental | <p>Overall Net Benefit (Rating: +5.5)</p> <p>Direct (Avg Rating: +2):</p> <ul style="list-style-type: none"> Moderate increase in long term rental supply (Rating: +2) Moderate decrease in residential property values (Rating: +2) <p>Indirect (Avg Rating: +1.5):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental | <p>Overall Net Disbenefit (Rating: -1.5)</p> <p>Direct (Avg Rating: -1):</p> <ul style="list-style-type: none"> Low increase in long term rental supply (Rating: +1) High Increase in residential property values (Rating: -3) <p>Indirect (Avg Rating: +0.5):</p> <ul style="list-style-type: none"> Low decrease in long term rental |

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|------------|---|--|--|---|---|---|
| | <p>housing rents (Rating: +2)</p> <ul style="list-style-type: none"> Moderate decrease in residential property values (Rating: +2) Low decrease in property development activity (Rating: -1) High decrease in housing stress (Rating: +3) <p>Social (Rating: +3):</p> <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work (Rating: +3) | <p>housing rents (Rating: +1)</p> <ul style="list-style-type: none"> Low decrease in residential property values (Rating: +1) Low decrease in property development activity (Rating: -1) Low decrease in housing stress (Rating: +1) <p>Social (Rating: +1):</p> <ul style="list-style-type: none"> Potentially Low increase in local workers being able to secure long term residences close to where they work (Rating: +1) | <p>housing rents (Rating: +3)</p> <ul style="list-style-type: none"> High decrease in residential property values (Rating: +3) Moderate decrease in property development activity (Rating: -2) Moderate decrease in housing stress (Rating: +2) <p>Social (Rating: +3):</p> <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work (Rating: +3) | <p>housing rents (Rating: +2)</p> <ul style="list-style-type: none"> Moderate decrease in residential property values (Rating: +2) Low decrease in property development activity (Rating: -1) High decrease in housing stress (Rating: +3) <p>Social (Rating: +2):</p> <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work (Rating: +3) | <p>housing rents (Rating: +2)</p> <ul style="list-style-type: none"> Moderate decrease in residential property values (Rating: +2) Low decrease in property development activity (Rating: -1) High decrease in housing stress (Rating: +3) <p>Social (Rating: +2):</p> <ul style="list-style-type: none"> Potentially Moderate increase in local workers being able to secure long term residences close to where they work (Rating: +2) | <p>housing rents (Rating: +1)</p> <ul style="list-style-type: none"> Low decrease in residential property values (Rating: +1) Low decrease in property development activity (Rating: -1) Low decrease in housing stress (Rating: +1) <p>Social (Rating: -1):</p> <ul style="list-style-type: none"> Continued challenges for local workers trying to secure long term residences close to where they work (Rating: -1) |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|---|--|--|--|--|--|--|
| Residential Property Market – Owners | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: -1):</p> <ul style="list-style-type: none"> Low decrease in residential property values (Rating: -1) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental housing rents (Rating: -2) Moderate decrease in residential property values (Rating: -2) Low decrease in property development activity (Rating: +1) High decrease in housing stress (Rating: +3) | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: +2):</p> <ul style="list-style-type: none"> Moderate increase in residential property values (Rating: +2) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Low decrease in long term rental housing rents (Rating: -1) Low decrease in residential property values (Rating: -1) Low decrease in property development activity (Rating: +1) Low decrease in housing stress (Rating: +1) | <p>Overall Net Disbenefit (Rating: -0.5)</p> <p>Direct (Avg Rating: -3):</p> <ul style="list-style-type: none"> High decrease in residential property values (Rating: -3) <p>Indirect (Avg Rating: -0.5):</p> <ul style="list-style-type: none"> High decrease in long term rental housing rents (Rating: -3) High decrease in residential property values (Rating: -3) Moderate decrease in property development activity (Rating: +2) Moderate decrease in housing stress (Rating: +2) | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: +1):</p> <ul style="list-style-type: none"> Low increase in residential property values (Rating: +1) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental housing rents (Rating: -2) Moderate decrease in residential property values (Rating: -2) Low decrease in property development activity (Rating: +1) High decrease in housing stress (Rating: +3) | <p>Overall Net Neutral (Rating: 0)</p> <p>Direct (Avg Rating: -2):</p> <ul style="list-style-type: none"> Moderate decrease in residential property values (Rating: -2) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Moderate decrease in long term rental housing rents (Rating: -2) Moderate decrease in residential property values (Rating: -2) Low decrease in property development activity (Rating: +1) High decrease in housing stress (Rating: +3) | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: +3):</p> <ul style="list-style-type: none"> High Increase in residential property values (Rating: +3) <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Low decrease in long term rental housing rents (Rating: -1) Low decrease in residential property values (Rating: -1) Low decrease in property development activity (Rating: +1) Low decrease in housing stress (Rating: +1) |

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|---|---|--|--|---|---|---|
| | Social (Rating: +3): <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work (Rating: +3) | Social (Rating: +1): <ul style="list-style-type: none"> Potentially Low increase in local workers being able to secure long term residences close to where they work (Rating: +1) | Social (Rating: +3): <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work (Rating: +3) | Social (Rating: +2): <ul style="list-style-type: none"> Potentially Moderate increase in local workers being able to secure long term residences close to where they work (Rating: +2) | Social (Rating: +2): <ul style="list-style-type: none"> Potentially Moderate increase in local workers being able to secure long term residences close to where they work (Rating: +2) | Social (Rating: -1): <ul style="list-style-type: none"> Continued challenges for local workers trying to secure long term residences close to where they work (Rating: -1) |
| Demand for Local Services and Businesses | Overall Net Benefit (Rating: +0.5) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: +0.5): <ul style="list-style-type: none"> ~\$18.1 million in annual foregone spending on STRA operational expenses (Moderate Decrease) (Rating: -2) High increase in annual retail spending (Rating: +3) | Overall Net Benefit (Rating: +1) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: +1): <ul style="list-style-type: none"> ~\$11.4 million in annual foregone spending on STRA operational expenses (Low Decrease) (Rating: -1) High increase in annual retail spending (Rating: +3) | Overall Net Disbenefit (Rating: -0.5) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: -0.5): <ul style="list-style-type: none"> ~\$33.2 million in annual foregone spending on STRA operational expenses (High Decrease) (Rating: -3) Moderate increase in annual retail spending (Rating: +2) | Overall Net Benefit (Rating: +0.5) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: +0.5): <ul style="list-style-type: none"> ~\$17.7 million in annual foregone spending on STRA operational expenses (Moderate Decrease) (Rating: -2) High increase in annual retail spending (Rating: +3) | Overall Net Neutral (Rating: 0) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: 0): <ul style="list-style-type: none"> ~\$17.1 million in annual foregone spending on STRA operational expenses (Moderate Decrease) (Rating: -2) Moderate increase in annual retail spending (Rating: +2) | Overall Net Benefit (Rating: +1) Direct (Avg Rating: 0): <ul style="list-style-type: none"> Nil Indirect (Avg Rating: +1): <ul style="list-style-type: none"> ~\$7.7 million in annual foregone spending on STRA operational expenses (Low Decrease) (Rating: -1) High increase in annual retail spending (Rating: +3) |

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|------------------|--|--|--|--|---|--|
| | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts | <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct and indirect impacts |
| Local Employment | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> Moderate increase in local employment (Rating: +2) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: +3):</p> <ul style="list-style-type: none"> High increase in local employment (Rating: +3) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct | <p>Overall Net Disbenefit (Rating: -1)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: -1):</p> <ul style="list-style-type: none"> Low decrease in local employment (Rating: -1) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: +2):</p> <ul style="list-style-type: none"> Moderate increase in local employment (Rating: +2) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct | <p>Overall Net Benefit (Rating: +1)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: +1):</p> <ul style="list-style-type: none"> Low increase in local employment (Rating: +1) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: +3):</p> <ul style="list-style-type: none"> High increase in local employment (Rating: +3) <p>Social (Rating: 0):</p> <ul style="list-style-type: none"> Nil – potential impacts have already been identified and quantified as direct |

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|--|---|--|---|---|---|---|
| | <i>and indirect impacts</i> | <i>and indirect impacts</i> | <i>and indirect impacts</i> | <i>and indirect impacts</i> | <i>and indirect impacts</i> | <i>and indirect impacts</i> |
| Quality of Life of Local Residents / Community and Permanency | <p>Overall Net Benefit (Rating: +3)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +3):</p> <ul style="list-style-type: none"> Potentially High decrease in noise disturbances caused by STRA (Rating: +3) Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending (Rating: +3) | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +2):</p> <ul style="list-style-type: none"> Potentially Low decrease in noise disturbances caused by STRA (Rating: +1) Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending (Rating: +3) | <p>Overall Net Benefit (Rating: +2.5)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +2.5):</p> <ul style="list-style-type: none"> Potentially High decrease in noise disturbances caused by STRA (Rating: +3) Potentially Moderate increase in amenity as businesses (such as retail and cafes) experience moderate growth in visitation and spending (Rating: +2) | <p>Overall Net Benefit (Rating: +2.5)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +2.5):</p> <ul style="list-style-type: none"> Potentially Moderate decrease in noise disturbances caused by STRA (Rating: +2) Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending (Rating: +3) | <p>Overall Net Benefit (Rating: +2)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +2):</p> <ul style="list-style-type: none"> Potentially Moderate decrease in noise disturbances caused by STRA (Rating: +2) Potentially Moderate increase in amenity as businesses (such as retail and cafes) experience moderate growth in visitation and | <p>Overall Net Benefit (Rating: +1)</p> <p>Direct (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Indirect (Avg Rating: 0):</p> <ul style="list-style-type: none"> Nil <p>Social (Rating: +1):</p> <ul style="list-style-type: none"> Continued noise disturbances caused by STRA (Rating: -1) Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending (Rating: +3) Continued displacement of |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|------------|--|--|---|--|---|---|
| | <ul style="list-style-type: none"> ▪ Potentially High decrease in displacement of long term residents due to ~14% increase in long term rental dwellings across the entire LGA. This is expected to significantly preserve the sense of community (Rating: +3) ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth (Rating: +3) | <ul style="list-style-type: none"> ▪ Potentially Low decrease in displacement of long term residents due to ~9% increase in long term rental dwellings across the LGA. This is expected to slightly preserve the sense of community outside of the Urbis-defined STRA Precincts (Rating: +1) ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth (Rating: +3) | <ul style="list-style-type: none"> ▪ Potentially High decrease in displacement of long term residents due to ~24% increase in long term rental dwellings across the LGA. This is expected to substantially preserve the sense of community outside of the Council-defined STRA Precincts (Rating: +3) ▪ Potentially Moderate increase in local culture and identity as visitation is estimated to experience moderate growth (Rating: +2) | <ul style="list-style-type: none"> ▪ Potentially Moderate decrease in displacement of long term residents due to ~13% increase in long term rental dwellings across the LGA. This is expected to moderately preserve the sense of community outside of the Council-defined STRA Precincts (Rating: +2) ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth (Rating: +3) | <p>spending (Rating: +2)</p> <ul style="list-style-type: none"> ▪ Potentially Moderate decrease in displacement of long term residents due to ~13% increase in long term rental dwellings across the LGA. This is expected to moderately preserve the sense of community outside of the Urbis-defined STRA Precincts (Rating: +2) ▪ Potentially Moderate increase in local culture and identity as visitation is estimated to experience moderate growth (Rating: +2) | <ul style="list-style-type: none"> ▪ long term residents leading to a loss of community across the entire LGA due to only ~6.5% increase in long term rental dwellings (Rating: -1) ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth (Rating: +3) |

4.4. DETAILED IMPACT ANALYSIS

The following sections provide detailed analysis of the direct, indirect and social impacts that are estimated to result from the six different policy options.

4.4.1. Direct Impacts

By virtue of the proposed policy directly targeting STRA, the direct impacts of the policy are expected to primarily relate to the STRA market, specifically STRA supply and STRA prices. However, the proposed policy is also anticipated to have a degree of direct impact on the residential property market, particularly the number of dwellings on the long-term rental market, the number of dwellings that are owner-occupied, and residential property values.

The degree of the direct impacts is likely to vary between the different policy options. Therefore, we have identified and analysed the potential direct impacts associated with each policy option.

Table 4.6, overleaf, provides a summary of the direct impacts estimated to result from each of the six policy options. Further details are provided in the subsequent sections.

Table 4.6 – Summary of Impacts

Direct Impacts

| Categories | Indicators | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|------------------------|------------------------|---|---|---|---|---|---|
| Visitor Market Impacts | Non-Hosted STRA Supply | <p>Moderate Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~19% decrease in the total number of non-hosted STRA properties in the LGA | <p>Low Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~12% decrease in the total number of non-hosted STRA properties in the LGA | <p>High Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~34% decrease in the total number of non-hosted STRA properties in the LGA | <p>Moderate Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~18% decrease in the total number of non-hosted STRA properties in the LGA | <p>Moderate Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~18% decrease in the total number of non-hosted STRA properties in the LGA | <p>Low Decrease in STRA Properties</p> <ul style="list-style-type: none"> ~8% decrease in the total number of non-hosted STRA properties in the LGA |
| | Non-Hosted STRA Prices | <p>Moderate Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~14% increase in average daily rates across the entire ~4,265 non-hosted STRA properties | <p>Moderate Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~14% increase in average daily rates across the entire ~4,630 non-hosted STRA properties | <p>High Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~26% increase in average daily rates across the entire ~3,440 non-hosted STRA properties | <p>Moderate Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~14% increase in average daily rates across the entire ~4,320 non-hosted STRA properties | <p>High Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~26% increase in average daily rates across the entire ~4,290 non-hosted STRA properties | <p>Low Increase in STRA Prices</p> <ul style="list-style-type: none"> Potential ~1% increase in average daily rates across the entire ~4,830 non-hosted STRA properties |

| Categories | Indicators | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|-------------------------------------|---|--|--|--|--|--|---|
| Residential Property Market Impacts | Long Term Rental and Owner-Occupier Market Supply | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~14% increase in the total number of long term rental properties, and a ~1% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels | <p>Low Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~9% increase in the total number of long term rental properties, and a ~0.5% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels | <p>High Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~24% increase in the total number of long term rental properties, and a ~3% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~13% increase in the total number of long term rental properties, and a ~1% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~13% increase in the total number of long term rental properties, and a ~1.5% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels | <p>Low Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ~6.5% increase in the total number of long term rental properties, and no increase in the total number of owner-occupied properties in the LGA relative to 2021 levels |

| Categories | Indicators | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|------------|------------------------------------|---|--|--|---|--|--|
| | Residential Property Values | <p>Low Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values are unlikely to be materially impacted Potential slight decrease in residential property values relative to residential property in other States | <p>Moderate Increase in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Urbis-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW Potential slight decrease in residential property values relative to residential property in other States | <p>High Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Council-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property values in the rest of the Byron LGA may potentially decrease Potential slight decrease in residential property values relative to | <p>Low Increase in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Council-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW Potential slight decrease in residential property values relative to residential property in other States | <p>Moderate Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Urbis-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property values in the rest of the Byron LGA may potentially decrease Potential slight decrease in residential property values relative to | <p>High Increase in Residential Property Values</p> <ul style="list-style-type: none"> Potential increase in residential property values relative to residential property in the rest of NSW |

| Categories | Indicators | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|------------|------------|----------------------------|---|---|---|--|-------------------|
| | | | | residential property in other States | | residential property in other States | |

4.4.1.1. Non-Hosted STRA Supply Impacts

The direct impact of the proposed policy options on the supply of non-hosted STRA within the Byron LGA varies considerably between options.

As shown in Table 4.7, Option 1: Council’s Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is expected to result in the most significant impact with non-hosted STRA supply estimated to decrease by approximately 34% relative to the number of non-hosted STRA properties in 2019 as a direct result of the proposed policy. This is unsurprising given Option 1 reflects the most stringent cap of 90 days per year being applied to the second-broadest area (i.e. outside the Council-defined STRA Precincts).

In comparison, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are all estimated to moderately reduce non-hosted STRA supply by approximately 19%, 18% and 18%, respectively.

The remaining two policy options, the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, are expected to result in relatively low impacts on non-hosted STRA supply. Specifically, the Base Case Alternative is estimated to reduce non-hosted STRA supply by approximately 12% relative to the number of non-hosted STRA properties in 2019.

Interestingly, based on the survey data, non-hosted STRA supply is still estimated to decrease by approximately 8% relative to the number of non-hosted STRA properties in 2019 if no caps were implemented (i.e. Option 2: No Caps).

These estimated direct impacts on non-hosted STRA supply have important implications for the indirect impacts which have been analysed in Section 4.4.2.

Table 4.7 – Non-Hosted STRA Supply Impacts

Direct Impacts

| | Survey Insights | Estimated Impact |
|---|---|---|
| Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA | <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties across the LGA would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties across the LGA would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties across the LGA would convert to long term rental for part of the year (e.g. long-term lease for 9 months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties across the LGA would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or | <p>Moderate Decrease in STRA Properties</p> <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~885 properties are estimated to convert to long term rentals (including 9-month leases) and ~100 properties are estimated to convert to owner-occupation ▪ This represents a ~19% decrease in the total number of non-hosted STRA properties in the LGA |

| | Survey Insights | Estimated Impact |
|--|--|--|
| | <ul style="list-style-type: none"> - Leased as STRA. | |
| Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts) | <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties outside the STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties outside the STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties outside the STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties outside the STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <p>Low Decrease in STRA Properties</p> <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~575 properties are estimated to convert to long term rentals (including 9-month leases) and ~45 properties are estimated to convert to owner-occupation ▪ This represents a ~12% decrease in the total number of non-hosted STRA properties in the LGA |
| Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts | <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ ~58% of non-hosted STRA properties outside the Council-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~11% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~15% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) | <p>High Decrease in STRA Properties</p> <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~1,535 properties are estimated to convert to long term rentals (including 9-month leases) and ~275 properties are estimated to convert to owner-occupation ▪ This represents a ~34% decrease in the total number of non-hosted STRA properties in the LGA |

| | Survey Insights | Estimated Impact |
|--|---|--|
| | <ul style="list-style-type: none"> ▪ ~16% of non-hosted STRA properties outside the Council-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | Under Option 1A: <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties outside the Council-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties outside the Council-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | Moderate Decrease in STRA Properties <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~830 properties are estimated to convert to long term rentals (including 9-month leases) and ~100 properties are estimated to convert to owner-occupation ▪ This represents an ~18% decrease in the total number of non-hosted STRA properties in the LGA |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis- | Under Option 1B: <ul style="list-style-type: none"> ▪ ~58% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~11% of non-hosted STRA properties outside the Urbis-defined | Moderate Decrease in STRA Properties <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~840 properties are estimated to convert to long term rentals (including 9-month leases) and ~120 properties are estimated to convert to owner-occupation |

| | Survey Insights | Estimated Impact |
|---|--|--|
| defined STRA Precincts) | <p>STRA Precincts would convert to long term rental (i.e. 3 months plus)</p> <ul style="list-style-type: none"> ▪ ~15% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~16% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <ul style="list-style-type: none"> ▪ This represents an ~18% decrease in the total number of non-hosted STRA properties in the LGA |
| Option 2: No Caps – No caps on non-hosted STRA across the entire LGA | <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ ~92% of non-hosted STRA properties across the LGA would continue to rent as STRA ▪ ~3% of non-hosted STRA properties across the LGA would convert to long term rental (i.e. 3 months plus) ▪ ~5% of non-hosted STRA properties across the LGA would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) | <p>Low Decrease in STRA Properties</p> <ul style="list-style-type: none"> ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~420 properties are estimated to convert to long term rentals ▪ This represents an ~8% decrease in the total number of non-hosted STRA properties in the LGA |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Urbis

4.4.1.2. Non-Hosted STRA Price Impacts

In addition to the direct impact of the proposed policy options on the supply of non-hosted STRA within the Byron LGA, there is also potential for the proposed policy options to result in higher STRA prices.

In Table 4.8, we have estimated the potential direct impacts of the various policy options on non-hosted STRA prices (i.e. average daily rates). However, these impacts are based on insights from the survey of STRA providers and reflect only how these providers would attempt to influence prices. The ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates as the competitors will undercut each other.

As shown in Table 4.8, Option 1: Council’s Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts)

have potential to result in the most significant price increases with the average daily rate for non-hosted STRA estimated to increase by approximately 26% relative to non-hosted STRA prices in 2019 as a direct result of the proposed policies. This reflects around half of non-hosted STRA properties seeking to increase their prices by approximately 50%, as per the survey results.

In comparison, the Base Case: SEPP Default (a 180-day cap across the entire LGA), the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts), and Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), are all estimated to result in a moderate price increase for non-hosted STRA prices with the average daily rate for non-hosted STRA estimated to increase by approximately 14% relative to STRA prices in 2019.

Unsurprisingly, based on the survey data, the average daily rate for non-hosted STRA is only estimated to increase by approximately 1% relative to non-hosted STRA prices in 2019 if no caps were implemented.

Again, it must be stressed that these impacts are based on insights from the survey of STRA providers and reflect only how these providers would attempt to directly influence prices. A more rigorous assessment of the likely price impacts that gives consideration to the level of non-hosted STRA supply relative to demand is provided in Section 4.4.2.

Table 4.8 – Non-Hosted STRA Price Impacts

Direct Impacts

| | Survey Insights | Estimated Impact |
|---|--|--|
| Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA | Under the Base Case: <ul style="list-style-type: none"> ▪ ~41% of non-hosted STRA properties would attempt to increase their daily rates ▪ The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~33% | Potentially Moderate Increase in STRA Prices <ul style="list-style-type: none"> ▪ According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 ▪ Of the ~4,265 non-hosted STRA properties that would continue as STRA under the Base Case, ~1,750 properties would attempt to increase their average daily rate to ~\$427 ▪ Overall, average daily rates across the entire ~4,265 non-hosted STRA properties could increase to ~\$364, reflecting an increase of ~14% ▪ <i>However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under the Base Case remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates.</i> |
| Base Case Alternative – Variation to the | Under the Base Case Alternative: | Potentially Moderate Increase in STRA Prices |

| | Survey Insights | Estimated Impact |
|---|--|--|
| <p>Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <ul style="list-style-type: none"> ▪ ~41% of non-hosted STRA properties would attempt to increase their daily rates ▪ The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~33% | <ul style="list-style-type: none"> ▪ According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 ▪ Of the ~4,630 non-hosted STRA properties that would continue as STRA under the Base Case Alternative, ~1,900 properties would attempt to increase their average daily rate to ~\$427 ▪ Overall, average daily rates across the entire ~4,630 non-hosted STRA properties could increase to ~\$364, reflecting an increase of ~14% ▪ <i>However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under the Base Case Alternative remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates.</i> |
| <p>Option 1: Council's Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts</p> | <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ ~51% of non-hosted STRA properties would attempt to increase their daily rates ▪ The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~50% | <p>Potentially High Increase in STRA Prices</p> <ul style="list-style-type: none"> ▪ According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 ▪ Of the ~3,440 non-hosted STRA properties that would continue as STRA under Option 1, ~1,755 properties would attempt to increase their average daily rate to ~\$482 ▪ Overall, average daily rates across the entire ~3,440 non-hosted STRA properties could increase to ~\$403, reflecting an increase of ~26% ▪ <i>However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under Option 1</i> |

| | Survey Insights | Estimated Impact |
|--|---|---|
| | | <i>remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates.</i> |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <p>Under Option 1A:</p> <ul style="list-style-type: none"> ~41% of non-hosted STRA properties would attempt to increase their daily rates The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~33% | <p>Potentially Moderate Increase in STRA Prices</p> <ul style="list-style-type: none"> According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 Of the ~4,320 non-hosted STRA properties that would continue as STRA under Option 1A, ~1,770 properties would attempt to increase their average daily rate to ~\$427 Overall, average daily rates across the entire ~4,320 non-hosted STRA properties could increase to ~\$364, reflecting an increase of ~14% <i>However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under Option 1A remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates.</i> |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts) | <p>Under Option 1B:</p> <ul style="list-style-type: none"> ~51% of non-hosted STRA properties would attempt to increase their daily rates The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~50% | <p>Potentially High Increase in STRA Prices</p> <ul style="list-style-type: none"> According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 Of the ~4,290 non-hosted STRA properties that would continue as STRA under Option 1B, ~2,190 properties would attempt to increase their average daily rate to ~\$482 Overall, average daily rates across the entire ~4,290 non-hosted STRA properties could increase to ~\$403, reflecting an increase of ~26% |

| | Survey Insights | Estimated Impact |
|--|---|--|
| | | <ul style="list-style-type: none"> However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under Option 1B remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates. |
| <p>Option 2: No Caps – No caps on non-hosted STRA across the entire LGA</p> | <p>Under Option 2:</p> <ul style="list-style-type: none"> ~4% of non-hosted STRA properties would attempt to increase their daily rates The non-hosted STRA properties that would attempt to increase their daily rates would attempt to raise their daily rates by an average of ~31% | <p>Potentially Low Increase in STRA Prices</p> <ul style="list-style-type: none"> According to AirDNA data for 2019 (base year), non-hosted STRA properties across the LGA have an average daily rate (ADR) of ~\$321 Of the ~4,830 non-hosted STRA properties that would continue as STRA under Option 2, ~195 properties would attempt to increase their average daily rate to ~\$421 Overall, average daily rates across the entire ~4,830 non-hosted STRA properties could increase to ~\$325, reflecting an increase of ~1% However, the ability for non-hosted STRA properties to actually influence prices will be heavily dependent on the level of occupancy. If non-hosted STRA occupancy under Option 2 remains relatively low (i.e. below 85%), it is unlikely that non-hosted STRA properties will actually be able to command higher daily rates. |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Urbis

4.4.1.3. Long Term Rental and Owner-Occupier Market Supply Impacts

The other side of the direct impact of the proposed policy options on the supply of non-hosted STRA within the Byron LGA analysed above, is the simultaneous direct impact on the supply of long term rental and owner-occupied dwellings in the LGA.

For the purposes of this analysis, we have derived the current number of long term rental dwellings within the LGA from total bond lodged data published by the NSW Department of Communities and Justice. However, we have had to assume that any residential dwellings in the LGA which are not long term rentals are owner-occupied. Although this may not be completely accurate, we are unable to more accurately estimate the current number of owner-occupied dwellings in the LGA. Therefore, the estimated direct

impacts on the supply of long term rental are considered accurate while the impacts on the supply of owner-occupied dwellings are likely to be understated.

As shown in Table 4.9, Option 1: Council’s Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is expected to result in the most significant impact with the supply of long term rental dwellings estimated to increase by approximately 24% relative to the number of long term rental dwellings in 2021 as a direct result of the proposed policy. Additionally, we estimate the supply of owner-occupied dwellings is likely to increase by approximately 3% relative to the number of owner-occupied dwellings in 2021.

In contrast, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are all estimated to have moderate impacts on residential market supply with estimated resulting increases in the supply of long term rental dwellings of approximately 13-14% relative to the number of long term rental dwellings in 2021. However, the supply of owner-occupied dwellings is estimated to only increase by approximately 1-1.5% relative to the number of owner-occupied dwellings in 2021.

The two remaining policy options, the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, are expected to result in relatively low impacts on residential market supply.

Firstly, the Base Case Alternative is estimated to increase the supply of long term rental dwellings by approximately 9% and the supply of owner-occupied dwellings by only 0.5%, relative to 2019 levels. And finally, under Option 2: No Caps, the supply of long term rental dwellings is estimated to increase by approximately 6.5% relative to the number of long term rental dwellings in 2021, while there is expected to be no impact on the supply of owner-occupied dwellings.

Table 4.9 – Long Term Rental and Owner-Occupier Market Supply Impacts

Direct Impacts

| | Survey Insights | Estimated Impact |
|---|--|--|
| Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA | <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties across the LGA would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties across the LGA would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties across the LGA would convert to long term rental for part of the year (e.g. long-term lease for 9 months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties across the LGA would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~885 properties are estimated to convert to long term rentals (including 9-month leases) and ~100 properties are estimated to convert to owner-occupation ▪ This represents a ~14% increase in the total number of long term rental properties in the LGA, and a ~1% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels |

| | Survey Insights | Estimated Impact |
|--|--|---|
| Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts) | <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <p>Low Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~575 properties are estimated to convert to long term rentals (including 9-month leases) and ~45 properties are estimated to convert to owner-occupation ▪ This represents a ~9% increase in the total number of long term rental properties in the LGA, and a ~0.5% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels |
| Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts | <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ ~58% of non-hosted STRA properties outside the Council-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~11% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~15% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) | <p>High Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~1,535 properties are estimated to convert to long term rentals (including 9-month leases) and ~275 properties are estimated to convert to owner-occupation ▪ This represents a ~24% increase in the total number of long term rental properties in the LGA, and a ~3% increase in the total number of |

| | Survey Insights | Estimated Impact |
|--|--|--|
| | <ul style="list-style-type: none"> ▪ ~16% of non-hosted STRA properties outside the Council-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | owner-occupied properties in the LGA relative to 2021 levels |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <p>Under Option 1A:</p> <ul style="list-style-type: none"> ▪ ~79% of non-hosted STRA properties outside the Council-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~6% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental (i.e. 3 months plus) ▪ ~8% of non-hosted STRA properties outside the Council-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~7% of non-hosted STRA properties outside the Council-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~830 properties are estimated to convert to long term rentals (including 9-month leases) and ~100 properties are estimated to convert to owner-occupation ▪ This represents a ~13% increase in the total number of long term rental properties in the LGA, and a ~1% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis- | <p>Under Option 1B:</p> <ul style="list-style-type: none"> ▪ ~58% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would continue to rent as STRA for the maximum period allowed ▪ ~11% of non-hosted STRA properties outside the Urbis-defined | <p>Moderate Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~840 properties are estimated to |

| | Survey Insights | Estimated Impact |
|---|--|---|
| defined STRA Precincts) | <p>STRA Precincts would convert to long term rental (i.e. 3 months plus)</p> <ul style="list-style-type: none"> ▪ ~15% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) ▪ ~16% of non-hosted STRA properties outside the Urbis-defined STRA Precincts would be sold – once sold, it is assumed that these would either be: <ul style="list-style-type: none"> - Owner-occupied; - Leased as long term rental; or - Leased as STRA. | <p>convert to long term rentals (including 9-month leases) and ~120 properties are estimated to convert to owner-occupation</p> <ul style="list-style-type: none"> ▪ This represents a ~13% increase in the total number of long term rental properties in the LGA, and a ~1.5% increase in the total number of owner-occupied properties in the LGA relative to 2021 levels |
| Option 2: No Caps – No caps on non-hosted STRA across the entire LGA | <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ ~92% of non-hosted STRA properties across the LGA would continue to rent as STRA ▪ ~3% of non-hosted STRA properties across the LGA would convert to long term rental (i.e. 3 months plus) ▪ ~5% of non-hosted STRA properties across the LGA would convert to long term rental for part of the year (e.g. long term lease for 9-months and let as STRA for 3 months each year) | <p>Low Increase in Long Term Residential Supply</p> <ul style="list-style-type: none"> ▪ As at 2021, there are an estimated ~6,420 long term rental properties and ~8,700 owner occupied properties across the LGA ▪ Of the ~5,250 non-hosted STRA properties listed in 2019 (base year), ~420 properties are estimated to convert to long term rentals ▪ This represents a ~6.5% increase in the total number of long term rental properties in the LGA, and no change in the total number of owner-occupied properties in the LGA relative to 2021 levels |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Urbis

4.4.1.4. Residential Property Value Impacts

The proposed policy is anticipated to not only directly impact non-hosted STRA supply, non-hosted STRA prices and the number of dwellings on the long term rental and owner-occupier markets. Rather, the policy is also expected to directly impact residential property values in the LGA.

Although STRA is currently prohibited in Residential zones in the Byron LGA, it is apparent that, in practice, many property owners are still using their properties as STRA. Therefore, we have assumed the proposed policy will result in a perceived curtailing of the rights of homeowners in the LGA (by virtue of increased regulation).

While a curtailing of rights in respect of property ownership does not always impact property values, the proposed policy is likely to be perceived as specifically limiting the ability for homeowners to generate revenue from their property. Given the close and established relationship between residential property revenue and value (i.e. rental yields), any policy that impacts the ability for a property to generate revenue will ultimately impact property values (noting other factors also impact property values such as demand, location, interest rates).

As outlined in Section 2, median long term residential rental yields in the Byron LGA as at June 2019 (base year) were ~3.8% for houses and ~4.0% for units. Additionally, median STRA yields were estimated at ~2.3-2.8%. These yields were lower than those of the neighbouring LGAs as at June 2019:

- Ballina LGA: ~4.3% for houses and units
- Tweed LGA: ~4.4% for houses and ~5.2% for units
- Lismore LGA: ~5.0% for houses and ~5.3% for units.

The lower yields in the Byron LGA reflect the relatively higher residential property values in the LGA compared to the surrounding LGAs. Although this indicates that, currently, higher returns are likely to be achieved in the neighbouring LGAs than in the Byron LGA, the neighbouring LGAs are unlikely to experience the same degree of capital growth as the Byron LGA. Therefore, it cannot be concluded whether residential property in the Byron LGA is currently viewed as a more or less attractive investment than property in the surrounding LGAs.

As such, we have focused our analysis of the potential direct impacts of the policy options on residential property values purely on the perceived impacts to the rights of homeowners in the Byron LGA compared to the rights of homeowners in the rest of NSW (including the neighbouring LGAs) and the other States.

Table 4.10 shows that, if no caps were implemented (i.e. Option 2: No Caps), there is likely to be a high increase in residential property values in the Byron LGA. This impact would result from residential property within the Byron LGA becoming a relatively more attractive investment than anywhere else in NSW (including neighbouring LGAs) by virtue of homeowners being subject to fewer limitations in how they generate revenue from their property.

Residential property values are also anticipated to increase under the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 1A (a 180-day cap outside of the Council-defined STRA Precincts). However, the increase under the Base Case Alternative is estimated to be moderate while the increase under Option 1A is expected to be low.

In contrast, Option 1: Council’s Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is considered likely to result in a high decrease in residential property values in the Byron LGA. Although under this option, residential property values in the Council-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, residential property values in the rest of the Byron LGA (which accounts for 93% of dwellings) may potentially decrease. Furthermore, the reduced rights of homeowners across NSW, including outside the Council-defined STRA Precincts, also has potential to result in a slight decrease in residential property values relative to residential property in other States.

Similarly, Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) is expected to result in a moderate decrease in residential property values in the Byron LGA, while the Base Case: SEPP Default (a 180-day cap across the entire LGA) is expected to result in a relatively low decrease in residential property values.

Table 4.10 – Residential Property Value Impacts

Direct Impacts

| | Key Considerations | Expected Impacts |
|--|---|--|
| Base Case: SEPP Default – 180-day cap on non-hosted | <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ Homeowners in the Byron LGA would have the same rights as homeowners in the rest of NSW, but | <p>Low Decrease in Residential Property Values</p> <ul style="list-style-type: none"> ▪ In relative terms, residential property within the Byron LGA will be no more or less attractive as an investment |

| | Key Considerations | Expected Impacts |
|--|--|--|
| STRA across the entire LGA | <p>more limited rights than homeowners in the other States</p> | <p>than anywhere else in NSW (including neighbouring LGAs) – therefore, residential property values are unlikely to be materially impacted</p> <ul style="list-style-type: none"> ▪ However, the reduced rights of homeowners across NSW has potential to result in a slight decrease in residential property values relative to residential property in other States |
| Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts) | <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ ~53% of homeowners in the Byron LGA (proportion of dwellings within the Urbis-defined STRA Precincts) would have more rights than homeowners in the rest of NSW, and the same rights as homeowners in the other States ▪ ~47% of homeowners in the Byron LGA (proportion of dwellings outside the Urbis-defined STRA Precincts) would have the same rights as homeowners in the rest of NSW, but more limited rights than homeowners in the other States ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% and median STRA yields were ~2.3-2.8%, compared to long term rental yields of ~4.3% in the neighbouring LGA of Ballina, ~4.4-5.2% in the Tweed LGA, and ~5.0-5.3% in the Lismore LGA | <p>Moderate Increase in Residential Property Values</p> <ul style="list-style-type: none"> ▪ Residential property values in the Urbis-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property values in the rest of the Byron LGA are unlikely to be materially impacted ▪ However, the reduced rights of homeowners across NSW, including outside the Urbis-defined STRA Precincts, has potential to result in a slight decrease in residential property values relative to residential property in other States |
| Option 1: Council's Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts | <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ ~7% of homeowners in the Byron LGA (proportion of dwellings within the Urbis-defined STRA Precincts) would have more rights than homeowners in the rest of NSW, and the same rights as homeowners in the other States ▪ ~93% of homeowners in the Byron LGA (proportion of dwellings outside the Urbis-defined STRA Precincts) | <p>High Decrease in Residential Property Values</p> <ul style="list-style-type: none"> ▪ Residential property values in the Council-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property values in the rest of the Byron LGA may potentially decrease ▪ However, the reduced rights of homeowners across NSW, including |

| | Key Considerations | Expected Impacts |
|--|---|---|
| | <p>would have more limited rights than homeowners in the rest of NSW and the other States</p> <ul style="list-style-type: none"> Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% and median STRA yields were ~2.3-2.8%, compared to long term rental yields of ~4.3% in the neighbouring LGA of Ballina, ~4.4-5.2% in the Tweed LGA, and ~5.0-5.3% in the Lismore LGA | <p>outside the Council-defined STRA Precincts, has potential to result in a slight decrease in residential property values relative to residential property in other States</p> |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | <p>Under Option 1A:</p> <ul style="list-style-type: none"> ~7% of homeowners in the Byron LGA (proportion of dwellings within the Council-defined STRA Precincts) would have more rights than homeowners in the rest of NSW, and the same rights as homeowners in the other States ~93% of homeowners in the Byron LGA (proportion of dwellings outside the Council-defined STRA Precincts) would have the same rights as homeowners in the rest of NSW, but more limited rights than homeowners in the other States Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% and median STRA yields were ~2.3-2.8%, compared to long term rental yields of ~4.3% in the neighbouring LGA of Ballina, ~4.4-5.2% in the Tweed LGA, and ~5.0-5.3% in the Lismore LGA | <p>Low Increase in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Council-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property values in the rest of the Byron LGA are unlikely to be materially impacted However, the reduced rights of homeowners across NSW, including outside the Council-defined STRA Precincts, has potential to result in a slight decrease in residential property values relative to residential property in other States |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis- | <p>Under Option 1B:</p> <ul style="list-style-type: none"> ~53% of homeowners in the Byron LGA (proportion of dwellings within the Urbis-defined STRA Precincts) would have more rights than homeowners in the rest of NSW, and the same rights as homeowners in the other States | <p>Moderate Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Residential property values in the Urbis-defined STRA Precincts may potentially increase relative to residential property in the rest of NSW, while residential property |

| | Key Considerations | Expected Impacts |
|---|---|--|
| defined STRA Precincts) | <ul style="list-style-type: none"> ▪ ~47% of homeowners in the Byron LGA (proportion of dwellings outside the Urbis-defined STRA Precincts) would have more limited rights than homeowners in the rest of NSW and the other States ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% and median STRA yields were ~2.3-2.8%, compared to long term rental yields of ~4.3% in the neighbouring LGA of Ballina, ~4.4-5.2% in the Tweed LGA, and ~5.0-5.3% in the Lismore LGA | <p>values in the rest of the Byron LGA may potentially decrease</p> <ul style="list-style-type: none"> ▪ However, the reduced rights of homeowners across NSW, including outside the Urbis-defined STRA Precincts, has potential to result in a slight decrease in residential property values relative to residential property in other States |
| Option 2: No Caps – No caps on non-hosted STRA across the entire LGA | <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ Homeowners in the Byron LGA would have more rights than homeowners in the rest of NSW, and the same rights as homeowners in the other States ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% and median STRA yields were ~2.3-2.8%, compared to long term rental yields of ~4.3% in the neighbouring LGA of Ballina, ~4.4-5.2% in the Tweed LGA, and ~5.0-5.3% in the Lismore LGA | <p>High Increase in Residential Property Values</p> <ul style="list-style-type: none"> ▪ In relative terms, residential property within the Byron LGA will be more attractive as an investment than anywhere else in NSW (including neighbouring LGAs) – therefore, residential property values may potentially increase relative to residential property in the rest of NSW |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Pricfinder; Urbis

4.4.2. Indirect Impacts

In addition to the direct impacts on non-hosted STRA supply, non-hosted STRA prices, the number of dwellings on the long term rental market, and residential property values, identified above, the proposed policy is also likely to have significant indirect impacts on the Byron Shire economy.

This includes potential indirect impacts on:

- Byron LGA visitor market
- Local consumption and trading
- Local employment
- Residential property market.

As with the direct impacts, the degree of the indirect impacts is estimated to vary between the different policy options.

Table 4.11, overleaf, provides a summary of the various indirect impacts estimated to result from each of the six policy options. Further details are provided in the subsequent sections.

Table 4.11 – Summary of Impacts

Indirect Impacts

| Category | Indicator | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|------------------------|--|--|---|--|--|--|--|
| Visitor Market Impacts | Available Room Nights in Non-Hosted STRA | <p>Moderate Decrease in Available Room Nights</p> <ul style="list-style-type: none"> ~2.6% p.a. decrease in available room nights in non-hosted STRA between 2021 and 2027 | <p>Low Increase in Available Room Nights</p> <ul style="list-style-type: none"> ~0.3% p.a. increase in available room nights in non-hosted STRA between 2021 and 2027 | <p>High Decrease in Available Room Nights</p> <ul style="list-style-type: none"> ~12.8% p.a. decrease in available room nights in non-hosted STRA between 2021 and 2027 | <p>Moderate Decrease in Available Room Nights</p> <ul style="list-style-type: none"> ~1.8% p.a. decrease in available room nights in non-hosted STRA between 2021 and 2027 | <p>Moderate Decrease in Available Room Nights</p> <ul style="list-style-type: none"> ~2.7% p.a. decrease in available room nights in non-hosted STRA between 2021 and 2027 | <p>Moderate Increase in Available Room Nights</p> <ul style="list-style-type: none"> ~1.2% p.a. decrease in available room nights in non-hosted STRA between 2021 and 2027 |
| | Occupied Room Nights in Non-Hosted STRA | <p>High Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~4.7% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 | <p>High Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~4.7% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 | <p>Moderate Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~3.8% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 | <p>High Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~4.7% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 | <p>Moderate Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~3.9% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 | <p>High Increase in Occupied Room Nights</p> <ul style="list-style-type: none"> ~4.7% p.a. increase in occupied room nights in non-hosted STRA between 2021 and 2027 |

| Category | Indicator | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|--|--|---|---|---|---|---|---|
| | Accommodation Prices | Moderate Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.0-2.3% p.a. increase in short term accommodation prices between 2019 and 2027 | Moderate Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.0-2.3% p.a. increase in short term accommodation prices between 2019 and 2027 | High Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.1-3.0% p.a. increase in short term accommodation prices between 2019 and 2027 | Moderate Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.0-2.3% p.a. increase in short term accommodation prices between 2019 and 2027 | Moderate Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.0-2.3% p.a. increase in short term accommodation prices between 2019 and 2027 | Moderate Increase in Accommodation Prices <ul style="list-style-type: none"> ~2.0-2.3% p.a. increase in short term accommodation prices between 2019 and 2027 |
| | Short Term Accommodation Market Performance | Low Increase in Accommodation Revenue <ul style="list-style-type: none"> ~0.3% p.a. increase in short term accommodation revenue between 2019 and 2027 | Low Increase in Accommodation Revenue <ul style="list-style-type: none"> ~0.3% p.a. increase in short term accommodation revenue between 2019 and 2027 | Low Increase in Accommodation Revenue <ul style="list-style-type: none"> ~0.4% p.a. increase in short term accommodation revenue between 2019 and 2027 | Low Increase in Accommodation Revenue <ul style="list-style-type: none"> ~0.3% p.a. increase in short term accommodation revenue between 2019 and 2027 | No Change in Accommodation Revenue <ul style="list-style-type: none"> No change in short term accommodation revenue between 2019 and 2027 | Low Increase in Accommodation Revenue <ul style="list-style-type: none"> ~0.3% p.a. increase in short term accommodation revenue between 2019 and 2027 |
| Local Consumption and Trading Impacts | STRA Operational Spending | Moderate Decrease in Operational Spending | Low Decrease in Operational Spending <ul style="list-style-type: none"> ~\$11.4 million in annual | High Decrease in Operational Spending <ul style="list-style-type: none"> ~\$33.2 million in annual | Moderate Decrease in Operational Spending | Moderate Decrease in Operational Spending | Low Decrease in Operational Spending <ul style="list-style-type: none"> ~\$7.7 million in annual |

| Category | Indicator | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|---------------------------------|-------------------------|--|--|--|--|--|--|
| | | <ul style="list-style-type: none"> ~\$18.1 million in annual foregone spending on STRA operational expenses | foregone spending on STRA operational expenses | foregone spending on STRA operational expenses | <ul style="list-style-type: none"> ~\$17.7 million in annual foregone spending on STRA operational expenses | <ul style="list-style-type: none"> ~\$17.7 million in annual foregone spending on STRA operational expenses | foregone spending on STRA operational expenses |
| | Retail Spending | <p>High Increase in Retail Spending</p> <ul style="list-style-type: none"> ~6.2% p.a. increase in annual retail spending between 2021 and 2027 | <p>High Increase in Retail Spending</p> <ul style="list-style-type: none"> ~5.9% p.a. increase in annual retail spending between 2021 and 2027 | <p>Moderate Increase in Retail Spending</p> <ul style="list-style-type: none"> ~6.2% p.a. increase in annual retail spending between 2021 and 2027 | <p>High Increase in Retail Spending</p> <ul style="list-style-type: none"> ~6.2% p.a. increase in annual retail spending between 2021 and 2027 | <p>Moderate Increase in Retail Spending</p> <ul style="list-style-type: none"> ~5.9% p.a. increase in annual retail spending between 2021 and 2027 | <p>High Increase in Retail Spending</p> <ul style="list-style-type: none"> ~6.2% p.a. increase in annual retail spending between 2021 and 2027 |
| Local Employment Impacts | Local Employment | <p>Moderate Increase in Local Employment</p> <ul style="list-style-type: none"> ~127 additional jobs as result of additional spending by 2027 | <p>High Increase in Local Employment</p> <ul style="list-style-type: none"> ~182 additional jobs as result of additional spending by 2027 | <p>Low Decrease in Local Employment</p> <ul style="list-style-type: none"> ~10 fewer jobs as result of additional spending by 2027 | <p>Moderate Increase in Local Employment</p> <ul style="list-style-type: none"> ~136 additional jobs as result of additional spending by 2027 | <p>Low Increase in Local Employment</p> <ul style="list-style-type: none"> ~113 additional jobs as result of additional spending by 2027 | <p>High Increase in Local Employment</p> <ul style="list-style-type: none"> ~210 additional jobs as result of additional spending by 2027 |

| Category | Indicator | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|-------------------------------------|--|---|---|--|---|---|---|
| Residential Property Market Impacts | Long Term Residential Rents | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a moderate decrease in long term rental housing rents | <p>Low Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a low decrease in long term rental housing rents | <p>High Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a significant decrease in long term rental housing rents | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a moderate decrease in long term rental housing rents | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a moderate decrease in long term rental housing rents | <p>Low Decrease in Rents</p> <ul style="list-style-type: none"> Potential for a low decrease in long term rental housing rents |
| | Residential Property Value | <p>Moderate Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a moderate decrease in residential property values | <p>Low Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a low decrease in residential property values | <p>High Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a significant decrease in residential property values | <p>Moderate Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a moderate decrease in residential property values | <p>Moderate Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a moderate decrease in residential property values | <p>Low Decrease in Residential Property Values</p> <ul style="list-style-type: none"> Potential for a low decrease in residential property values |
| | Property Investment and Development Activity | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a low decrease in property | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a low decrease in property | <p>Moderate Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a moderate decrease in property | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a low decrease in property | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a low decrease in property | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Potential for a minor decrease, if any change, in property |

| Category | Indicator | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|----------|-----------------------|---|---|---|---|---|---|
| | | development activity | development activity | development activity | development activity | development activity | development activity |
| | Housing Stress | High Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a high reduction in housing stress | Low Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a low reduction in housing stress | Moderate Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a moderate reduction in housing stress | High Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a high reduction in housing stress | High Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a high reduction in housing stress | Low Decrease in Housing Stress <ul style="list-style-type: none"> Potential for a low reduction in housing stress |

4.4.2.1. Visitor Market Impacts

While the proposed policy options are each estimated to have varying degrees of direct impact on the supply of non-hosted STRA within the Byron LGA (refer Section 4.4.1), these direct impacts are also expected to result in further indirect impacts to the Byron LGA visitor market.

These potential indirect impacts include:

- Reduced annual visitation to the Byron LGA
- Increased STRA prices
- Flow-on impacts to the commercial short term accommodation market (i.e. hotels, motels serviced apartments, etc).

Methodology

In order to assess and quantify the potential indirect impacts of the proposed policy options on the Byron LGA visitor market, we have modelled historical and forecast visitor night demand under each option and reconciled this with historical and forecast non-hosted STRA and commercial short term accommodation (STA) supply.

As noted previously, non-hosted STRA is defined as short term rental accommodation provided where the host does not reside in the dwelling during the provision of the accommodation. In comparison, for the purposes of this assessment, commercial STA has been defined as more traditional commercially-operated short term accommodation (e.g. hotels, motels, resorts).

Importantly, our forecasts and impact analysis does not extend beyond 2027. The reason for this being that certain key data inputs required in the modelling cannot be reliably estimated beyond 2027 (e.g. residential dwelling development pipeline, commercial short term accommodation development pipeline). Therefore, we recommend that a post-impact policy evaluation be undertaken no later than 2027 to determine the actual impacts of the policy that is ultimately implemented. The findings of this evaluation can then be used to inform a policy position post-2027.

Additionally, due to data limitations, our forecasts and impact analysis have been broken down into March, June, September, and December quarters rather than visitor seasons.

Our visitor market impact forecasting methodology involved:

1. Demand Forecasts

- 1.1. Compiling historical visitor night data for all accommodation types the Byron LGA (broken down by quarter)
- 1.2. Compiling historical visitor night data for non-hosted STRA in the Byron LGA (broken down by quarter)
- 1.3. Compiling historical visitor night data for commercial STA in the Byron LGA (broken down by quarter)
- 1.4. Calculating the historical share of total visitor nights accounted for by non-hosted STRA and by commercial STA (broken down by quarter)
- 1.5. Adopting the COVID-impacted Visitor Night Forecasts from the Tourism Resilience Discussion Paper prepared for Byron Shire Council by Tourism Research Australia in October 2020
- 1.6. Adopting a future share of forecast total visitor nights accounted for by non-hosted STRA and by commercial STA to forecast annual visitor night demand for non-hosted STRA and commercial STA in the Byron LGA out to 2027 (broken down by quarter)
- 1.7. Converting the forecast visitor night demand for non-hosted STRA and commercial STA to room night demand (for the purposes of this analysis, each non-hosted STRA listing was considered equivalent to a STA “room”) based on average historical guest per room data for the Byron LGA published by the ABS (broken down by STRA Precincts and rest of the LGA).

2. Supply Forecasts

- 2.1. Non-Hosted STRA

- 2.1.1. Compiling historical AirDNA data for the Byron LGA and calculating the number of non-hosted STRA listings and available room nights per annum between 2016 and 2021 (broken down by STRA Precincts and rest of the LGA)
- 2.1.2. Calculating the number of residential dwellings in the STRA Precincts and rest of LGA between 2016 and 2021 based on 2016 ABS Census data and Council Occupancy Certificate data
- 2.1.3. Calculating the annual ratio of the number of non-hosted STRA listings to the number of dwellings in the STRA Precincts and rest of LGA between 2016 and 2021
- 2.1.4. Calculating the average number of available room nights in non-hosted STRA per non-hosted STRA listing in the STRA Precincts and rest of LGA between 2016 and 2021
- 2.1.5. Forecasting the number of residential dwellings in the STRA Precincts and rest of LGA between 2022 and 2027 based on development pipeline data sourced from Cordell
- 2.1.6. Forecasting the number of non-hosted STRA listings in the Byron LGA by applying the historical average ratio of non-hosted STRA listings per dwelling to the forecast number of dwellings (broken down by STRA Precincts and rest of the LGA), assuming no impacts (i.e. an “as is” forecast)
- 2.1.7. Forecasting the number of available room nights in non-hosted STRA listings in the Byron LGA by applying the historical average ratio of available room nights in non-hosted STRA per non-hosted STRA listing to the forecast number of non-hosted STRA listings (broken down by STRA Precincts and rest of the LGA), assuming no impacts (i.e. an “as is” forecast).

2.2. Commercial STA

- 2.2.1. Compiling historical commercial STA data from the Byron Shire Council Draft Sustainable Visitation Strategy 2020 – 2030, STR Global (a firm that surveys and benchmarks accommodation performance) and Booking.com to estimate the number of commercial STA rooms in the Byron LGA between 2016 and 2021 (broken down by STRA Precincts and rest of the LGA)
- 2.2.2. Forecasting the number of commercial STA rooms in the STRA Precincts and rest of LGA between 2022 and 2027 based on development pipeline data sourced from Cordell
- 2.2.3. Forecasting the number of available room nights in commercial STA in the Byron LGA by multiplying the forecast number of commercial STA rooms between 2022 and 2027 by 365 nights per year.

3. Revenue Forecasts

- 3.1. Compiling historical average daily rates (ADR; i.e. price) data for non-hosted STRA in the Byron LGA between 2016 and 2021 sourced from AirDNA (broken down by quarter)
- 3.2. Compiling historical average daily rates data for commercial STA in the Byron LGA between 2016 and 2021 sourced from STR Global (broken down by quarter)
- 3.3. Forecasting “as is” ADR growth for non-hosted STRA and commercial STA in the Byron LGA based on observed recent average historical growth rates
- 3.4. Calculating a high occupancy ADR growth premium that is applied when non-hosted STRA or commercial STA in the Byron LGA experiences occupancy greater than 85%, based on analysis of observed historical ADR growth in other high occupancy markets.

4. Impacts

- 4.1. Compiling key insights from the survey data (refer Section 3) regarding the proportion of non-hosted STRA listings that would be either kept as STRA, switched to long term rental or sold to owner-occupiers under each of the six policy options (broken down by STRA Precincts and the rest of the LGA)

- 4.2. Applying the proportions from the survey data to the existing non-hosted STRA supply in the Byron LGA as at 2019 (base year), and forecasting the number of non-hosted STRA listings under each policy option (broken down by STRA Precincts and the rest of the LGA)
- 4.3. Converting the forecast number of non-hosted STRA listings under each policy option to available room nights based on the specific caps proposed under each policy option (broken down by STRA Precincts and the rest of the LGA).

5. Results

5.1. Non-Hosted STRA

- 5.1.1. Reconciling forecast non-hosted STRA room night demand with non-hosted STRA room night supply under each policy option, broken down by STRA Precincts and the rest of the LGA, to estimate occupied room nights per annum by quarter
- 5.1.2. Estimating occupancy rates for non-hosted STRA under each policy option per annum by quarter by dividing forecast occupied room nights by forecast available room nights (broken down by STRA Precincts and the rest of the LGA)
- 5.1.3. Estimating total revenue for non-hosted STRA under each policy option per annum by quarter by multiplying forecast occupied room nights by forecast ADR.

5.2. Commercial STA

- 5.2.1. Reconciling forecast commercial STA room night demand with commercial STA room night supply under each policy option, broken down by STRA Precincts and the rest of the LGA, to estimate occupied room nights per annum by quarter
- 5.2.2. Estimating occupancy rates for commercial STA under each policy option per annum by quarter by dividing forecast occupied room nights by forecast available room nights (broken down by STRA Precincts and the rest of the LGA)
- 5.2.3. Estimating total revenue for commercial STA under each policy option per annum by quarter by multiplying forecast occupied room nights by forecast ADR.

Key Assumptions

The visitor market forecasts and impact analysis has relied on a number of key assumptions. These key assumptions, including sources for each assumption are outlined below in Table 4.12.

Table 4.12 – Key Assumptions

Visitor Market Impacts

| Metric | Assumption | Source |
|---|---------------------------------|--|
| Demand Forecast Assumptions | | |
| Average Number of Visitors per Room (non-hosted STRA) | Assumed 2.50 visitors per room. | Obtained by assuming an occupancy rate of ~35% in 2023 (in line with stable occupancy rates in 2019) under Option 2: No Caps. |
| Average Number of Visitors per Room (Commercial STA) | Assumed 2.28 visitors per room. | Survey of Tourist Accommodation data (2016) sourced from the ABS. Calculated by dividing <i>Guest Nights Occupied</i> by <i>Room Nights Occupied</i> . |

| Metric | Assumption | Source |
|--|---|--|
| Supply Forecast Assumptions | | |
| Available Room Nights per Listing (Urbis-defined STRA Precincts) | Under “as is” forecasts, adopted 206 available room nights per listing. | AirDNA data was used to calculate <i>available room nights</i> divided by <i>number of listings</i> for each available year and an average between 2017 and 2019 was adopted. |
| Available Room Nights per Listing (Outside Urbis-defined STRA Precincts) | Under “as is” forecasts, adopted 193 available room nights per listing. | AirDNA data was used to calculate <i>available room nights</i> divided by <i>number of listings</i> for each available year and an average between 2017 and 2019 was adopted. |
| Revenue Forecast Assumptions | | |
| ADR Forecast Annual Growth Rate (non-hosted STRA) | Assumed an annual growth rate of 3.0% between 2022-2026, using 2019 as the base year for ADR. | Adopted the average annual growth rate achieved between 2016 and 2020, using AirDNA data. |
| ADR Forecast Annual Growth Rate (Commercial STA) | Assumed an annual growth rate of 2.0% between 2022 and 2026, using 2019 as the base year for ADR. | Sourced from STR Global who surveys commercial STA establishments across Australia. STR Global only reports historical ADR within the Byron LGA from mid-2017 onwards. Given limited data availability, we adopted the annual growth rate achieved between 2018 and 2019. |
| High Occupancy ADR Growth Premium | <p>Assumed that ADR attracts an annual growth premium of 1.4% when occupancy is greater than 85%.</p> <p>This is because an occupancy rate greater than 85% reflects a very high demand market. In this situation, accommodation providers will generally seek to raise their prices without fear of significantly reducing their overall occupancy, and therefore revenue.</p> | <p>STR Global data for Sydney CBD (a high occupancy market) was benchmarked against ADR growth across NSW to identify the price growth premium that was achieved in the Sydney CBD by virtue of being a higher demand market.</p> <p>We adopted the average growth premium achieved between 2012 and 2016.</p> |

Visitation Impacts

The indirect impacts of the proposed policy options on forecast available room nights and occupancy rates in the Byron LGA vary considerably between options.

As shown overleaf in Table 4.13, the number of available room nights in non-hosted STRA is forecast to moderately increase by ~1.2% p.a. under Option 2: No Caps and slightly increase under the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) by ~0.3% p.a. between 2021 and 2027.

In contrast, the remaining four policy options are all forecast to result in a lower number of available room nights in non-hosted STRA by virtue of stricter caps and/or application of the caps to a broader geographical area. Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is expected to result in the most significant decrease with the number of available room nights in non-hosted STRA estimated to decrease by approximately 12.8% p.a. by 2027.

Additionally, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are all estimated to moderately reduce the number of available room nights in non-hosted STRA by approximately 2.6%, 1.8% and 2.7% p.a., respectively.

Although each policy option is estimated to result in varying degrees of impact on the forecast number of available rooms nights in non-hosted STRA within the Byron LGA, Option 1 and Option 1B are the only policy options where this supply impact is forecast to impact the number of occupied room nights.

As shown in Table 4.14, the number of occupied room nights in non-hosted STRA is forecast grow strongly under the Base Case: SEPP Default, Base Case Alternative, Option 1A and Option 2: No Caps. This is a result of there still being sufficient forecast available room nights (both within and outside the STRA Precincts where relevant) under these four policy options to meet forecast demand.

However, under Option 1B, the demand for non-hosted STRA outside the Urbis-defined STRA Precincts is forecast to exceed the number of available room nights (by virtue of the 90-day cap). Although this excess of demand could readily be accommodated within the available room nights within the Urbis-defined STRA Precincts, we have assumed a "worst case scenario" where the excess of demand is instead lost to areas outside the Byron LGA (where visitors can secure non-hosted STRA in a rural/bushland setting comparable to the areas of the Byron LGA outside the Urbis-defined STRA Precincts).

In comparison, under Option 1, the demand for non-hosted STRA within the Council-defined STRA Precincts is forecast to exceed the number of available room nights. We have therefore assumed any excess demand which cannot be accommodated within non-hosted STRA in the Council-defined STRA Precincts would first be accommodated within nearby non-hosted STRA (i.e. within the centres). Any remaining excess demand which cannot be accommodated within nearby non-hosted STRA is then accommodated within nearby commercial STA (this assumption is supported by Tourism Research Australia data for the Byron LGA showing no considerable difference between the types of visitors who stay in non-hosted STRA compared to those who stay in commercial STA).

However, like Option 1B, the demand for non-hosted STRA outside the centres is also forecast to exceed the number of available room nights (by virtue of the 90-day cap) under Option 1. As such, we have again assumed a "worst case scenario" where any excess of demand outside the centres is instead lost to areas outside the Byron LGA (where visitors can secure non-hosted STRA in a rural/bushland setting comparable to the areas of the Byron LGA outside the centres).

Therefore, we forecast that Option 1 and Option 1B have potential to experience only moderate growth in occupied room nights in non-hosted STRA. This impact on occupied room nights also has implications for local consumption and trading, and local employment.

Finally, Table 4.15 outlines the forecast occupancy rates for non-hosted STRA within the Byron LGA under each of the policy options. As shown in the table, the forecast occupancy rates vary by policy option primarily due to the differing number of available rooms. Across five of the options, the forecast occupancy rates generally remain within a 10% range. However, occupancy rates under Option 1 are forecast to reach 92% in 2026, around double the rates under the other policy options. This is purely a result of the significant reduction in the number of available room nights under this option.

Importantly, across each of these impact measures and policy options, commercial STA in the Byron LGA is estimated to remain materially unimpacted.

Table 4.13 – Available Room Nights Impacts

Indirect Impacts

| Non-Hosted STRA | Historical | | | Base 2019 | No. of Available Room Nights | | | | | | | % Change Per Annum 2021-27 | |
|--|------------|---------|---------|--------------|------------------------------|---------|-----------|---------|-----------|-----------|-----------|----------------------------------|--------|
| | 2016 | 2017 | 2018 | | COVID | | Projected | | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| Base Case: SEPP Default | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 787,333 | 791,905 | 795,541 | 795,541 | 799,429 | 819,913 | -2.6% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 937,439 | 942,618 | 946,748 | 946,748 | 951,192 | 974,106 | 0.3% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 404,581 | 407,071 | 408,934 | 408,934 | 410,706 | 422,591 | -12.8% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 826,738 | 831,223 | 834,700 | 834,700 | 838,244 | 859,164 | -1.8% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 776,706 | 781,723 | 785,763 | 785,763 | 790,207 | 811,375 | -2.7% |
| Option 2: No Caps | 222,581 | 710,786 | 986,643 | 1,119,560 | 939,292 | 958,452 | 994,771 | 999,973 | 1,004,116 | 1,004,116 | 1,008,560 | 1,031,724 | 1.2% |

| Commercial STA | Historical | | | Base 2019 | No. of Available Room Nights | | | | | | | % Change Per Annum 2021-27 | |
|----------------|------------|---------|---------|--------------|------------------------------|---------|-----------|---------|---------|---------|---------|----------------------------------|------|
| | 2016 | 2017 | 2018 | | COVID | | Projected | | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| All Options | 514,417 | 514,417 | 514,417 | 514,417 | 514,417 | 603,842 | 638,882 | 699,837 | 714,072 | 725,752 | 725,752 | 725,752 | 3.1% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

Table 4.14 – Occupied Room Nights Impacts

Indirect Impacts

| | Historical | | | Base 2019 | No. of Occupied Room Nights COVID | | | | | % Change Per Annum 2021-27 | | | |
|--|------------|---------|---------|--------------|--------------------------------------|---------|---------|---------|---------|----------------------------------|---------|---------|------|
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | | 2025 | 2026 | 2027 |
| Non-Hosted STRA | | | | | | | | | | | | | |
| Base Case: SEPP Default | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 338,426 | 360,585 | 382,743 | 390,298 | 397,852 | 404,399 | 4.7% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 338,426 | 360,585 | 382,743 | 390,298 | 397,852 | 404,399 | 4.7% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 331,545 | 350,121 | 367,353 | 371,455 | 376,035 | 383,787 | 3.8% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 338,426 | 360,585 | 382,743 | 390,298 | 397,852 | 404,399 | 4.7% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 330,848 | 349,410 | 366,862 | 372,612 | 378,362 | 384,665 | 3.9% |
| Option 2: No Caps | 79,284 | 230,300 | 305,038 | 383,922 | 337,961 | 306,464 | 338,426 | 360,585 | 382,743 | 390,298 | 397,852 | 404,399 | 4.7% |
| Commercial STA | | | | | | | | | | | | | |
| All Options (except Option 1) | 615,846 | 535,199 | 664,294 | 690,168 | 308,750 | 403,489 | 445,569 | 474,743 | 503,917 | 513,863 | 523,809 | 532,428 | 4.7% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | 615,846 | 535,199 | 664,294 | 690,168 | 308,750 | 403,489 | 445,569 | 474,743 | 504,540 | 516,134 | 527,251 | 534,646 | 4.8% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

Table 4.15 – Occupancy Rate Impacts

Indirect Impacts

| Non-Hosted STRA | Occupancy Rates (%) | | | | | | | | | | | |
|--|---------------------|------|------|--------------|-------|------|-----------|------|------|------|------|------|
| | Historical | | | Base 2019 | COVID | | Projected | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Base Case: SEPP Default | 36% | 32% | 31% | 34% | 36% | 32% | 43% | 46% | 48% | 49% | 50% | 49% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | 36% | 32% | 31% | 34% | 36% | 32% | 36% | 38% | 40% | 41% | 42% | 42% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | 36% | 32% | 31% | 34% | 36% | 32% | 82% | 86% | 90% | 91% | 92% | 91% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | 36% | 32% | 31% | 34% | 36% | 32% | 41% | 43% | 46% | 47% | 47% | 47% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | 36% | 32% | 31% | 34% | 36% | 32% | 43% | 45% | 47% | 47% | 48% | 47% |
| Option 2: No Caps | 36% | 32% | 31% | 34% | 36% | 32% | 34% | 36% | 38% | 39% | 39% | 39% |

| Commercial STA | Occupancy Rates (%) | | | | | | | | | | | |
|--|---------------------|------|------|--------------|-------|------|-----------|------|------|------|------|------|
| | Historical | | | Base 2019 | COVID | | Projected | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| All Options (except Option 1) | - | - | - | - | 60% | 67% | 70% | 68% | 71% | 71% | 72% | 73% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | - | - | - | - | 60% | 67% | 70% | 68% | 71% | 71% | 73% | 74% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

Accommodation Price Impacts

In addition to the visitation impacts forecast and analysed above, we have also estimated the potential impacts of the proposed policy options on accommodation prices.

Table 4.16, overleaf, outlines historical and forecast average daily rates (i.e. average price per occupied room night) for non-hosted STRA and commercial STA within the Byron LGA. As noted previously, we have forecast "as is" ADR growth in line with recent historical growth rates within the LGA. However, if occupancy exceeds 85%, ADR is assumed to grow at a faster rate.

As noted in Table 4.15, occupancy rates are only forecast to exceed 85% under Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts). Therefore, we forecast high ADR growth between 2019 and 2027 of ~3.0% p.a. under this option. However, all five other policy options are forecast to experience moderate ADR growth of ~2.3% p.a. between 2019 and 2027.

Table 4.16 – Accommodation Price Impacts

Indirect Impacts

| | Average Daily Rate (\$) | | | | | | | | | | | | % Change Per Annum 2019-27 |
|--|-------------------------|-------|-------|--------------|-------|-------|-----------|-------|-------|-------|-------|-------|----------------------------------|
| | Historical | | | Base 2019 | COVID | | Projected | | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| Non-Hosted STRA | | | | | | | | | | | | | |
| Base Case: SEPP Default | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$331 | \$341 | \$351 | \$362 | \$373 | \$384 | 2.3% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$331 | \$341 | \$351 | \$362 | \$373 | \$384 | 2.3% |
| Option 1: Council's Current Gateway Planning Proposal (90- day cap outside of Council-defined STRA Precincts) | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$333 | \$346 | \$359 | \$374 | \$389 | \$405 | 3.0% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$331 | \$341 | \$351 | \$362 | \$373 | \$384 | 2.3% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$331 | \$341 | \$351 | \$361 | \$372 | \$383 | 2.3% |
| Option 2: No Caps | \$315 | \$341 | \$324 | \$321 | \$355 | \$415 | \$331 | \$341 | \$351 | \$362 | \$373 | \$384 | 2.3% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Commercial STA | | | | | | | | | | | | | |
| All Options (except Option 1) | - | \$289 | \$331 | \$339 | \$354 | \$409 | \$351 | \$359 | \$367 | \$376 | \$386 | \$397 | 2.0% |
| Option 1: Council's Current Gateway Planning Proposal (90- day cap outside of Council-defined STRA Precincts) | - | \$289 | \$331 | \$339 | \$354 | \$409 | \$351 | \$359 | \$367 | \$377 | \$388 | \$399 | 2.1% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

Short Term Accommodation Market Performance Impacts

As the final element of the visitor market impact analysis, we have estimated the potential impacts of the different proposed policy options on the performance of the Byron LGA short term accommodation market. This analysis has focused on two key metrics of the performance of short term accommodation – total revenue and revenue per available room (RevPAR).

Annual total accommodation revenue is simply a function of the number of occupied room nights in a year multiplied by the ADR for that same year. As outlined in Table 4.17, total accommodation revenue from non-hosted STRA in the Byron LGA is forecast to grow by the same rate of ~2.9% p.a. between 2019 and 2027 under the Base Case: SEPP Default (a 180-day cap across the entire LGA), Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 2: No Caps. This is a result of the forecast number of occupied room nights and ADR being equal under these four options.

Despite the forecast lower number of occupied room nights in non-hosted STRA under Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts), total accommodation revenue from non-hosted STRA under this option is forecast to grow at a very similar rate of ~3.0% p.a. between 2019 and 2027. This is attributable to the higher ADR under Option 1 compensating for the lower number of occupied room nights.

However, Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) is forecast to result in a lower number of occupied room nights in non-hosted STRA without any higher ADR growth. Therefore, total accommodation revenue from non-hosted STRA under this option is forecast to increase by a lower rate of ~2.3% p.a.

As shown in Table 4.17, commercial STA revenue is forecast to be largely consistent under the different policy options. Therefore, combining forecast revenue growth from non-hosted STRA under each policy option with forecast commercial STA revenue indicates that all policy option except Option 1B are forecast to result in low increases in overall short term accommodation revenue. In contrast, Option 1B is forecast to result in no increase in overall short term accommodation revenue.

Additionally, as shown in Table 4.18, RevPAR is forecast to be highest under Option 1, followed by the Base Case: SEPP Default, Option 1B and Option 1A. The lowest RevPAR is forecast to be achieved under Option 2: No Caps and the Base Case Alternative.

These RevPAR outcomes are primarily attributable to the varying occupancy rates that are forecast to result from the different policy options. It is worth noting that while RevPAR is an important metric for commercial STA where the number of available room nights is relatively stable (number of rooms multiplied by 365 nights per year). It is not very relevant for non-hosted STRA where there is greater variation in how many nights per year a listing is made available.

Importantly, across the policy options, commercial STA RevPAR in the Byron LGA is estimated to be largely consistent.

Table 4.17 – Total Accommodation Revenue Impacts

Indirect Impacts

| Non-Hosted STRA | Revenue (\$m) | | | | | | | | | | | | % Change Per Annum 2019-27 |
|--|---------------|---------|---------|--------------|----------|------|----------|-----------|----------|----------|----------|----------|----------------------------------|
| | Historical | | | Base 2019 | COVID | | | Projected | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| Base Case: SEPP Default | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$112.09 | \$123.01 | \$134.48 | \$141.25 | \$148.31 | \$155.27 | 2.9% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$112.09 | \$123.01 | \$134.48 | \$141.25 | \$148.31 | \$155.27 | 2.9% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$110.56 | \$121.14 | \$131.85 | \$138.76 | \$146.21 | \$155.43 | 3.0% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$112.09 | \$123.01 | \$134.48 | \$141.25 | \$148.31 | \$155.27 | 2.9% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$109.49 | \$119.07 | \$128.75 | \$134.68 | \$140.86 | \$147.50 | 2.3% |
| Option 2: No Caps | \$24.96 | \$78.64 | \$98.87 | \$123.05 | \$120.10 | N.A. | \$112.09 | \$123.01 | \$134.48 | \$141.25 | \$148.31 | \$155.27 | 2.9% |

| Commercial STA | Revenue (\$m) | | | | | | | | | | | | % Change Per Annum 2019-27 |
|--|---------------|------|---------|--------------|---------|------|---------|-----------|---------|---------|---------|---------|----------------------------------|
| | Historical | | | Base 2019 | COVID | | | Projected | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| All Options (except Option 1) | - | - | \$220.5 | \$235.4 | \$114.7 | - | \$156.6 | \$170.2 | \$185.1 | \$193.4 | \$202.0 | \$211.4 | -1.3% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | - | - | \$220.5 | \$235.4 | \$114.7 | - | \$156.6 | \$170.2 | \$185.4 | \$194.3 | \$204.4 | \$213.3 | -1.2% |

| TOTAL SHORT TERM ACCOMMODATION | Revenue (\$m) | | | | | | | | | | | | % Change Per Annum 2019-27 |
|--|---------------|---------|----------|--------------|----------|------|----------|-----------|----------|----------|----------|----------|----------------------------------|
| | Historical | | | Base 2019 | COVID | | | Projected | | | | | |
| | 2016 | 2017 | 2018 | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| Base Case: SEPP Default | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$268.69 | \$293.20 | \$319.59 | \$334.67 | \$350.34 | \$366.63 | 0.3% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$268.69 | \$293.20 | \$319.59 | \$334.67 | \$350.34 | \$366.63 | 0.3% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$267.17 | \$291.33 | \$317.20 | \$333.10 | \$350.57 | \$368.68 | 0.4% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$268.69 | \$293.20 | \$319.59 | \$334.67 | \$350.34 | \$366.63 | 0.3% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$266.09 | \$289.27 | \$313.85 | \$328.10 | \$342.89 | \$358.86 | 0.0% |
| Option 2: No Caps | \$24.96 | \$78.64 | \$319.39 | \$358.46 | \$234.78 | N.A. | \$268.69 | \$293.20 | \$319.59 | \$334.67 | \$350.34 | \$366.63 | 0.3% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

Table 4.18 – Revenue Per Available Room (RevPAR) Impacts

Indirect Impacts

| Non-Hosted STRA | Historical | | | Base 2019 | Revenue per Available Room | | | | | Projected | | |
|--|------------|-------|-------|--------------|----------------------------|-------|-------|-------|-------|-----------|-------|-------|
| | 2016 | 2017 | 2018 | | COVID | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Base Case: SEPP Default | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$142 | \$155 | \$169 | \$178 | \$186 | \$189 |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$120 | \$130 | \$142 | \$149 | \$156 | \$159 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$273 | \$298 | \$322 | \$339 | \$356 | \$368 |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$136 | \$148 | \$161 | \$169 | \$177 | \$181 |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$141 | \$152 | \$164 | \$171 | \$178 | \$182 |
| Option 2: No Caps | \$112 | \$111 | \$100 | \$110 | \$128 | \$133 | \$113 | \$123 | \$134 | \$141 | \$147 | \$150 |

| Commercial STA | Historical | | | Base 2019 | Revenue per Available Room | | | | | Projected | | |
|--|------------|-------|-------|--------------|----------------------------|-------|-------|-------|-------|-----------|-------|-------|
| | 2016 | 2017 | 2018 | | COVID | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| All Options (except Option 1) | - | \$300 | \$428 | \$455 | \$213 | \$273 | \$245 | \$243 | \$259 | \$267 | \$278 | \$291 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | - | \$300 | \$428 | \$455 | \$213 | \$273 | \$245 | \$243 | \$260 | \$268 | \$282 | \$294 |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; Urbis

4.4.2.2. Local Consumption and Trading Impacts

The estimated impacts on occupied room nights assessed above, particularly under Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts), have direct implications for local consumption and trading within the Byron LGA.

However, the estimated direct impacts on the supply of STRA and residential dwellings across all policy options also have implications for local consumption and trading within the Byron LGA, particularly spending on maintenance, cleaning and others service associated with operating non-hosted STRA.

STRA Operational Spending

As part of operating non-hosted STRA, STRA providers are required to undertake regular cleaning and maintenance of their STRA properties. Based on insights from the survey, we estimate that STRA providers in the Byron LGA spend an average of ~\$20,500 per STRA property per annum on the maintenance, cleaning and other services associated with operating each STRA property.

In comparison, data sourced from the ABS Household Expenditure Survey indicates that residential households spend only ~\$2,095 on property cleaning and maintenance (not accounting for potential property management fees associated with long term rentals). Therefore, we estimate that STRA properties in the Byron LGA on average contribute approximately \$18,400 more spending per property on maintenance and cleaning than long term rental or owner-occupied dwellings. Although this does not accounting for potential property management fees associated with long term rentals and may therefore represent an overestimate of foregone spending in absolute terms, it is sufficient for the purposes of our assessment of relative impacts.

Therefore, we have estimated the potential foregone spending on maintenance, cleaning and other related services under each policy option resulting from STRA properties converting to long term rental or owner-occupation.

As shown below in Table 4.19, the estimated quantum of maintenance, cleaning and other services spending foregone under each of the potential policy option directly reflects the number of STRA properties that are expected to be converted to long term rental or owner-occupation.

Therefore, Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is estimated to result in the largest quantum of foregone spending at a relatively high ~\$33.3 million per annum. The Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are all estimated result in a moderate quantum of foregone spending, ranging from \$17.1 million to \$18.1 million per annum.

In contrast, the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps are estimated to result in a relatively low quantum of foregone spending at \$11.4 million and \$7.7 million, respectively.

Table 4.19 – Operational Spending Impacts (\$2021)

Indirect Impacts

| | STRA Dwellings Converted to Residential (No.) | Average Foregone Annual Spend on Cleaning, Maintenance and Other Services per Dwelling (\$) | Total Annual Foregone Spending (\$m) |
|--|---|--|--|
| Base Case: SEPP Default | ~985 | \$18,400 | \$18.1 |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | ~620 | \$18,400 | \$11.4 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | ~1,810 | \$18,400 | \$33.3 |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | ~930 | \$18,400 | \$17.1 |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | ~960 | \$18,400 | \$17.7 |
| Option 2: No Caps | ~420 | \$18,400 | \$7.7 |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; REMPLAN; Urbis

Retail Spending

In addition to analysing the impacts of the different policy options on maintenance, cleaning and other services spending associated with operating STRA properties, we have also assessed the potential impacts on local retail spending.

As shown in Table 4.20, we have forecast likely retail spending from overnight visitors staying in non-hosted STRA and commercial STA within the Byron LGA under each policy option based on data sourced from Tourism Research Australia, Byron Shire Council and REMPLAN. All else being equal, impacts on retail spending under the policy options will be primarily driven by changes in visitation to the Byron LGA.

Therefore, total retail spending from visitors staying in non-hosted STRA and commercial STA in the Byron LGA is forecast to experience strong growth of ~6.2% p.a. between 2021 and 2027 under the Base Case: SEPP Default (a 180-day cap across the entire LGA), Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 2: No Caps. This is a result of the forecast number of occupied room nights being equal under these four options.

However, as Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) have potential to result in fewer occupied room nights than the four other policy options, total retail spending from visitors under these two options is estimated to grow at a slightly lower rate of ~5.9% p.a. between 2021 and 2027.

Importantly, these spending impacts have further implications for local employment in the Byron LGA.

Table 4.20 – Retail Spending Impacts

| Indirect Impacts | Forecast Total Retail Spend from Overnight Visitors in Non-Hosted STRA and Commercial STA (\$m) | | | | | | | | | % Change Per Annum 2021-27 |
|---|--|---------|---------|---------|---------|---------|---------|---------|---------|----------------------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| Base Case: SEPP Default | \$234.8 | \$107.8 | \$122.2 | \$136.4 | \$146.9 | \$159.4 | \$166.1 | \$171.1 | \$175.7 | 6.2% |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | \$234.8 | \$107.8 | \$122.2 | \$136.4 | \$146.9 | \$159.4 | \$166.1 | \$171.1 | \$175.7 | 6.2% |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | \$234.8 | \$107.8 | \$122.2 | \$135.2 | \$145.1 | \$156.7 | \$163.1 | \$167.7 | \$172.3 | 5.9% |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | \$234.8 | \$107.8 | \$122.2 | \$136.4 | \$146.9 | \$159.4 | \$166.1 | \$171.1 | \$175.7 | 6.2% |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | \$234.8 | \$107.8 | \$122.2 | \$135.1 | \$144.9 | \$156.5 | \$162.9 | \$167.5 | \$172.0 | 5.9% |
| Option 2: No Caps | \$234.8 | \$107.8 | \$122.2 | \$136.4 | \$146.9 | \$159.4 | \$166.1 | \$171.1 | \$175.7 | 6.2% |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; REMPLAN; Urbis

4.4.2.3. Local Employment Impacts

In addition to indirectly impacting local spending, the proposed policy options are also expected to have potential impacts on local employment.

In order to assess the local employment impacts of the policy options, we have first estimated the potential annual number of jobs foregone as a result of the forgone spending on maintenance, cleaning and other services associated with operating non-hosted STRA properties (refer Table 4.21). We have then forecast the potential annual number of jobs foregone as a result of the forgone retail spending due to reduced visitation to the Byron LGA (refer Table 4.22).

Importantly, these employment impacts account for both direct employment associated with the foregone spending, in addition to indirect employment that would be supported through supply-chain multiplier effects in the local economy.

As shown in Table 4.21, Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is estimated to result in the largest negative employment impact related to forgone spending on maintenance, cleaning and other services, with an estimated ~265 foregone jobs.

In comparison, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are expected to have moderately negative impacts with between ~136 and ~145 foregone jobs.

Under the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, the employment impacts related to forgone spending on maintenance, cleaning and other services are forecast to be relatively low with an estimated ~90 foregone jobs and ~62 foregone jobs, respectively.

In terms of employment supported by retail spending from visitors to the Byron LGA staying in non-hosted STRA and commercial STA, Table 4.22 shows that total employment is forecast to grow by ~272 jobs between 2021 and 2027 under every policy option except Option 1 and Option 1B. This is a result of the forecast quantum of retail spending being equal under the other four options.

However, as retail spending is forecast to grow at a lower rate under Option 1 and Option 1B, these options are both estimated to result in only ~254-255 additional retail jobs being supported by 2027.

Bringing the employment impacts together, as per Table 4.23, indicates that local employment is forecast to increase strongly under the Base Case Alternative and Option 2: No Caps, moderately under the Base Case: SEPP Default and Option 1A, and slightly under Option 1B. In contrast, local employment is forecast to decrease slightly under Option 1.

Table 4.21 – Local Employment Impacts – Related to Cleaning, Maintenance and Other Services

| | Annual Foregone Employment Related to Cleaning, Maintenance and Other Services | | |
|--|--|---------------|-------------|
| | Direct Jobs | Indirect Jobs | Total Jobs |
| | | | |
| Base Case: SEPP Default | -112 | -33 | -145 |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | -70 | -20 | -90 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | -205 | -60 | -265 |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | -105 | -31 | -136 |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | -109 | -32 | -141 |
| Option 2: No Caps | -48 | -14 | -62 |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; REPLAN; Urbis

Table 4.22 – Local Employment Impacts – Related to Overnight Visitor Retail Spending

| | Total Employment Generated by Spending from Overnight Visitors in Non-Hosted STRA and Commercial STA ¹ | | | | | | | | | Total Change 2021-27 |
|--|---|------|------|------|------|------|------|------|------|----------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| | | | | | | | | | | |
| Base Case: SEPP Default | 1,194 | 548 | 621 | 694 | 747 | 811 | 845 | 870 | 894 | 272 |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | 1,194 | 548 | 621 | 694 | 747 | 811 | 845 | 870 | 894 | 272 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | 1,194 | 548 | 621 | 688 | 738 | 797 | 830 | 853 | 876 | 255 |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | 1,194 | 548 | 621 | 694 | 747 | 811 | 845 | 870 | 894 | 272 |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | 1,194 | 548 | 621 | 687 | 737 | 796 | 828 | 852 | 875 | 254 |
| Option 2: No Caps | 1,194 | 548 | 621 | 694 | 747 | 811 | 845 | 870 | 894 | 272 |

¹ Assumes industry standard Average Trading Level of \$6,500/sq.m and retail floorspace density of 35 sq.m per employee for direct jobs

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; REPLAN; Urbis

Table 4.23 – Total Local Employment Impacts

Indirect Impacts

| | Annual Foregone Employment Related to Cleaning, Maintenance and Other Services | Additional Employment Generated by Spending from Overnight Visitors in Non-Hosted STRA and Commercial STRA (by 2027) | Total Change (by 2027) |
|--|--|--|------------------------|
| Base Case: SEPP Default | -145 | 272 | +127 |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | -90 | 272 | +182 |
| Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | -265 | 255 | -10 |
| Option 1A (180-day cap outside of Council-defined STRA Precincts) | -136 | 272 | +136 |
| Option 1B (90-day cap outside of Urbis-defined STRA Precincts) | -141 | 254 | +113 |
| Option 2: No Caps | -62 | 272 | +210 |

Source: AirDNA; Cordell; ABS Census 2016; Tourism Research Australia; Byron Shire Council; STR; Booking.com; REMPLAN; Urbis

4.4.2.4. Residential Property Market Impacts

While the proposed policy will have some degree of direct impact on the LGA's residential property market (refer Section 4.4.1), the policy is anticipated to have far more significant indirect impacts on the residential property market.

The nature and extent of these potential indirect property market impacts are outlined below.

Rent Impacts

The indirect impacts of the proposed policy options on rents, availability and affordability in the Byron LGA long term rental market vary considerably between options and are driven by the direct impacts of each option.

As noted in Section 2.2, the long term rental market vacancy rate in the Byron LGA was estimated at ~2% as of January 2020. Given this relatively tight vacancy rate, any increase in the long term rental market dwelling supply is likely to have a material negative impact on rents. The degree of impact will simply depend on the degree by which the long term rental market dwelling supply increases.

Therefore, as shown in Table 4.24, Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is expected to result in the most significant decrease in long term rental market rents. This significant estimated decrease is underpinned by the expected ~24% increase in the supply of long term rental dwellings relative to the number of long term rental dwellings in 2021. Additionally, the likely strong decrease in rents under Option 1 also has significant potential to improve rental affordability in the Byron LGA and to enable greater housing choice for local residents.

In comparison, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are estimated to result in a moderate decrease in long term rental market rents by virtue of their estimated ~13-14% increase in the supply of long term rental dwellings relative to the number of long term rental dwellings in 2021.

The remaining two policy options, the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, are estimated to only result in relative low decreases in long term rental market rents as a result of their estimated ~6.5-9% increase in the supply of long term rental dwellings relative to the number of long term rental dwellings in 2021.

Table 4.24 – Rent Impacts

Indirect Impacts

| Policy Options | Key Considerations | Rent Impacts |
|---|---|--|
| <p>Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income households and ~71% of moderate income households are in rental stress¹ ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ ~14% increase in long term rental market dwelling supply | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> ▪ Given the current relatively tight vacancy rates, a ~14% increase in the long term rental market dwelling supply under the Base Case is likely to have a moderate-to-strong negative impact on rents in the Byron LGA ▪ Importantly, the likely moderate-to-strong negative impact on rents has potential to improve rental affordability in the Byron LGA ▪ Additionally, this moderate increase in the long term rental market dwelling supply would also enable greater housing choice for local residents |
| <p>Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income households and ~71% of moderate income households are in rental stress¹ ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ ~9% increase in long term rental market dwelling supply | <p>Low Decrease in Rents</p> <ul style="list-style-type: none"> ▪ Given the current relatively tight vacancy rates, a ~9% increase in the long term rental market dwelling supply under the Base Case Alternative is likely to have a low-to-moderate negative impact on rents in the Byron LGA ▪ Importantly, the likely low-to-moderate negative impact on rents has potential to improve rental affordability in the Byron LGA, albeit less than under the Base Case, Option 1, Option 1A, or Option 1B ▪ Additionally, this low increase in the long term rental market dwelling supply would also enable greater housing choice for local residents, albeit less than under almost all other options (exception Option 2) |

| Policy Options | Key Considerations | Rent Impacts |
|---|--|--|
| <p>Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income households and ~71% of moderate income households are in rental stress¹ ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ ~24% increase in long term rental market dwelling supply | <p>High Decrease in Rents</p> <ul style="list-style-type: none"> ▪ Given the current relatively tight vacancy rates, a ~24% increase in the long term rental market dwelling supply under Option 1 is likely to have a strong negative impact on rents in the Byron LGA ▪ Importantly, the likely strong negative impact on rents has significant potential to improve rental affordability in the Byron LGA ▪ Additionally, this significant increase in the long term rental market dwelling supply would also enable greater housing choice for local residents |
| <p>Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income households and ~71% of moderate income households are in rental stress¹ ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under Option 1A:</p> <ul style="list-style-type: none"> ▪ ~13% increase in long term rental market dwelling supply | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> ▪ Given the current relatively tight vacancy rates, a ~13% increase in the long term rental market dwelling supply under Option 1A is likely to have a moderate negative impact on rents in the Byron LGA ▪ Importantly, the likely moderate negative impact on rents has potential to improve rental affordability in the Byron LGA, albeit less than under Option 1 ▪ Additionally, this moderate increase in the long term rental market dwelling supply would also enable greater housing choice for local residents, albeit less than under Option 1 |
| <p>Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income | <p>Moderate Decrease in Rents</p> <ul style="list-style-type: none"> ▪ Given the current relatively tight vacancy rates, a ~13% increase in the long term rental market dwelling supply under Option 1B is likely to |

| Policy Options | Key Considerations | Rent Impacts |
|---|--|---|
| outside of Urbis-defined STRA Precincts) | <p>households and ~71% of moderate income households are in rental stress¹</p> <ul style="list-style-type: none"> ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under Option 1B:</p> <ul style="list-style-type: none"> ▪ ~13% increase in long term rental market dwelling supply | <p>have a moderate negative impact on rents in the Byron LGA</p> <ul style="list-style-type: none"> ▪ Importantly, the likely moderate negative impact on rents has significant potential to improve rental affordability in the Byron LGA ▪ Additionally, this moderate increase in the long term rental market dwelling supply would also enable greater housing choice for local residents, albeit less than under Option 1 |
| Option 2: No Caps – No caps on non-hosted STRA across the entire LGA | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ ~2% vacancy rate for long term rentals in the Byron LGA as at January 2020 ▪ ~85% of very low income households, ~80% of low income households and ~71% of moderate income households are in rental stress¹ ▪ ~65% of very low income households, ~62% of low income households and ~47% of moderate income households are in mortgage stress² <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ ~6.5% increase in long term rental market dwelling supply | <p>Low Decrease in Rents</p> <ul style="list-style-type: none"> ▪ In relative terms, a ~6.5% increase in the long term rental market dwelling supply under Option 2 has potential to have a low negative impact on rents in the Byron LGA ▪ Importantly, the potential low negative impact on rents has potential to slightly improve rental affordability in the Byron LGA, albeit less than under the other policy options ▪ Additionally, this low increase in the long term rental market dwelling supply would also enable a degree of greater housing choice for local residents, albeit less than under the other policy options |

1. As at 2016 ABS Census – Households paying more than 30% of their total household income in rental payments are considered to be in rental stress

2. As at 2016 ABS Census – Households paying more than 30% of their total household income in mortgage payments are considered to be in mortgage stress

Source: Byron Shire Council Affordable Housing Contributions Scheme April 2021; AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Urbis

Residential Property Value Impacts

In addition to the direct impacts of the proposed policy options on residential property values in the Byron LGA analysed in Section 4.4.1, residential property values are also anticipated to be indirectly impacted through changes to rents.

As outlined in Section 2, median long term residential rental yields in the Byron LGA as at June 2019 (base year) were ~3.8% for houses and ~4.0% for units. Additionally, median STRA yields were estimated at ~2.3-2.8%, approximately 40-65% below the median long term rental yields.

Importantly, approximately 40% of dwellings in the Byron LGA were used as long term rentals and around 35% of dwellings were used as non-hosted STRA in 2019 (base year). Given the higher yields and higher share of dwellings accounted for by long term rentals in the LGA, long term rental yields are currently the key driver of residential property values in the Byron LGA rather than STRA yields (noting other factors also impact property values such as demand, location, interest rates).

However, if the share of total dwellings used as non-hosted STRA properties increased and non-hosted STRA yields also increased, non-hosted STRA yields could become the driver of residential property values in the Byron LGA. As shown in Table 4.25, this is not expected to occur under any of the potential policy options.

Again, Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is estimated to result in residential property values potentially experiencing a relatively large decrease by virtue of the expected strong negative rent impacts noted previously.

In line with our rent impact analysis, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts), and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are all estimated to result in moderate decreases in residential property values driven by the estimated moderate negative impacts on long term rental market rents.

The remaining two policy options, the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, are estimated to only result in relative low decreases in residential property values as a result of their estimated low negative impacts on long term rental market rents.

Table 4.25 – Residential Property Value Impacts

Indirect Impacts

| Policy Options | Key Considerations | Residential Property Value Impacts |
|--|---|--|
| <p>Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$25,630 in 2022 (an increase of ~22%), and to | <p>Moderate Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~22-62%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~6% – long term rental yields are therefore expected to remain the key driver of residential property values under the Base Case ▪ As the ~14% increase in the long term rental market dwelling supply under the Base Case is expected to have a strong negative impact on rents in the Byron LGA, residential property values have potential to experience a moderate decrease under the Base Case |

| Policy Options | Key Considerations | Residential Property Value Impacts |
|---|---|---|
| | <p>~\$34,090 by 2027 (an increase of ~62% relative to 2019 levels)</p> <ul style="list-style-type: none"> ▪ Long term rents are expected to decrease as supply and vacancy increase as a result of the proposed STRA cap ▪ The share of dwellings used as non-hosted STRA is estimated to decrease from ~35% in 2019 to ~29% | |
| <p>Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$23,660 in 2022 (an increase of ~13%), and to ~\$31,570 by 2027 (an increase of ~50% relative to 2019 levels) ▪ Long term rents are expected to decrease as supply and vacancy increase as a result of the proposed STRA cap ▪ The share of dwellings used as non-hosted STRA is estimated to | <p>Low Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~13-50%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~4% – long term rental yields are therefore expected to remain the key driver of residential property values under the Base Case Alternative ▪ As the ~9% increase in the long term rental market dwelling supply under the Base Case Alternative is expected to have a low negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively low decrease under the Base Case Alternative |

| Policy Options | Key Considerations | Residential Property Value Impacts |
|--|---|---|
| | decrease from ~35% in 2019 to ~31% | |
| Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$30,965 in 2022 (an increase of ~48%), and to ~\$41,485 by 2027 (an increase of ~98% relative to 2019 levels) ▪ Long term rents are expected to decrease as supply and vacancy increase as a result of the proposed STRA cap ▪ The share of dwellings used as non-hosted STRA is estimated to decrease from ~35% in 2019 to ~24% | <p>High Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~48-98%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~9% – long term rental yields are therefore expected to remain the key driver of residential property values under Option 1 ▪ As the ~24% increase in the long term rental market dwelling supply under Option 1 is expected to have a strong negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively large decrease under Option 1 |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base | <p>Moderate Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~20-60%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~6% – |

| Policy Options | Key Considerations | Residential Property Value Impacts |
|--|---|---|
| <p>Council-defined STRA Precincts</p> | <p>year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields</p> <ul style="list-style-type: none"> ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today <p>Under Option 1A:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$25,195 in 2022 (an increase of ~20%), and to ~\$33,570 by 2027 (an increase of ~60% relative to 2019 levels) ▪ Long term rents are expected to decrease as supply and vacancy increase as a result of the proposed STRA cap ▪ The share of dwellings used as non-hosted STRA is estimated to decrease from ~35% in 2019 to ~29% | <p>long term rental yields are therefore expected to remain the key driver of residential property values under the Base Case Alternative</p> <ul style="list-style-type: none"> ▪ As the ~13% increase in the long term rental market dwelling supply under Option 1A is expected to have a moderate negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively moderate decrease under Option 1A |
| <p>Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today | <p>Moderate Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~19-53%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~6% – long term rental yields are therefore expected to remain the key driver of residential property values under Option 1B ▪ As the ~13% increase in the long term rental market dwelling supply under Option 1B is expected to have a Moderate negative impact on rents in the Byron LGA, residential property values have potential to |

| Policy Options | Key Considerations | Residential Property Value Impacts |
|--|---|---|
| | <p>Under Option 1B:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$24,895 in 2022 (an increase of ~19%), and to ~\$32,210 by 2027 (an increase of ~53% relative to 2019 levels) ▪ Long term rents are expected to decrease as supply and vacancy increase as a result of the proposed STRA cap ▪ The share of dwellings used as non-hosted STRA is estimated to decrease from ~35% in 2019 to ~29% | <p>experience a moderate decrease under Option 1B</p> |
| <p>Option 2: No Caps – No caps on non-hosted STRA across the entire LGA</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median long term rental yields (for houses and units) in the Byron LGA as at June 2019 (base year) were ~3.8-4.0% ▪ Median non-hosted STRA yields in the Byron LGA as at 2019 (base year) were ~2.3-2.8% – approximately 40-65% below median long term rental yields ▪ ~40% of dwellings in the Byron LGA were used as long term rentals and ~35% of dwellings were used as non-hosted STRA in 2019 (base year) – long term rental yields are therefore the key driver of residential property values today <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ Annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase from ~\$20,985 in 2019 to ~\$22,700 in 2022 (an increase of ~8%), and to ~\$30,335 by 2027 (an increase of ~45% relative to 2019 levels) ▪ Long term rents are expected to decrease as supply and vacancy | <p>Low Decrease in Property Values</p> <ul style="list-style-type: none"> ▪ Although annual non-hosted STRA revenue per non-hosted STRA property is estimated to increase by ~8-45%, the share of dwellings used as non-hosted STRA is estimated to decrease by ~3% – long term rental yields are therefore expected to remain the key driver of residential property values under Option 2 ▪ As the ~6.5% increase in the long term rental market dwelling supply under Option 2 is expected to have a low negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively low decrease under Option 2 |

| Policy Options | Key Considerations | Residential Property Value Impacts |
|----------------|--|------------------------------------|
| | <p>increase as a result of the proposed STRA cap</p> <ul style="list-style-type: none"> The share of dwellings used as non-hosted STRA is estimated to decrease from ~35% in 2019 to ~32% | |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Pricerfinder; Urbis

Property Investment and Development Activity Impacts

Industry practice demonstrates that property investment and development activity is generally driven by high property values which have greater potential to yield profit. Therefore, the Byron LGA is currently considered an attractive property investment and development environment as median house and unit prices are sufficiently high relative to development costs to generate substantial development profit.

As outlined in Table 4.26, median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020. Similarly, median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020. By virtue of these relatively high property values, development activity is not likely to be significantly impacted by any of the proposed policy options except Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts).

Under Option 1, residential property values have potential to experience a relatively strong decrease as a result of the ~24% increase in the long term rental market dwelling supply and resulting expected decrease in rents. However, as residential property values are already relatively high in the Byron LGA, development activity is likely to experience no more than a moderate decrease under this option.

Table 4.26 – Property Investment and Construction Activity Impacts

Indirect Impacts

| Policy Options | Key Considerations | Property Investment and Construction Activity Impacts |
|--|--|--|
| <p>Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA</p> | <p>Baseline:</p> <ul style="list-style-type: none"> Median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020 Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under the Base Case:</p> <ul style="list-style-type: none"> As the ~14% increase in the long term rental market dwelling supply under the Base Case is expected to have a moderate negative impact on rents in the Byron LGA, residential | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> Residential property values have potential to experience a moderate decrease under the Base Case as a result of the ~14% increase in the long term rental market dwelling supply and resulting expected decrease in rents However, as residential property values are already relatively high in the Byron LGA, development activity is likely to experience no more than a low decrease |

| Policy Options | Key Considerations | Property Investment and Construction Activity Impacts |
|---|--|--|
| | <p>property values have potential to experience a moderate decrease</p> | |
| <p>Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020 ▪ Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ As the ~9% increase in the long term rental market dwelling supply under the Base Case Alternative is expected to have a relatively low negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively low decrease | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> ▪ Residential property values have potential to experience a relatively low decrease under the Base Case Alternative as a result of the ~9% increase in the long term rental market dwelling supply and resulting expected decrease in rents ▪ Therefore, development activity is likely to only experience a low decrease |
| <p>Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020 ▪ Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under Option 1B:</p> <ul style="list-style-type: none"> ▪ As the ~24% increase in the long term rental market dwelling supply under Option 1 is expected to have a strong negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively strong decrease | <p>Moderate Decrease in Development Activity</p> <ul style="list-style-type: none"> ▪ Residential property values have potential to experience a relatively strong decrease under Option 1 as a result of the ~24% increase in the long term rental market dwelling supply and resulting expected decrease in rents ▪ However, as residential property values are already relatively high in the Byron LGA, development activity is likely to experience no more than a moderate decrease |

| Policy Options | Key Considerations | Property Investment and Construction Activity Impacts |
|---|--|---|
| <p>Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020 ▪ Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under Option 1A:</p> <ul style="list-style-type: none"> ▪ As the ~13% increase in the long term rental market dwelling supply under Option 1A is expected to have a moderate negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively moderate decrease | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> ▪ Residential property values have potential to experience a relatively moderate decrease under Option 1A as a result of the ~13% increase in the long term rental market dwelling supply and resulting expected decrease in rents ▪ However, as residential property values are already relatively high in the Byron LGA, development activity is likely to only experience a low decrease |
| <p>Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median house prices in the Byron LGA as at 2019 (base year) were ~\$918,000 and have since increased to ~\$1.1 million as at 2020 ▪ Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under Option 1B:</p> <ul style="list-style-type: none"> ▪ As the ~13% increase in the long term rental market dwelling supply under Option 1B is expected to have a moderate negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively moderate decrease | <p>Low Decrease in Development Activity</p> <ul style="list-style-type: none"> ▪ Residential property values have potential to experience a relatively moderate decrease under Option 1B as a result of the ~13% increase in the long term rental market dwelling supply and resulting expected decrease in rents ▪ However, as residential property values are already relatively high in the Byron LGA, development activity is likely to experience no more than a low decrease |
| <p>Option 2: No Caps – No caps on non-hosted STRA</p> | <p>Baseline:</p> <ul style="list-style-type: none"> ▪ Median house prices in the Byron LGA as at 2019 (base year) were | <p>Low Decrease in Development Activity</p> |

| Policy Options | Key Considerations | Property Investment and Construction Activity Impacts |
|-----------------------|---|--|
| across the entire LGA | <p>~\$918,000 and have since increased to ~\$1.1 million as at 2020</p> <ul style="list-style-type: none"> ▪ Median unit prices in the Byron LGA as at 2019 (base year) were ~\$744,000 and have since increased to ~\$773,000 as at 2020 <p>Under Option 2:</p> <ul style="list-style-type: none"> ▪ As the ~6.5% increase in the long term rental market dwelling supply under Option 2 is expected to have only a low negative impact on rents in the Byron LGA, residential property values have potential to experience a relatively low decrease | <ul style="list-style-type: none"> ▪ Residential property values have potential to experience a relatively low decrease under Option 2 as a result of the ~6.5% increase in the long term rental market dwelling supply and resulting expected decrease in rents ▪ However, as residential property values are already relatively high in the Byron LGA, development activity is likely to experience no more than a low decrease, if any impact |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Pricerfinder; Urbis

Housing Stress Impacts

A household is defined as being in housing stress when the household is paying more than 30% of their total household income in rental or mortgage payments. As noted in Section 2.2, approximately 85% of very low income households, ~80% of low income households and ~71% of moderate income households in the Byron LGA were in rental stress as at the 2016 ABS Census. Similarly, approximately 65% of very low income households, ~62% of low income households and ~47% of moderate income households were in mortgage stress.

Given housing stress is based on the ratio of income to housing expenses (i.e. rent or mortgage payments), changes to employment (and therefore incomes), rents and residential property values will all result in a change to the level of housing stress being experienced. The degree of impact will therefore depend on the degree by which the rents, property values and employment change.

As shown in Table 4.27, the Base Case: SEPP Default (a 180-day cap across the entire LGA), Option 1A (a 180-day cap outside of the Council-defined STRA Precincts) and Option 1B (a 90-day cap outside of the Urbis-defined STRA Precincts) are expected to result in moderate decreases in long term rental market rents and residential property values, combined with moderate increases in employment (and therefore incomes). Therefore, housing stress is estimated to potentially significantly decrease under these three policy options.

In comparison, under the Base Case Alternative (a 180-day cap outside of the Urbis-defined STRA Precincts) and Option 2: No Caps, housing stress is expected to potentially decrease only slightly. This is a result of the low estimated decreases in long term rental market rents and residential property values.

Despite high estimated decreases in long term rental market rents and residential property values, low decreases in employment under Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) are expected to result in only a moderate decrease to housing stress under this option.

Table 4.27 – Housing Stress Impacts

Indirect Impacts

| Policy Options | Key Considerations | Housing Stress Impacts |
|---|---|--|
| <p>Base Case: SEPP Default – 180-day cap on non-hosted STRA across the entire LGA</p> | <p>Under the Base Case:</p> <ul style="list-style-type: none"> ▪ Rent: Moderate decrease ▪ Values: Moderate decrease ▪ Employment: Moderate increase | <p>High Decrease in Housing Stress</p> <ul style="list-style-type: none"> ▪ The ~14% increase in the long term rental market dwelling supply under the Base Case is expected to have a moderate negative impact on rents and residential property values in the Byron LGA, while reduced spending growth is expected to result in a moderate increase in local employment and incomes ▪ Therefore, there is potential for housing stress to be significantly reduced under the Base Case |
| <p>Base Case Alternative – Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts)</p> | <p>Under the Base Case Alternative:</p> <ul style="list-style-type: none"> ▪ Rent: Low decrease ▪ Values: Low decrease ▪ Employment: High increase | <p>Low Decrease in Housing Stress</p> <ul style="list-style-type: none"> ▪ The ~9% increase in the long term rental market dwelling supply under the Base Case Alternative is expected to have a low negative impact on rents and residential property values in the Byron LGA, while continued strong spending growth is expected to result in a high increase in local employment and incomes ▪ Therefore, there is potential for housing stress to be slightly reduced under the Base Case Alternative |
| <p>Option 1: Council’s Current Gateway Planning Proposal – 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts</p> | <p>Under Option 1:</p> <ul style="list-style-type: none"> ▪ Rent: High decrease ▪ Values: High decrease ▪ Employment: Low decrease | <p>Moderate Decrease in Housing Stress</p> <ul style="list-style-type: none"> ▪ The ~24% increase in the long term rental market dwelling supply under Option 1 is expected to have a high negative impact on rents and residential property values in the Byron LGA, while reduced spending is expected to also have a low negative impact on local employment and incomes ▪ Therefore, there is potential for housing stress to be moderately reduced under Option 1 |

| Policy Options | Key Considerations | Housing Stress Impacts |
|--|--|--|
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | Under Option 1A: <ul style="list-style-type: none"> ▪ Rent: Moderate decrease ▪ Values: Moderate decrease ▪ Employment: Moderate increase | High Decrease in Housing Stress <ul style="list-style-type: none"> ▪ The ~13% increase in the long term rental market dwelling supply under Option 1A is expected to have a moderate negative impact on rents and residential property values in the Byron LGA, while reduced spending growth is expected to result in a moderate increase in local employment and incomes ▪ Therefore, there is potential for housing stress to be significantly reduced under Option 1A |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts) | Under Option 1B: <ul style="list-style-type: none"> ▪ Rent: Moderate decrease ▪ Values: Moderate decrease ▪ Employment: Moderate increase | High Decrease in Housing Stress <ul style="list-style-type: none"> ▪ The ~13% increase in the long term rental market dwelling supply under Option 1B is expected to have a moderate negative impact on rents and residential property values in the Byron LGA, while reduced spending growth is expected to result in a moderate increase in local employment and incomes ▪ Therefore, there is potential for housing stress to be significantly reduced under Option 1B |
| Option 2: No Caps – No caps on non-hosted STRA across the entire LGA | Under Option 2: <ul style="list-style-type: none"> ▪ Rent: Low decrease ▪ Values: Low decrease ▪ Employment: High increase | Low Decrease in Housing Stress <ul style="list-style-type: none"> ▪ The ~6.5% increase in the long term rental market dwelling supply under Option 2 is expected to have a low negative impact on rents and residential property values in the Byron LGA, while continued strong spending growth is expected to result in a high increase in local employment and incomes ▪ Therefore, there is potential for housing stress to be slightly reduced under Option 2 |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Pricfinder; REMPLAN; Urbis

4.4.3. Social Impacts

To complement the largely measurable direct and indirect impacts we have identified and analysed in Section 4.3.1 and 4.3.2, we have also undertaken a social impact assessment that considers the non-measurable potential direct and indirect impacts of the proposed policy on the Byron Shire economy.

The identified non-measurable potential impacts under each policy option are outlined overleaf in Table 4.28 and are organised in terms of impacts on:

- Local Tourism Sector
- Demand for Local Services and Businesses
- Local Employment
- Housing Accessibility and Affordability
- Quality of Life of Local Residents
- Community and Permanency.

As shown in the table, no social impacts have been identified in respect of the Local Tourism Sector, Demand for Local Services and Businesses, or Local Employment as the potential impacts for these categories have already been identified and quantified as direct and indirect impacts.

Overall, the Base Case: SEPP Default (a 180-day cap across the entire LGA) has potential to result in the most significant beneficial social impacts out of the six policy options with potential highly beneficial social impacts identified in respect in all three relevant categories. This includes:

- Housing Accessibility and Affordability
 - Potentially high increase in local workers being able to secure long term residences close to where they work due to ~20% of STRA properties converting to long term residential dwellings (including within the major centres)
- Quality of Life of Local Residents
 - Potentially high decrease in noise disturbances caused by STRA due to ~20% reduction in the number of non-hosted STRA properties across the entire LGA
 - Potentially high increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending
- Community and Permanency
 - Potentially high decrease in displacement of long term residents due to ~14% increase in long term rental dwellings across the entire LGA. This is expected to significantly preserve the sense of community
 - Potentially High increase in local culture and identity as visitation is estimated to experience strong growth

Option 1: Council's Current Gateway Planning Proposal (a 90-day cap outside of the Council-defined STRA Precincts) is estimated to result in the second-highest beneficial social impacts with moderate-to-high benefits across all three relevant categories.

In contrast, Option 2: No Caps is anticipated to result in the lowest social benefits. This includes slightly detrimental social impacts in terms of housing accessibility and affordability, and slightly beneficial impacts in terms of quality of life of local residents, and community and permanency.

The remaining three policy options are all expected to result in a mix of beneficial social impacts, though the degree of impact varies between options.

Table 4.28 – Non-Measurable Potential Social Impacts

Direct and Indirect Impacts

| | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council- defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|---|--|--|--|--|--|--|
| Local Tourism Sector | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts to the local tourism industry have already been identified and quantified as direct and indirect impacts |
| Demand for Local Services and Businesses | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts | <ul style="list-style-type: none"> Nil – potential impacts on demand for local services and businesses have already been identified and quantified as direct and indirect impacts |
| Local Employment | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and | <ul style="list-style-type: none"> Nil – potential impacts on local employment have already been identified and |

| | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council- defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|---|---|--|--|--|--|
| | <i>quantified as direct and indirect impacts</i> | <i>quantified as direct and indirect impacts</i> | <i>quantified as direct and indirect impacts</i> | <i>quantified as direct and indirect impacts</i> | <i>quantified as direct and indirect impacts</i> | <i>quantified as direct and indirect impacts</i> |
| Housing Accessibility and Affordability | <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work due to ~20% of STRA properties converting to long term residential dwellings (including within the major centres) | <ul style="list-style-type: none"> Potentially Low increase in local workers being able to secure long term residences close to where they work due to ~20% of STRA properties outside of Urbis-defined STRA Precincts converting to long term residential dwellings | <ul style="list-style-type: none"> Potentially High increase in local workers being able to secure long term residences close to where they work due to ~38% of STRA properties outside of Council-defined STRA Precincts converting to long term residential dwellings | <ul style="list-style-type: none"> Potentially Moderate increase in local workers being able to secure long term residences close to where they work due to ~19% of STRA properties outside of Council-defined STRA Precincts converting to long term residential dwellings | <ul style="list-style-type: none"> Potentially Moderate increase in local workers being able to secure long term residences close to where they work due to ~39% of STRA properties outside of Urbis-defined STRA Precincts converting to long term residential dwellings | <ul style="list-style-type: none"> Continued challenges for local workers trying to secure long term residences close to where they work due to only ~8% of STRA properties converting to long term residential dwellings across the entire LGA |
| Quality of Life of Local Residents | <ul style="list-style-type: none"> Potentially High decrease in noise disturbances caused by STRA due to ~20% reduction in the number of non- | <ul style="list-style-type: none"> Potentially Low decrease in noise disturbances caused by STRA due to ~20% reduction in the number of non- | <ul style="list-style-type: none"> Potentially High decrease in noise disturbances caused by STRA due to ~38% reduction in the number of non- | <ul style="list-style-type: none"> Potentially Moderate decrease in noise disturbances caused by STRA due to ~19% reduction in the | <ul style="list-style-type: none"> Potentially Moderate decrease in noise disturbances caused by STRA due to ~39% reduction in the | <ul style="list-style-type: none"> Continued noise disturbances caused by STRA due to only ~8% reduction in the number of non-hosted STRA |

| | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Option 2: No Caps |
|---------------------------------|---|---|---|---|---|---|
| | <p>hosted STRA properties across the entire LGA</p> <ul style="list-style-type: none"> Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending | <p>hosted STRA properties outside of Urbis-defined STRA Precincts</p> <ul style="list-style-type: none"> Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending | <p>hosted STRA properties and total occupied room nights per year outside of Council-defined STRA Precincts</p> <ul style="list-style-type: none"> Potentially Moderate increase in amenity as businesses (such as retail and cafes) experience moderate growth in visitation and spending | <p>number of non-hosted STRA properties outside of Council-defined STRA Precincts</p> <ul style="list-style-type: none"> Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending | <p>number of non-hosted STRA properties and total occupied room nights per year outside of Urbis-defined STRA Precincts</p> <ul style="list-style-type: none"> Potentially Moderate increase in amenity as businesses (such as retail and cafes) experience moderate growth in visitation and spending | <p>properties across the entire LGA</p> <ul style="list-style-type: none"> Potentially High increase in amenity as businesses (such as retail and cafes) experience strong growth in visitation and spending |
| Community and Permanency | <ul style="list-style-type: none"> Potentially High decrease in displacement of long term residents due to ~14% increase in long term rental dwellings across | <ul style="list-style-type: none"> Potentially Low decrease in displacement of long term residents due to ~9% increase in long term rental dwellings across | <ul style="list-style-type: none"> Potentially High decrease in displacement of long term residents due to ~24% increase in long term rental dwellings across | <ul style="list-style-type: none"> Potentially Moderate decrease in displacement of long term residents due to ~13% increase in long term rental dwellings across | <ul style="list-style-type: none"> Potentially Moderate decrease in displacement of long term residents due to ~13% increase in long term rental dwellings across | <ul style="list-style-type: none"> Continued displacement of long term residents leading to a loss of community across the entire LGA due to only ~6.5% increase in long |

| | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council- defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|---|---|--|---|---|---|
| | <p>the entire LGA. This is expected to significantly preserve the sense of community</p> <ul style="list-style-type: none"> ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth | <p>the LGA. This is expected to slightly preserve the sense of community outside of the Urbis-defined STRA Precincts</p> <ul style="list-style-type: none"> ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth | <p>the LGA. This is expected to substantially preserve the sense of community outside of the Council-defined STRA Precincts</p> <ul style="list-style-type: none"> ▪ Potentially Moderate increase in local culture and identity as visitation is estimated to experience moderate growth | <p>the LGA. This is expected to moderately preserve the sense of community outside of the Council-defined STRA Precincts</p> <ul style="list-style-type: none"> ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth | <p>the LGA. This is expected to moderately preserve the sense of community outside of the Urbis-defined STRA Precincts</p> <ul style="list-style-type: none"> ▪ Potentially Moderate increase in local culture and identity as visitation is estimated to experience moderate growth | <p>term rental dwellings</p> <ul style="list-style-type: none"> ▪ Potentially High increase in local culture and identity as visitation is estimated to experience strong growth |

Source: AirDNA; NSW Department of Communities and Justice; ABS Census 2016; Pricefinder; Byron Shire Council; Southern Cross University; University of Sydney; Urbis

5. KEY FINDINGS AND RECOMMENDATIONS

This section summarises the key findings of our analysis and presents recommendations as to the preferred policy option from an economic perspective.

KEY ISSUES IMPACTING THE BYRON LGA

Based on a review of the socio-economic context of the Byron LGA, we have identified a number of key issues being faced in the Byron Shire economy and community:

- The Byron LGA is generally characterised by a low average per capita income and a high proportion of renters, relative to the non-metro NSW average. The issue of rental affordability has been exacerbated in recent years by the sharp increases in median rents and dwelling prices across the Byron LGA.
- Residential rental vacancy rates have remained extremely low between 2016 to 2019, indicating that the residential rental market is undersupplied. This has resulted in limited choice for residents and significant rent and price growth.
- Between 2017 and 2019, long term rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings).
- In Byron Bay, a major tourism and employment centre within the Byron LGA, ~44% of dwellings were being used at non-hosted STRA in 2019. The diminishing availability of housing near major employment areas such as Byron Bay town centre may result in increased use of the Pacific Motorway for commuter traffic (potentially impacting its efficiency as inter/intra-state freight and passenger infrastructure), and limit the LGA's ability to attract workers to the region.
- Although ~62% of non-hosted STRA properties in the LGA were available for more than 180 days in the year (2019), ~61% of these properties were occupied for less than 90 days in the year. Moreover, between 2017 and 2019 (pre-COVID), short term rental properties accounted for an increasing proportion of total rental stock in the market. This highlights the potential underutilisation of dwellings that could be diverted to the long term rental market.

Table 5.1 – Key Socio-Economic Issues

Byron LGA

| Key Issue | Description |
|---|--|
| Insufficient Housing Supply | <ul style="list-style-type: none"> ▪ In the Byron LGA, 62% of non-hosted STRA properties were available for more than 180 days in the year (2019), however 61% of these properties were occupied for less than 90 days in the year ▪ Between 2017 and 2019, long term rentals as a proportion of total rental supply (short term and long term) in the Byron LGA has fallen from 61% (~5,920 dwellings out of ~9,780 total rental dwellings) to 53% (~6,030 dwellings out of ~11,280 total rental dwellings) ▪ The number of non-hosted STRA properties in the LGA have increased from ~3,860 properties in 2017 (24% of total dwellings) to ~5,250 properties in 2019 (35% of total dwellings) |
| Low Residential Rental Vacancy Rates | <ul style="list-style-type: none"> ▪ Between 2016 and 2019, vacancy rates in the Byron Shire and across the broader North Coast have remained below 2.1% |
| Poor Housing Affordability | <ul style="list-style-type: none"> ▪ Average per capita income of Byron Shire residents is \$38,818, 5% lower than the non-metropolitan NSW average |

| Key Issue | Description |
|---|--|
| | <ul style="list-style-type: none"> ▪ Approximately 33% of households are renters, broadly in-line with the non-metropolitan NSW average of 30% ▪ Less than 47% of rental stock in the Byron Shire is affordable to very low-to moderate-income households, compared to 79% in non-metropolitan NSW ▪ Median rents have increased by 26%-35% across dwelling types (house, townhouse, flat/unit and other) between June 2020 and March 2021, while dwelling supply increased by only 0.8% (~130 dwellings) over the same period ▪ In the five years to March 2021, house and unit prices have grown by an average of 16.3% and 8.9% per annum, respectively |
| <p>Reduced Housing Located Close to Employment Opportunities</p> | <ul style="list-style-type: none"> ▪ As at the 2016 Census, ~42% of jobs (5,437 jobs) in the Byron LGA were located in the Byron Bay town centre ▪ However, in 2019, 44% of dwellings in the Byron Bay town centre were being used as non-hosted STRA ▪ Therefore, the ability for workers to live close to their place of work has diminished since 2016. Nonetheless, in 2016, the Byron LGA enjoyed a relatively high employment self-containment rate of ~70.8% (compared to ~63.6% in the Ballina LGA and ~61.5% in the Tweed LGA). |

Importantly, many of these key issues are perceived to be driven or at least exacerbated by the proliferation of STRA in the Byron LGA.

Unfortunately, this represents a market failure where a lack of clear regulation and attractive revenue prospects have led many residential property owners to convert their properties into STRA properties. This has caused further tightening of an already low vacancy residential market, thereby creating further upward rent and price pressure which attracts additional investors and is leading to worsening affordability for renters and prospective purchasers.

Therefore, Council and NSW Government is considering options for policy intervention to address this market failure.

PROPOSED REGULATION

In response to the key socio-economic issues currently being faced in the Byron LGA, particularly worsening housing affordability, Byron Shire Council has submitted a Planning Proposal and received a Gateway Determination that seeks to implement a cap on the number of days per year properties within the Byron LGA can be made available as non-hosted STRA.

The aim of this Planning Proposal is to minimise the impacts of STRA on long term rental housing supply, residential amenity, local character and community; while still allowing for diversity in the type and tenure of visitor accommodation options in Byron LGA.

Should the Planning Proposal not be finalised by 31 January 2022, the STRA provisions as detailed in *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* will apply, including a maximum of 180 days per year for non-hosted STRA.

Byron Shire Council's Planning Proposal first intends to amend the SEPP and introduce the concept of STRA Precincts, though the introduction of a new Local Environmental Plan (LEP) mapping overlay known as the Short-term Rental Accommodation Precinct Map.

Most importantly, the Planning Proposal will seek to introduce the following limitations with regards to non-hosted STRA:

- Non-hosted STRA will be permitted for up to 365 days per year on land within a STRA Precinct
- Outside the STRA Precincts, non-hosted STRA will be capped at 90 days per year.

POTENTIAL POLICY OPTIONS

The Department’s Planning Delivery Unit (PDU) and Council jointly engaged Urbis to undertake an Economic Impact Assessment of the proposal to analyse the potential impacts of implementing varying caps on the number of days per year properties can be made available as non-hosted STRA.

We identified six potential policy options (including a Base Case) that could be implemented in the Byron LGA to address the key issues currently being faced, particularly in the housing market. Given, a key driver of the key issues currently being faced in the Byron LGA relate to the proliferation of STRA, these potential policy options all relate to the implementation of a cap on the number of days a property can be made available as STRA each year.

As outlined below, there are three core bases for the policy options – based on the default policy under the SEPP (Base Case), based on Council’s Current Gateway Planning Proposal (Option 1), and based on no regulation (Option 2). Under these three bases, we have identified additional policy options which assume variations to either the capped number of days or the STRA Precinct boundaries.

Therefore, the six policy options we have assessed comprise:

- **Base Case: SEPP Default** – The default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. a 180-day cap on non-hosted STRA across the entire LGA)
 - **Base Case Alternative** – A variation to the default policy under *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021*. It assumes a 180-day cap on non-hosted STRA across the LGA, except in the designated Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA.
- **Option 1: Council’s Current Gateway Planning Proposal** – Council’s Current Gateway Planning Proposal (i.e. a 90-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1A** – A variation to Council’s Current Gateway Planning Proposal. It assumes a 180-day cap on non-hosted STRA outside of Council-defined STRA Precincts. In the designated Council-defined STRA Precincts, there are no caps on non-hosted STRA)
 - **Option 1B** – A variation to Council’s Current Gateway Planning Proposal. It assumes a 90-day cap on non-hosted STRA outside of Urbis-defined STRA Precincts. In the designated Urbis-defined STRA Precincts, there are no caps on non-hosted STRA)
- **Option 2: No Caps** – No caps on non-hosted STRA across the entire LGA.

A summary of these policy options and their respective policy bases are shown below in Table 5.2.

Table 5.2 – Overview of Policy Options

| Policy Basis | Policy Options | |
|-------------------------------|--|--|
| Default Policy Under the SEPP | <p><u>Base Case: SEPP Default</u></p> <p>Default Policy Under the SEPP (180-day cap on non-hosted STRA across the entire LGA)</p> | <p><u>Base Case Alternative</u></p> <p>Variation to the Default Policy Under the SEPP (180-day cap on non-hosted STRA <u>outside of Urbis-defined STRA Precincts</u>)</p> |

| Policy Basis | Policy Options | | |
|---|---|---|--|
| Council's Current Gateway Planning Proposal | <u>Option 1: Council's Current Gateway Planning Proposal</u> | <u>Option 1A</u> | <u>Option 1B</u> |
| | Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of Council-defined STRA Precincts) | Variation to Council's Current Gateway Planning Proposal (<u>180-day cap</u> on non-hosted STRA outside of Council-defined STRA Precincts) | Variation to Council's Current Gateway Planning Proposal (90-day cap on non-hosted STRA outside of <u>Urbis-defined STRA Precincts</u>) |
| No Regulation | <u>Option 2: No Caps</u> No caps on non-hosted STRA across the entire LGA. | | |

ECONOMIC IMPACT ASSESSMENT OF POTENTIAL POLICY OPTIONS

In order to identify a preferred policy option, we have undertaken a multi-criteria assessment of each of the proposed options. Each potential policy option has been assessed against three key criteria:

- Direct Impacts
- Indirect Impacts
- Social Impacts

Recommendations

Based on the outcomes of the economic impact assessment, we consider the implementation of a 180-day cap across the entire Byron LGA in accordance with *State Environmental Planning Policy (Affordable Rental Housing) Amendment (Short-term Rental Accommodation) 2021* (i.e. the Base Case: SEPP Default) to represent the best proposed policy option. In the absence of an approved Planning Proposal, this policy will automatically come into effect from 31 January 2022.

As shown in Table 5.5, overleaf, the Base Case: SEPP Default is not only estimated to generate the highest overall net benefits, it is also estimated to generate net benefits for all relevant groups except Visitor Market Visitors. Critically, under this option, strong benefits are expected to accrue to Residential Property Market Renters and Purchasers and Local Residents / Community without any net disbenefits accruing to Residential Property Market Owners, Local Services and Businesses, Local Workers.

Although Option 1: Council's Current Gateway Planning Proposal is estimated to also generate strong benefits for Residential Property Market Renters and Purchasers and Local Residents / Community, these net benefits come at the cost of net disbenefits accruing to Residential Property Market Owners, Visitors, Local Services and Businesses, and Local Workers.

Therefore, we consider the Base Case: SEPP Default (a 180-day cap across the entire LGA) to represent the preferred policy option from an economic perspective. It is estimated to provide the most substantial benefits across almost all relevant groups while minimising detrimental impacts on Visitor Market Visitors.

Importantly, we also recommend that a post-impact policy evaluation be undertaken no later than 2027 to determine the actual impacts of whatever policy is ultimately implemented. The findings of this evaluation can then be used to inform a policy position post-2027.

Table 5.3 – Summary of Overall Outcomes

All Policy Options

| Policy Option | Overall Rating |
|---|---------------------------------|
| Base Case: SEPP Default | High Net Benefit (+13.5) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Moderate Net Benefit (+7) |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | High Net Benefit (+12) |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis-defined STRA Precincts) | Moderate Net Benefit (+8.33) |

Table 5.4 – Most Heavily Impacted Groups

All Policy Options

| Policy Option | Highest Net Benefit | Highest Net Disbenefit |
|---|--|---|
| Base Case: SEPP Default | Residential Property Market – Renters and Purchasers (+6) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators (+4) | Visitor Market (Tourism Sector) – Visitors (-2) |
| Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+7.5) | Visitor Market (Tourism Sector) – Visitors (-6) |
| Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Visitor Market (Tourism Sector) – Operators And Residential Property Market – Renters and Purchasers (+4) | Visitor Market (Tourism Sector) – Visitors (-4) |
| Option 1B – Variation to Council’s Current Gateway Planning Proposal (90- day cap outside of Urbis-defined STRA Precincts) | Residential Property Market – Renters and Purchasers (+5.5) | Visitor Market (Tourism Sector) – Visitors (-4.5) |

Table 5.5 – Summary of Cumulative Distributed Net Benefits and Disbenefits

All Policy Options

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council’s Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council’s Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council’s Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|---|--|--|---|--|--|---|
| Visitor Market – Operators | Net Benefit: +4 ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +5 ▪ Direct: +3 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4 ▪ Direct: +2 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +4.33 ▪ Direct: +3 ▪ Indirect: +1.33 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: +1 ▪ Indirect: +2 ▪ Social: 0 |
| Visitor Market – Visitors | Net Disbenefit: -4 ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -2 ▪ Direct: -1.5 ▪ Indirect: -0.5 ▪ Social: 0 | Net Disbenefit: -6 ▪ Direct: -3 ▪ Indirect: -3 ▪ Social: 0 | Net Disbenefit: -4 ▪ Direct: -2 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -4.5 ▪ Direct: -2.5 ▪ Indirect: -2 ▪ Social: 0 | Net Disbenefit: -1 ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: 0 |
| Residential Property Market – Renters and Purchasers | Net Benefit: +6 ▪ Direct: +1.5 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +1 ▪ Direct: -0.5 ▪ Indirect: +0.5 ▪ Social: +1 | Net Benefit: +7.5 ▪ Direct: +3 ▪ Indirect: +1.5 ▪ Social: +3 | Net Benefit: +4 ▪ Direct: +0.5 ▪ Indirect: +1.5 ▪ Social: +2 | Net Benefit: +5.5 ▪ Direct: +2 ▪ Indirect: +1.5 ▪ Social: +2 | Net Disbenefit: -1.5 ▪ Direct: -1 ▪ Indirect: +0.5 ▪ Social: -1 |
| Residential Property Market – Owners | Net Benefit: +2 ▪ Direct: -1 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +3 ▪ Direct: +2 ▪ Indirect: 0 ▪ Social: +1 | Net Disbenefit: -0.5 ▪ Direct: -3 ▪ Indirect: -0.5 ▪ Social: +3 | Net Benefit: +3 ▪ Direct: +1 ▪ Indirect: 0 ▪ Social: +2 | Net Neutral: 0 ▪ Direct: -2 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2 ▪ Direct: +3 ▪ Indirect: 0 ▪ Social: -1 |

| Categories | Base Case: SEPP Default | Base Case Alternative (180-day cap outside of Urbis-defined STRA Precincts) | Option 1: Council's Current Gateway Planning Proposal (90-day cap outside of Council-defined STRA Precincts) | Option 1A – Variation to Council's Current Gateway Planning Proposal (180-day cap outside of Council-defined STRA Precincts) | Option 1B – Variation to Council's Current Gateway Planning Proposal (90-day cap outside of Urbis- defined STRA Precincts) | Option 2: No Caps |
|--|--|--|---|--|--|--|
| Local Services and Businesses | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Disbenefit: -0.5 ▪ Direct: 0 ▪ Indirect: -0.5 ▪ Social: 0 | Net Benefit: +0.5 ▪ Direct: 0 ▪ Indirect: +0.5 ▪ Social: 0 | Net Neutral: 0 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 |
| Local Workers | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 | Net Disbenefit: -1 ▪ Direct: 0 ▪ Indirect: -1 ▪ Social: 0 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: +2 ▪ Social: 0 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: +1 ▪ Social: 0 | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: +3 ▪ Social: 0 |
| Local Residents / Community (Quality of Life of and Permanency) | Net Benefit: +3 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +3 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2.5 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2.5 | Net Benefit: +2 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +2 | Net Benefit: +1 ▪ Direct: 0 ▪ Indirect: 0 ▪ Social: +1 |
| TOTAL | High Net Benefit (+13.5) | High Net Benefit (+12) | Moderate Net Benefit (+7) | High Net Benefit (+12) | Moderate Net Benefit (+8.33) | Moderate Net Benefit (+7.5) |

DISCLAIMER

This report is dated November 2021 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd (**Urbis**) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of NSW Department of Planning, Industry and Environment (**Instructing Party**) for the purpose of Economic Impact Assessment (**Purpose**) and not for any other purpose or use. To the extent permitted by applicable law, Urbis expressly disclaims all liability, whether direct or indirect, to the Instructing Party which relies or purports to rely on this report for any purpose other than the Purpose, and to any other person which relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, is causing a material impact on the Australian and world economies and increased uncertainty in both local and global market conditions.

The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

To the maximum extent permitted by law, Urbis (its officers, employees and agents) expressly disclaim all liability and responsibility, whether direct or indirect, to any person (including the Instructing Party) in respect of any loss suffered or incurred as a result of the COVID-19 Outbreak materially impacting the Report Content, but only to the extent that such impact is not reflected in the data and information used to support the Report Content.

APPENDIX A

APPENDIX A: DPIE'S DRAFT TERMS OF REFERENCE

Detail the Byron Shire demographic profile and the unique environment that is the Byron region. Highlight the context of the proposed STRA night cap on the local economy, local tourism industry, local housing market and wider regional and state economies. Outline how this relates to a proposed reduction of the cap to 90 days.

Part 2 – Case for Change

A detailed outline of the justification to reduce the STRA cap, including but not limited to the following:

- Issues
 - Key issues impacting the community and the economy of the current state / base case
 - The potential benefits of a reduction in the cap to the community and economy
- Acknowledged or perceived Market Failure
 - Address the current impacts on the rental housing and key worker attraction
 - Address current perception of Byron market failures, are they valid?
- Economic impact / business case comparing the following:
 - Current state / Base case
 - Potential cap of 180 days
 - Proposed cap of 90 days
- Documented Change
 - Outline and documented literature, research or similar case studies
- Social impacts
 - Describe the social impacts of the current economy as a result of the current state
- Optimum Cap
 - Detail the optimum cap for the Byron Shire and describe the reasons why the preferred cap is right for our LGA

Part 3 – Measurable Impacts

Present a Cost Benefit Analysis model that considers the four (4) options below. Analyse and model the recommended option, the cap proposed by the DPIE and the current state. Consider the economic impacts from different perspectives, as follows:

- Economic Impacts of the delta between a non-hosted STRA of 365 days, 180 days, and 90 days:
 - On the property owners
 - On the wider Byron Shire economy
 - On the wider regional and state economies
- Consider the following, Benefits and dis-benefits (Direct Impacts)
 - Impact on contribution to GRP and GSP
 - Impact on employment change
 - Impact on government surplus including tax revenue
 - Impact on property investment and construction activity\Impact on property value (potential uplift if applicable)
 - Impact on local consumption and trading

- Impact on rental market availability and affordability
- Impact on housing stress
- Impact on existing visitor accommodation including; hotels, motels and serviced apartments.
- LGA costs and ability to enforce a cap on STRA nights
- Indirect impacts
 - Broader consumption and production chain impacts
 - Impact on foreign investment
 - Impact on Infrastructure grants investment
 - Impacts on local housing costs both rental and ownership; cost, availability

Where possible measure the socio-economic impacts of the reduction in the cap on the local Byron Shire and Northern Rivers regional economies.

Part 4 – Non-Measurable Impacts

Present a Social Impact assessment of the impact of reduced cap on STRA on the Byron Shire Economy that includes but is not limited to the following:

- Direct and Indirect non-measurable impacts:
 - Housing accessibility and affordability
 - Quality of life and enjoyment
 - Employment and skills change
 - Key worker retention and attraction
 - Community and permanency
 - Meeting government priorities (Premier and State)
 - Precedent of change on the Tourism industry
 - Demand or reduction for local services
 - Quality of life in residential neighbourhoods
 - Employment quality in the hospitality industry and other impacted industry sectors

Part 5 – Distribution of Impacts

Consider the cumulative impacts of the quantitative and Qualitative benefits and dis-benefits on critical community groups and the likely impacts on the Byron Shire economy, as follows:

- Tourism industry (including Hospitality; hotels, motels and serviced accommodation)
- Local property industry (private, residential and commercial)
- Local renters
- Local homeowners
- Key workers
- Local business owners

Part 6 – Risk and Sensitivity Analysis

Complete a Risk assessment of the potential risks of maintaining the base case, and the proposed 90 night cap. The deliverable for this section is a Risk Management Matrix (based on the EIA methodology page 17) and should address the following:

- Economic Risks

- Social risks
- Environmental Risks
- Externalities
- Repetition risks
- Other risks as applicable

The risk assessment should include micro and macro risks to the following:

- An overview of the risk to the LGA
- A consideration of the risks to areas external to the Byron LGA, including the state.

Part 7 – Cumulative Assessment

A summary of the net benefits considered during the assessment of the quantifiable and non-quantifiable impacts to the local community and State, including:

- Measurable impacts
- Non-measurable impacts
- Summary assessment of the economic impacts
- tailed consideration of state and local community position
- Summary Risk assessment
- Potential for future change considerations and recommendations

Part 8 – Mitigation & Monitoring

Deliver a high level Mitigation and Monitoring Strategy associated with the impacts of reducing the STRA day limit cap, aimed at minimising the impact on the key groups identified in Part 5.

If the proponent considers one or more of the EIA framework sections to be unnecessary for achieving the aims of the project, or, if additional matters not specified in the EIA are deemed necessary, this should be explained and fully justified within the quotation. Any additional investigations, data analysis, surveys or studies needed to achieve the project aims should be identified within the quotation.

FINAL AGREED SCOPE OF WORK

1. Project Scoping (Inception Meeting, Document and Data

The project will commence with three key tasks, namely:

- (i) Inception Meeting: Hold a one hour Microsoft Teams Inception Meeting between the relevant DPIE, Byron Shire Council and Urbis Teams to confirm project methodology/approach, timelines, preferred channel of communications; and facilitate the exchange of documents and datasets relevant to this project.
- (ii) Document and Data Review: Review the relevant documents and datasets provided by DPIE relating to the:
 - Byron Shire demographic profile and economy
 - Historic and current performance of the short-term accommodation industry in Byron Shire
 - Historic and current performance of the Byron residential market and affordability
 - Impacts of short-term rental accommodation on the local Byron Shire community and economy
 - Forecasts or projections on the potential impact of introducing 90 day per year cap on non-hosted STRA day limits in Byron Shire.
- (iii) Context Document: Prepare a short overview that describes the sociodemographic profile of the Byron Region residents, local tourism industry, local housing market and broader local economy and how they relate to the proposed reduction of the cap to 90 days.

2. In Depth Interviews and survey of agents' clients

We will conduct 5 to 7 in depth one hour interviews with Byron Shire Council, agents, other short term property management specialists in Byron Bay and industry representatives such as the Australian Short Term Rental Accommodation Association or Destination NSW as basis for determining the potential impact of changing the STRA night cap from 365 days to 180 days to 90 days per year.

Agents would be able to provide us insights into multiple property owners. Initial research on potential agents include:

- Byron Bay Holiday Accommodation
- Host Society
- Byron Bay realty
- BBRE Agency
- GNF
- 2 Hands

We would also script an online survey that agents can send to their clients.

The questions to be asked will be agreed with the DPIE and Council to ensure that the data being collected is meaningful and will inform the following stages. Areas that will be explored include:

- How will different STRA operators respond to a 90 day cap or 180 day cap? Are they likely to leave holiday houses empty or transition them over to permanent rental or sell?
- Is a holiday home owner with one STRA property likely to behave differently from a commercial operator with 10+ homes?
- Are the boundaries shown on the indicative short term rental accommodation precinct maps contained in the planning proposal appropriate? Should addition areas be added?
- Will limiting the supply of STRA at any given time increase accommodation cost or deter visitors travel?
- Is there a likely loss of economic activity and job security from reducing the cap on STRA nights?

- Who are the property owners of STRA that benefit from STRA 360 capacity?

3. Survey

Council to lead the engagement with individual owners as well as commercial operators and real estate agents via a survey.

The questions to be asked will be designed by Urbis and agreed with the DPIE and Council to ensure that the data being collected is meaningful and will inform the following stages.

Areas that will be explored include:

- How will different STRA operators respond to a 90 day cap or 180 day cap? Are they likely to leave holiday houses empty or transition them over to permanent rental or sell?
- Is a holiday home owner with one STRA property likely to behave differently from a commercial operator with 10+ homes?
- Are the boundaries shown on the indicative short term rental accommodation precinct maps contained in the planning proposal appropriate? Should additional areas be added?
- Will limiting the supply of STRA at any given time increase accommodation cost or deter visitors travel?
- Is there a likely loss of economic activity and job security from reducing the cap on STRA nights?
- Who are the property owners of STRA that benefit from STRA 360 capacity?

In order to reach a large enough sample, Council will play the lead role in distributing the survey to STRA owners/managers and promote via their social media channels or email to databases.

4. Multi-Criteria Impact Assessment

Present the results of a multi-criteria assessment of changing the STRA night cap from 365 days to 180 days to 90 days per year.

Visitation and Price impacts

This assessment will first involve estimating the following key direct impacts of changing the STRA night cap:

- Overall visitation to Byron Shire Council
- Number of visitor nights in STRA facilities in Byron Shire Council
- Average price per night in STRA facilities in Byron Bay
- Number of visitor nights in alternate forms of commercial tourist accommodation in Byron Shire Council, including hotels, motels and serviced apartments.

The above impacts will be estimated using information and data provided by Council, including the AirDNA database of online STRA listings and other data sets used to inform the planning proposal. We will also draw upon Tourism Research Australia National and International Visitor Survey data where applicable.

Quantifiable Direct Impacts

Using the above impacts as levers, apply observed and researched impact multipliers to estimate the measurable direct impacts of the STRA night cap on:

- Employment
- Local consumption and trading, including retail and tourism expenditure
- Performance of existing non-STRA commercial tourist accommodation

Other Direct Impacts

We will also provide a rating assessment (low to high) for the following potential Byron Shire LGA residential property market impacts, based on the data that is available to make this assessment:

- Impact on property investment and construction activity

- Impact on residential property value
- Impact on rental market availability and affordability
- Impact on housing stress.

Indirect Impacts

Assess the indirect impacts of the proposed change to the STRA night cap.

A rating assessment (low to high) on local housing costs and availability (rental and ownership) impacts, and other indirect impacts that will be drawn out from the interviews.

5. Social Impact Assessment on the Byron Shire Economy

Prepare a Social Impact Assessment of the non-measurable potential direct and indirect impacts of reducing the cap on STRA on the Byron Shire Economy based on the findings and insights previous four tasks above in terms of the following:

- Impact on the Byron tourism industry
- Demand for local services and local businesses
- Employment in the hospitality industry and other impacted industry sectors
- Housing accessibility and affordability
- Quality of life of local residents
- Community and permanency.

6. Distribution Impacts

Based on the outcomes of tasks 1 to 4, consider the likely distribution of the cumulative quantitative and qualitative impacts of reducing the STRA nights to 90 days per year on the following groups:

- Tourism industry (including hospitality; hotels, motels and serviced accommodation)
- Local property industry (private, residential and commercial)
- Local renters
- Local homeowners
- Local workers
- Local business owners.

Both benefits and disbenefits will be assessed on a scale of no material impact, low, moderate and high in a matrix framework.

7. Cumulative Net Benefits Assessment

Based on the findings of tasks 1 to 6, summarise the net benefits considered during the assessment of the quantifiable and non-quantifiable impacts to the local community and State, including:

- Measurable impacts
- Non-measurable impacts
- Detailed consideration of state and local community position
- Potential for future change considerations and recommendations.

8. Case for Change

Based on the outcomes of the research and analysis in this project, prepare an outline of the justification to reduce the STRA cap including:

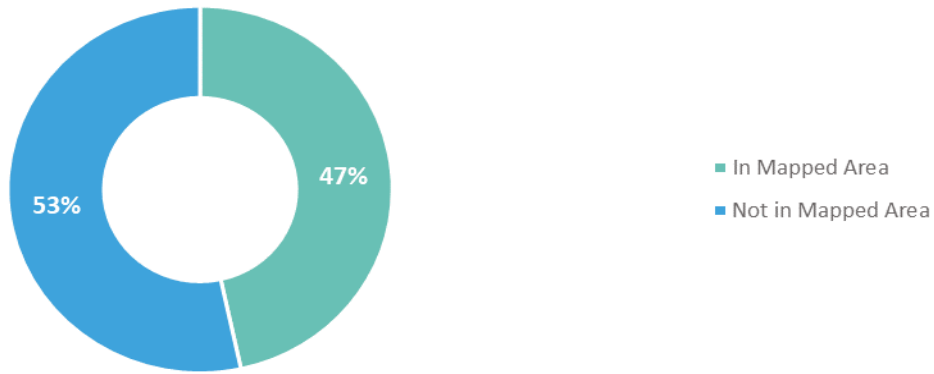
- Key issues impacting the community and the economy of the current state / base case

- The potential benefits of a reduction in the cap to the community and economy
- Acknowledged or perceived market failure
- Current impacts on the rental housing and key worker attraction
- Results of the Multicriteria Impact Assessment comparing the following:
 - Current state / Base case
 - Potential cap of 180 days
 - Proposed cap of 90 days.
- Results of the Social Impact Assessment
- Results of the Distribution of Impacts
- Detail the optimum cap for the Byron Shire and describe the reasons why the preferred cap is right for the LGA.

APPENDIX B

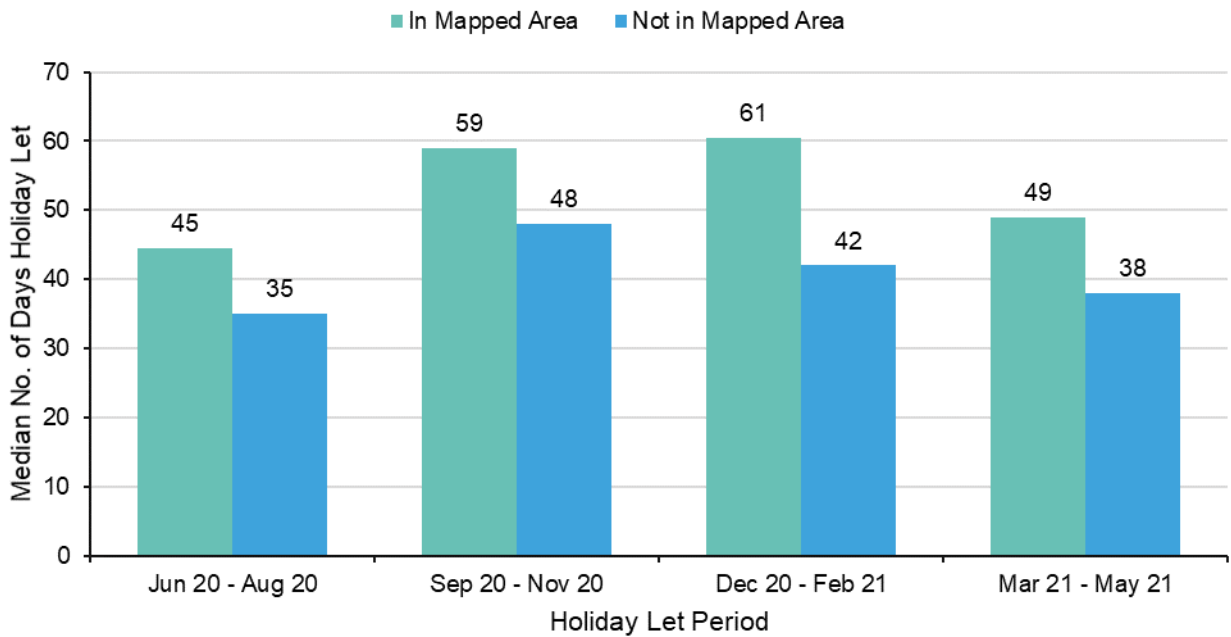
APPENDIX B: DETAILED SURVEY DATA

Chart B1 – Property Location Distribution



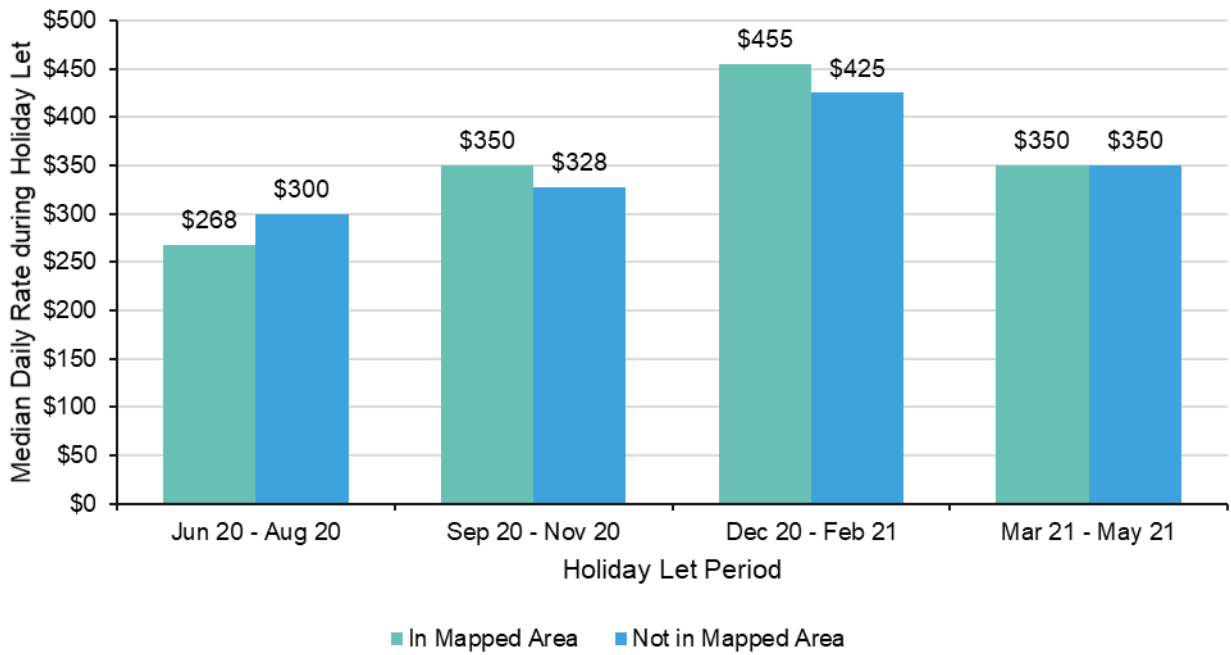
Source: Urbis
Note: n = 249 participants

Chart B2 – Median Number of Days Let by Holiday Let Period



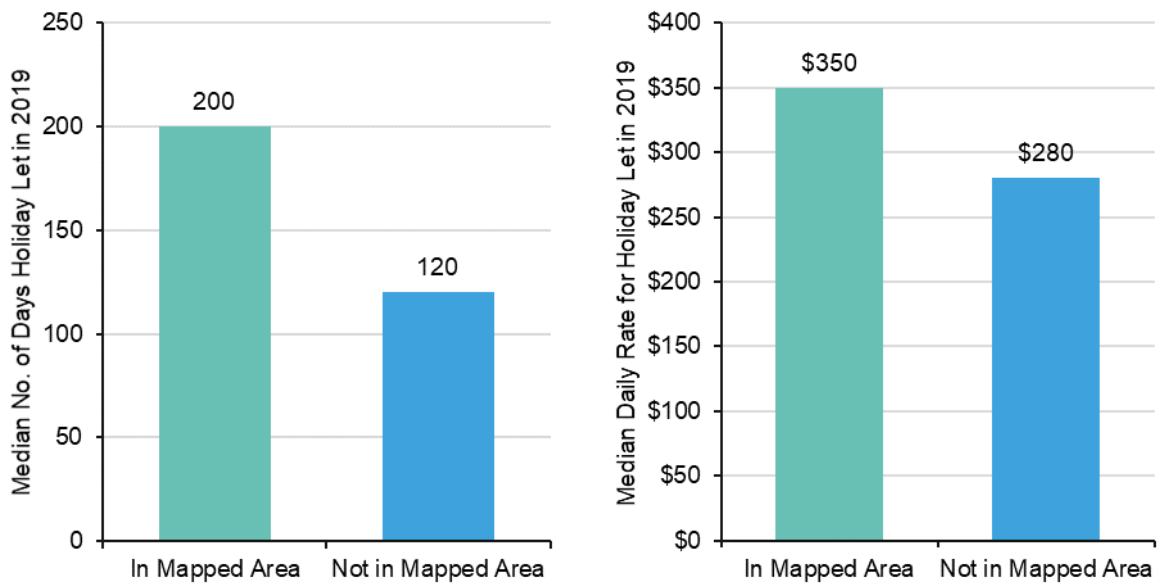
Source: Urbis
Note: n = 205 participants

Chart B3 – Median Daily Rate by Holiday Let Period



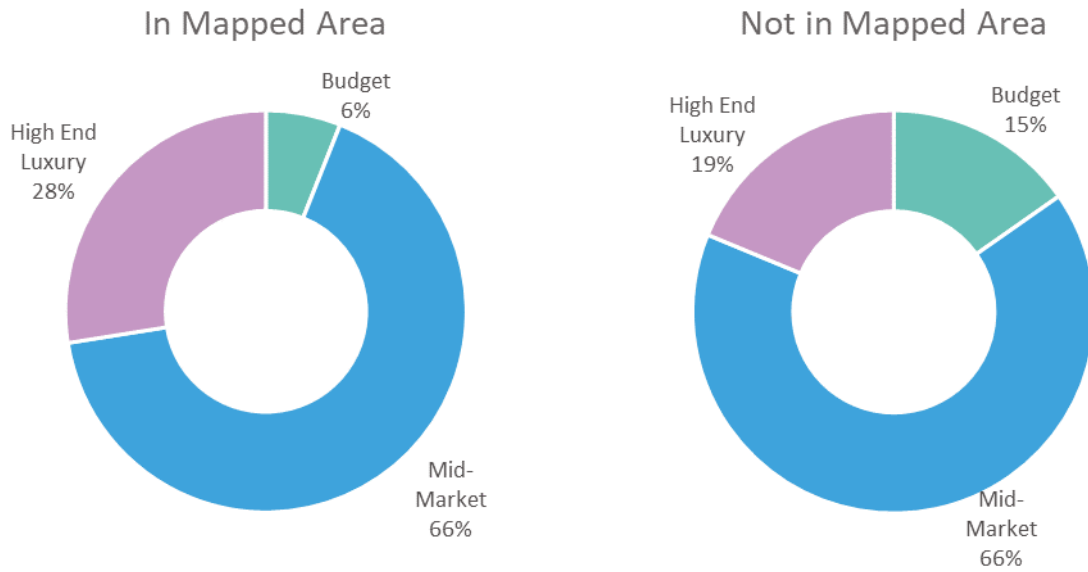
Source: Urbis
 Note: n = 205 participants

Chart B4 – Median Number of Days Let and Daily Rates (2019) by Mapped Area



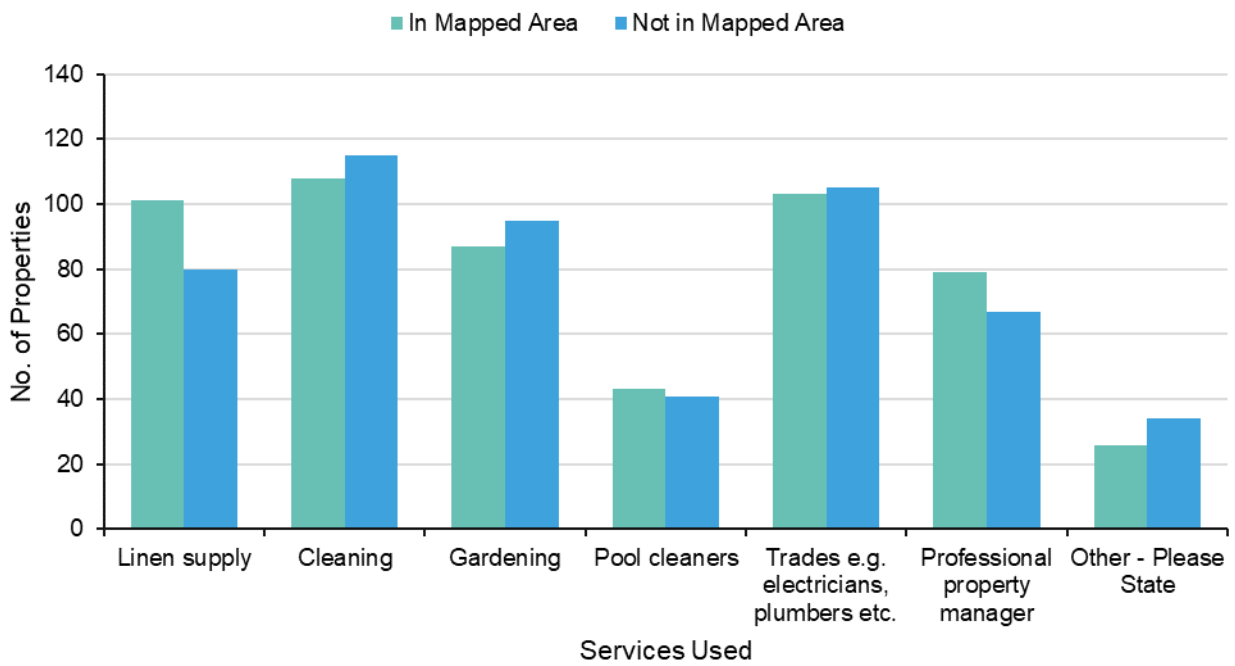
Source: Urbis
 Note: n = 197 participants

Chart B5 – Target Market for Holiday Let Properties



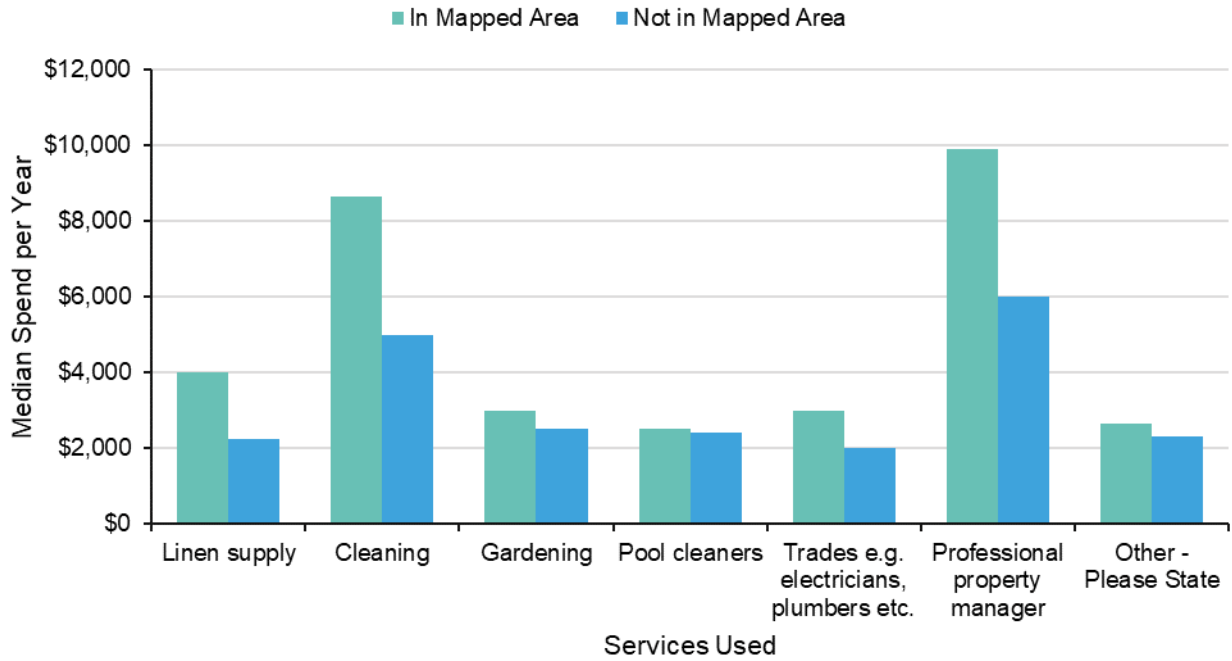
Source: Urbis
 Note: n = 249 participants

Chart B6 – Services Used for Holiday Let Properties



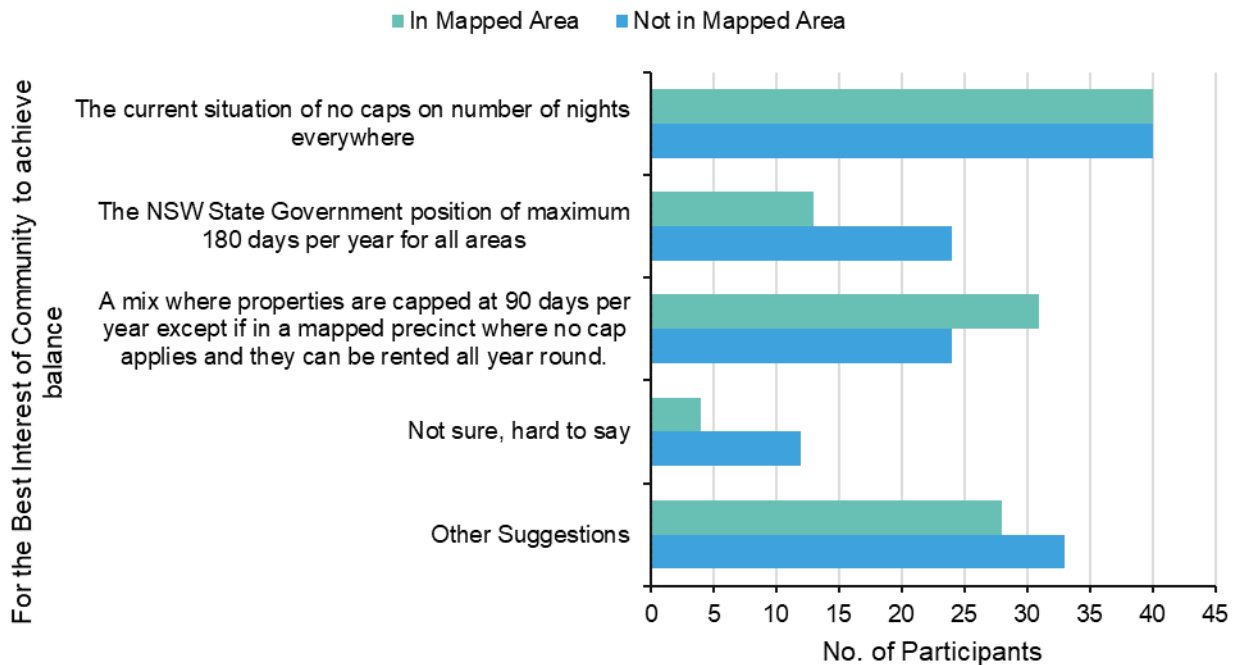
Source: Urbis
 Note: n = 249 participants

Chart B7 – Spend on Services Used in Holiday Let Properties



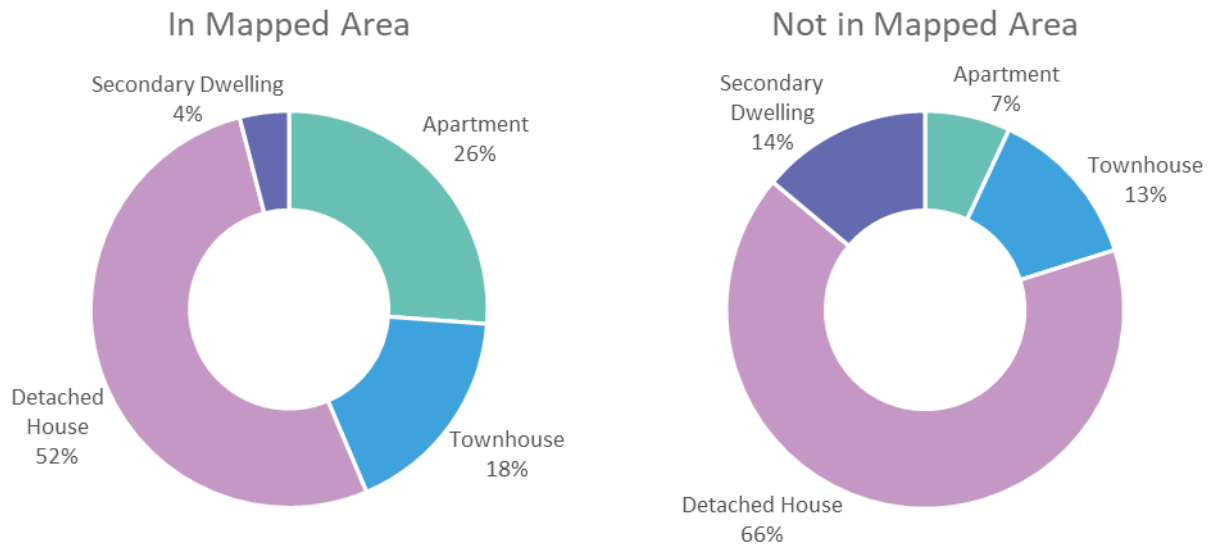
Source: Urbis
 Note: n = 249 participants

Chart B8 – For the Best Interest of Community to Achieve Balance



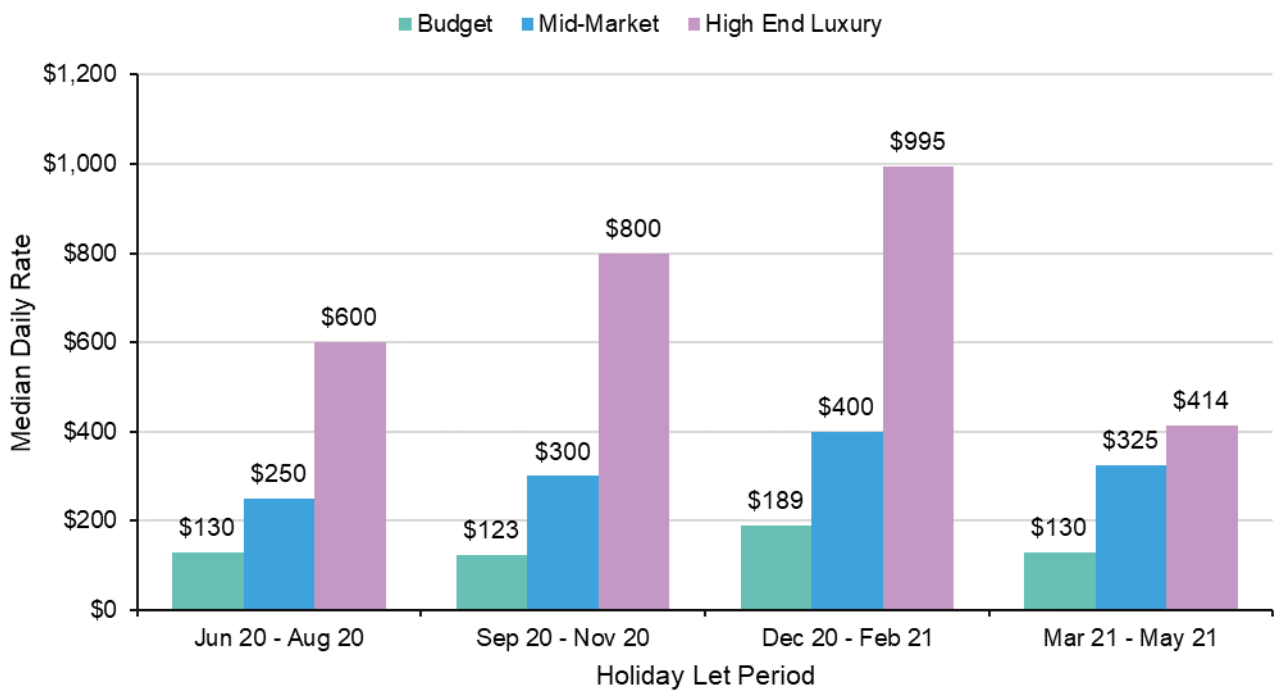
Source: Urbis
 Note: n = 249 participants

Chart B9 – Dwelling Structure of Holiday Let Properties



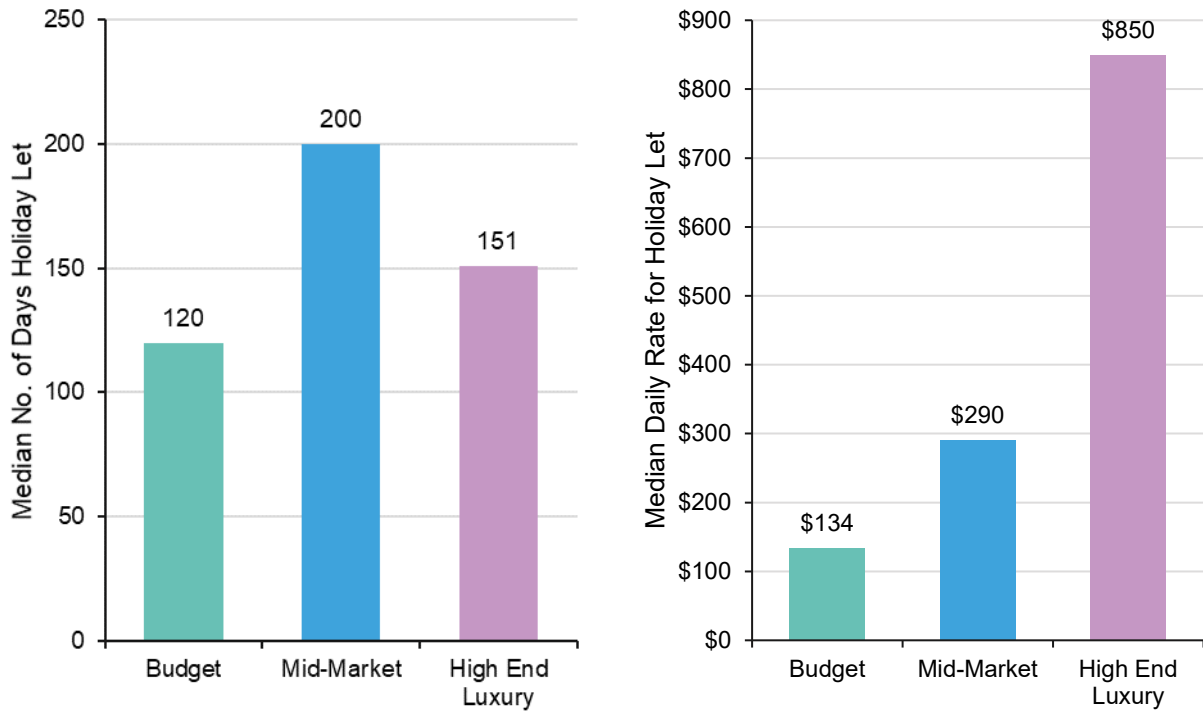
Source: Urbis
 Note: n = 249 participants

Chart B10 – Median Daily Rate by Target Market



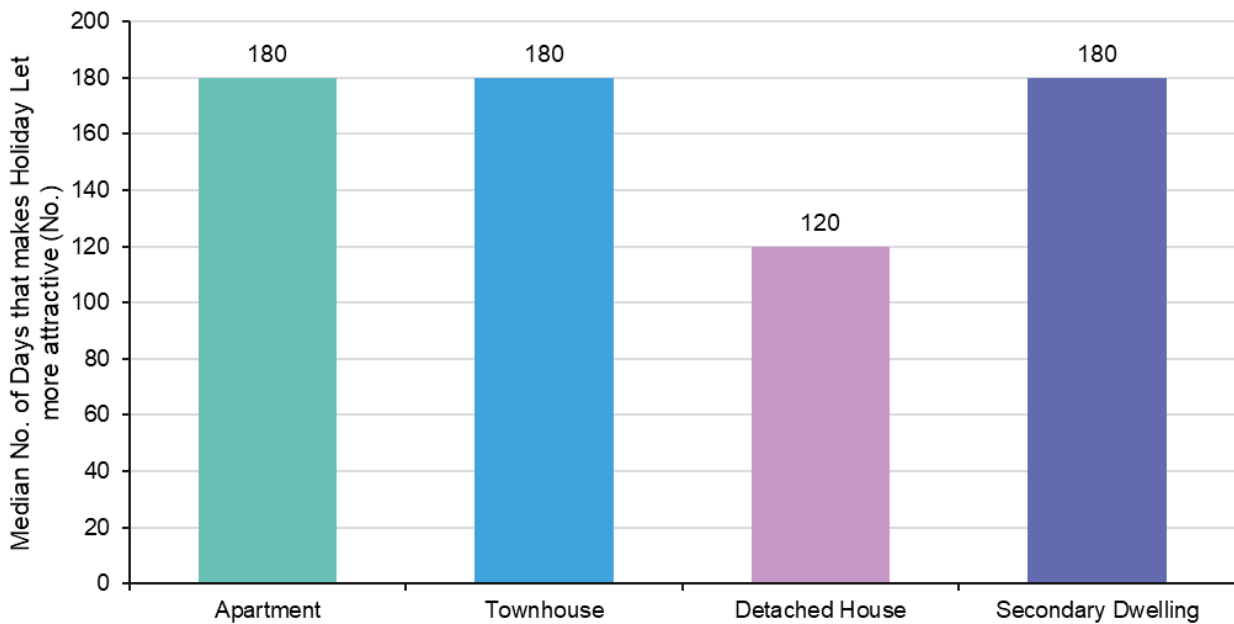
Source: Urbis
 Note: n = 205 participants

Chart B11 – Median Number of Days Let and Daily Rates by Target Market



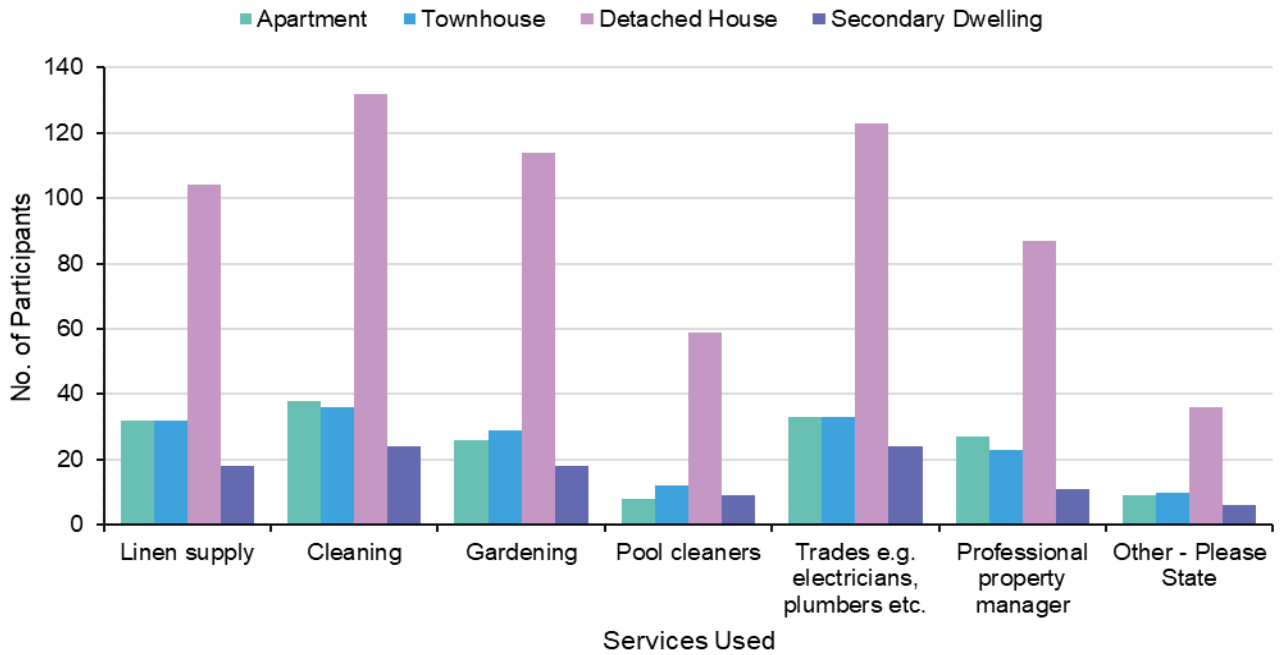
Source: Urbis
 Note: n = 197 participants

Chart B12 – Median Number of Days That Makes Holiday Let More Attractive by Dwelling Type



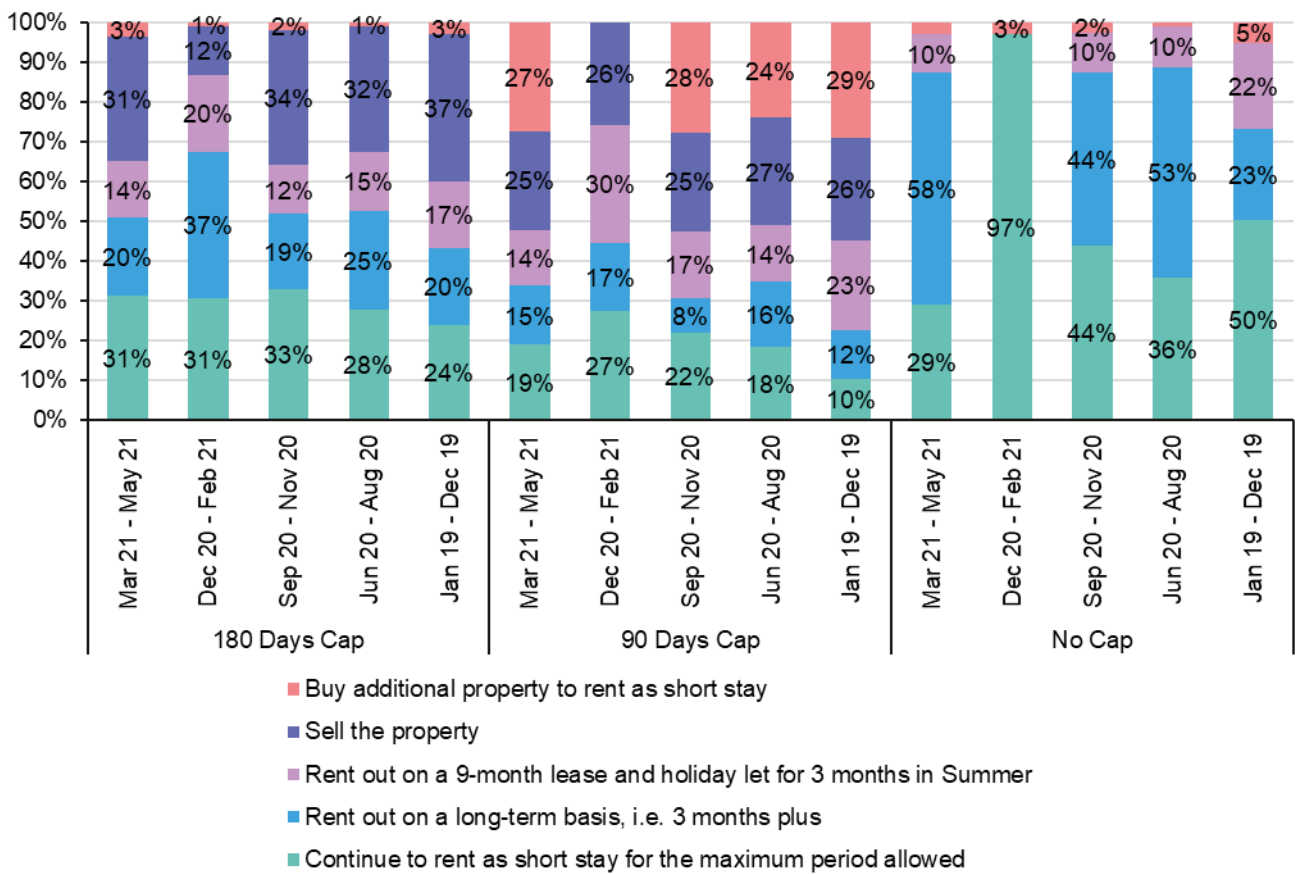
Source: Urbis
 Note: n = 229 participants

Chart B13 – Services Used by Dwelling Type



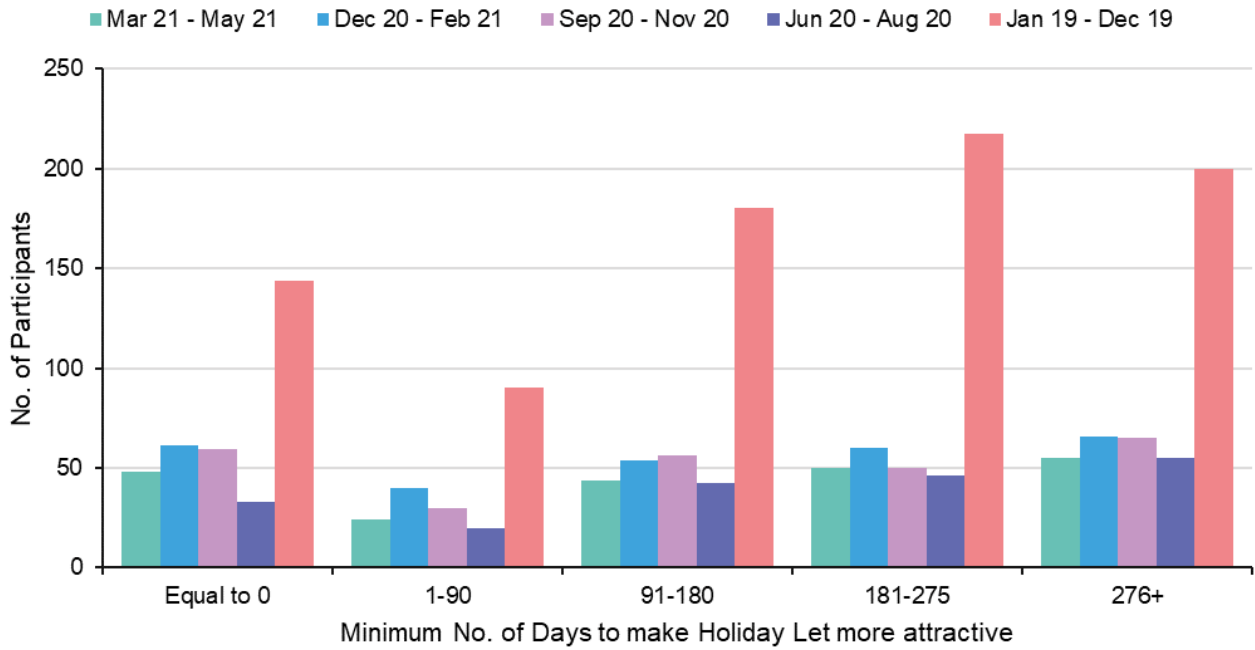
Source: Urbis
 Note: n = 249 participants

Chart B14 - Actions Based on Scenarios by Holiday Periods



Source: Urbis
 Note: n = 249 participants

Chart B15 – Minimum Number of Days that Makes Holiday Let More Attractive by Holiday Periods



Source: Urbis
 Note: n = 229 participants

APPENDIX C

APPENDIX C: STRA PRECINCT BOUNDARIES ANALYSIS

Map C1 – Initial Precincts Defined

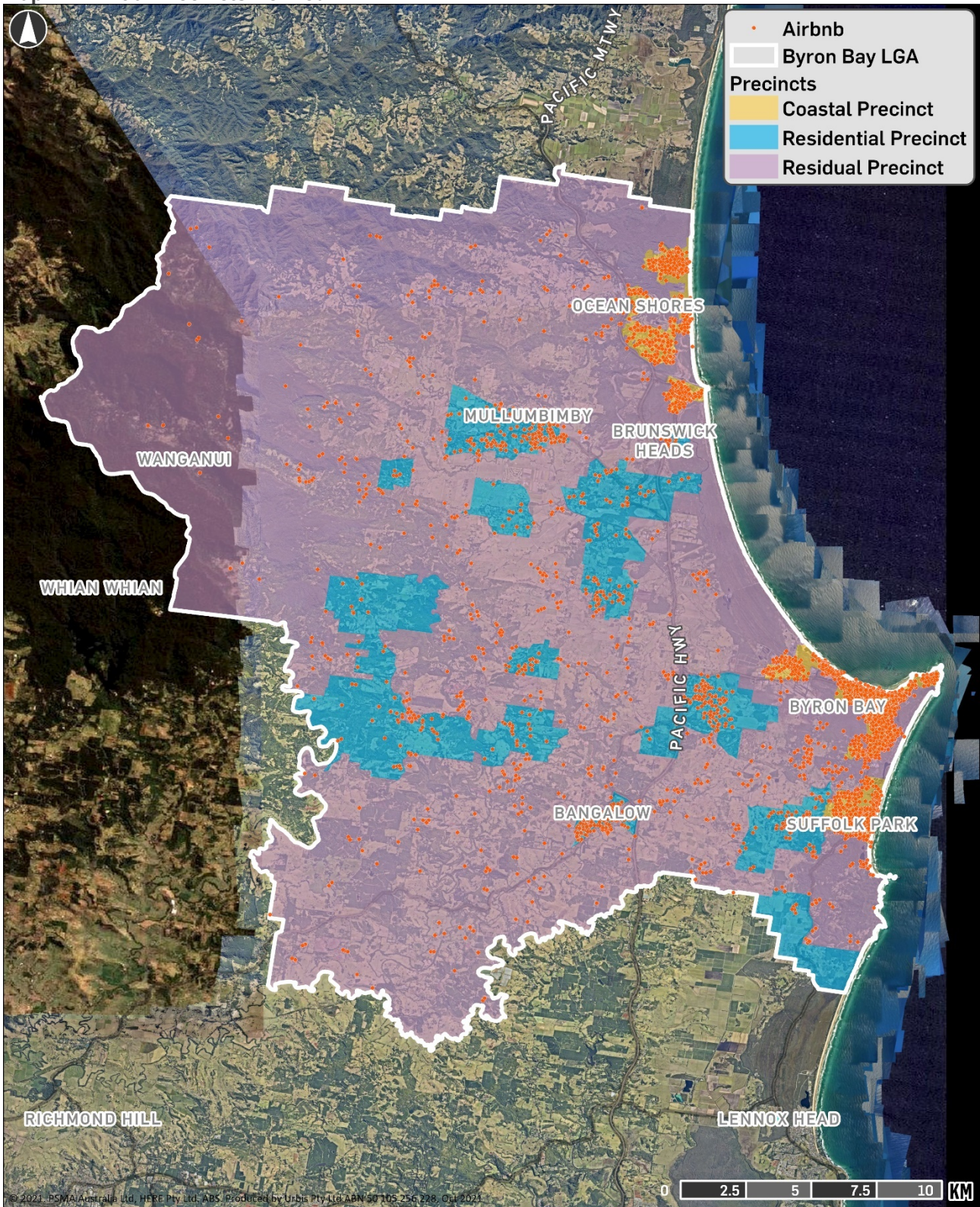


Table C1 - Key 2019 Indicators for Council and Urbis-defined Precincts

| Indicator | Council Precincts | | Coastal Precincts | | Residential Precincts | | Residual Precincts | | Total LGA |
|-----------------------------------|-------------------|------|-------------------|------|-----------------------|------|--------------------|------|-----------|
| | | | | | | | | | |
| Occupied Property Nights | 38,357 | 10% | 290,518 | 75% | 39,498 | 10% | 62,874 | 15% | 386,145 |
| Available Property Nights | 121,474 | 11% | 832,772 | 74% | 116,045 | 10% | 187,483 | 16% | 1,125,562 |
| Occupancy Rate | 32% | -3% | 35% | 0% | 34% | -1% | 34% | -1% | 35% |
| Peak Occupancy (December) | 37% | -5% | 43% | 0% | 42% | -1% | 41% | -1% | 42% |
| STRA Listings | 450 | 9% | 3,648 | 69% | 594 | 11% | 858 | 19% | 5,249 |
| Dwellings ¹ | 661 | 5% | 6,800 | 48% | 3,312 | 23% | 3,988 | 28% | 14,100 |
| Non-Listed Dwellings ¹ | 211 | 2% | 3,152 | 36% | 2,718 | 31% | 3,130 | 34% | 8,851 |
| ADR | \$163 | 93% | \$175 | 100% | \$169 | 97% | \$180 | 103% | \$175 |
| Median Unit Price | \$890,000 | 120% | \$781,500 | 105% | \$695,000 | 93% | - | - | \$744,000 |
| Median House Price | \$3,100,000 | 338% | \$976,750 | 106% | \$990,000 | 108% | \$1,100,000 | 120% | \$918,000 |

¹ Dwelling count as of ABS Census 2016, as this data is available at the Meshblock level. Dwelling count includes separate houses, semi-detached, row or terraces and flats or apartments.

² Non-listed dwellings includes total dwellings minus the number of STRA-listed dwellings.

APPENDIX D

APPENDIX D

Table D1 – Comparison of Average Operational Spending, STRA vs Residential

| Category | Avg Operational Spend per Property | | Foregone Spend per Property |
|---|------------------------------------|----------------|-----------------------------|
| | STRA | Residential | |
| Building Cleaning, Pest Control, etc. | \$12,320 | \$2,100 | \$10,220 |
| Personal Services | \$2,230 | \$0 | \$2,230 |
| Non-Residential Property Operators & Real Estate Services | \$5,950 | \$0 | \$5,950 |
| Acomm Services Spend per Dwelling | \$20,500 | \$2,100 | \$18,400 |

