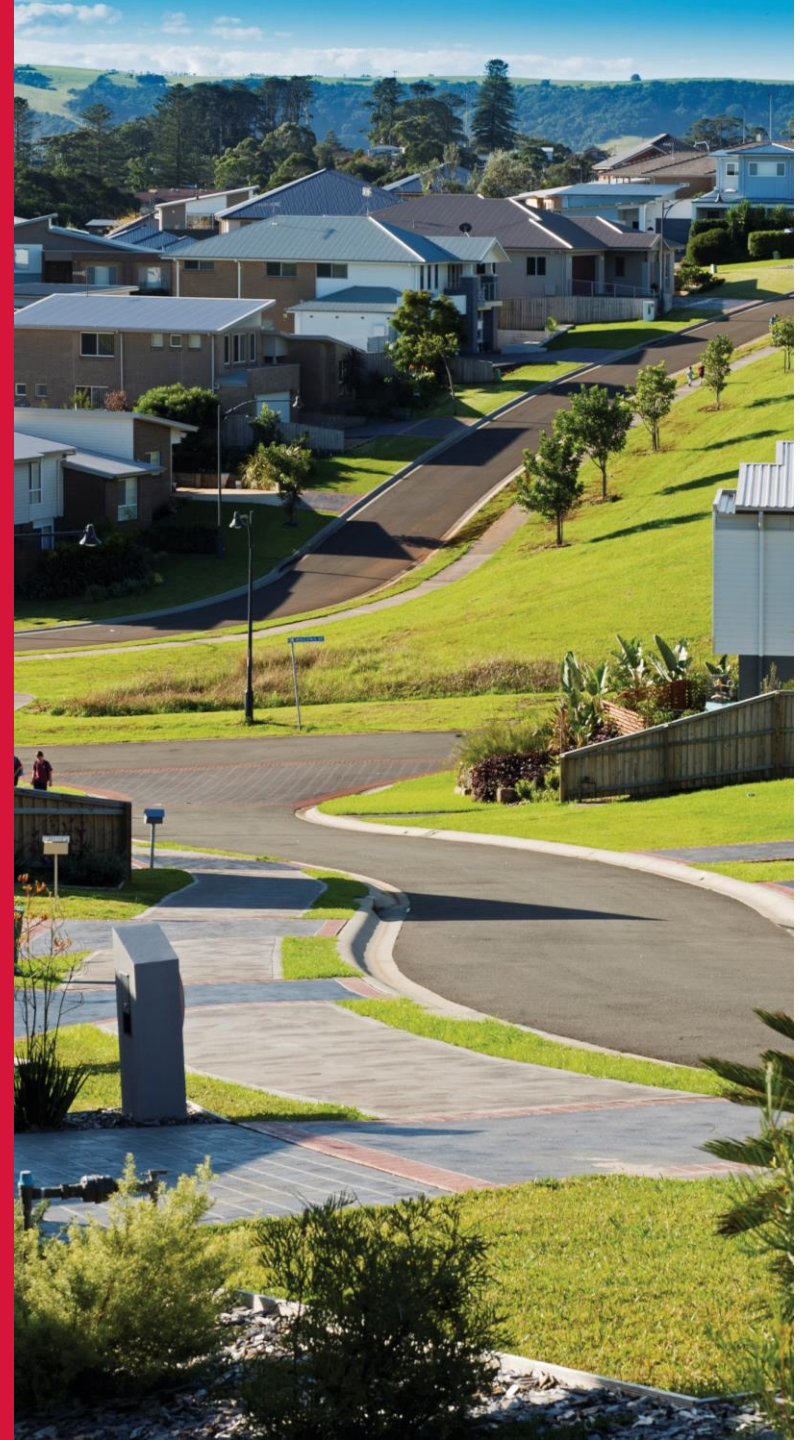


# Byron Shire Short-term rental accommodation (STRA)

Department of Planning and  
Environment

Briefing to the Independent Planning  
Commission

10 February 2023



# Contents



Presenter	Topic
<b>Ms Monica Gibson</b> Acting Deputy Secretary, Planning and Land Use Strategy	1. Introduction
<b>Mr Luke Walton</b> Executive Director, Economic Policy	2. STRA Regulatory Framework 3. STRA Register Overview
<b>Mr Malcolm McDonald</b> Executive Director, Local and Regional Planning	4. Byron Shire Strategic Context 5. Planning Proposal
<b>Mr Ben Eveleigh</b> Director, Regional Programs	6. Regional Housing Taskforce
<b>Ms Princess Ventura</b> Director, Urbis <b>Mr Sean Brosnan</b> Associate Director, Urbis	7. Economic Impact Assessment

# Introduction

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# Introduction

Byron Shire is experiencing high growth and housing supply pressures. Improving housing supply in the Byron Shire LGA is a key issue for Council and DPE.

Council has been working on a number of housing initiatives, together with DPE, to help support the housing needs of the community.

Housing supply in the Byron Shire LGA has been impacted by many factors including bushfire, COVID-19 and the recent floods.

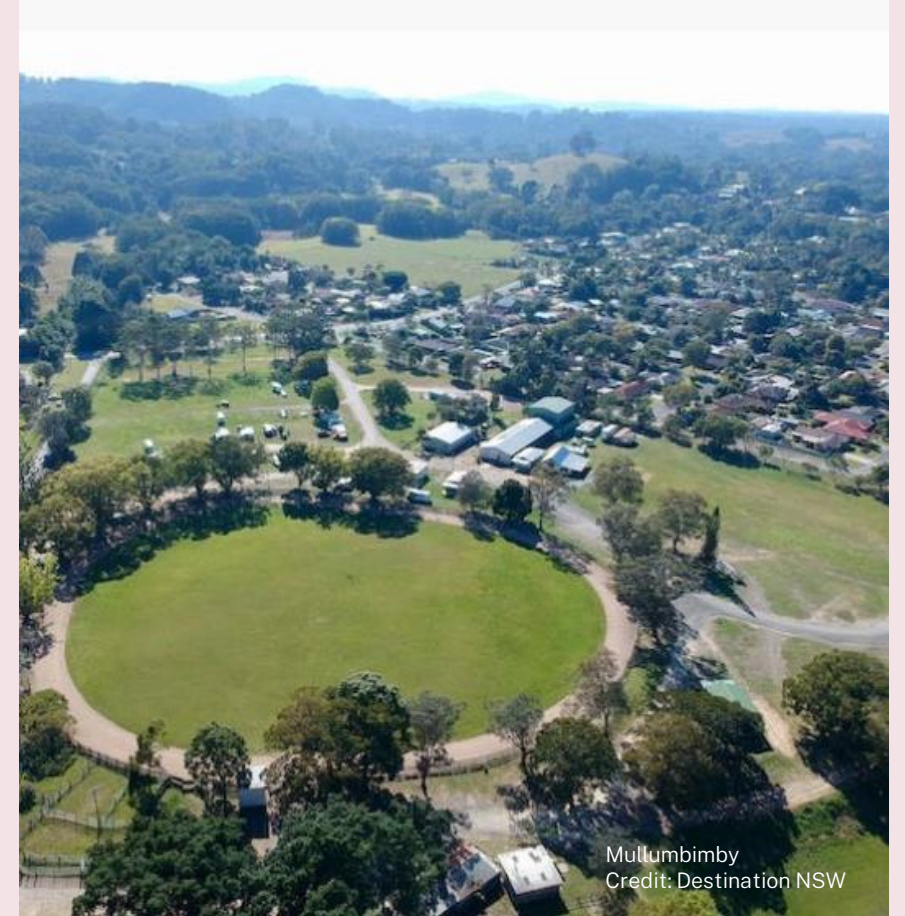
Accommodation and food services is the largest sector of employment in the Byron Shire. In 2019, 2.41 million tourists visited the LGA, contributing \$883 million to the local economy.\*



\* data sourced from Byron Shire Council and id.community

# The Minister's request

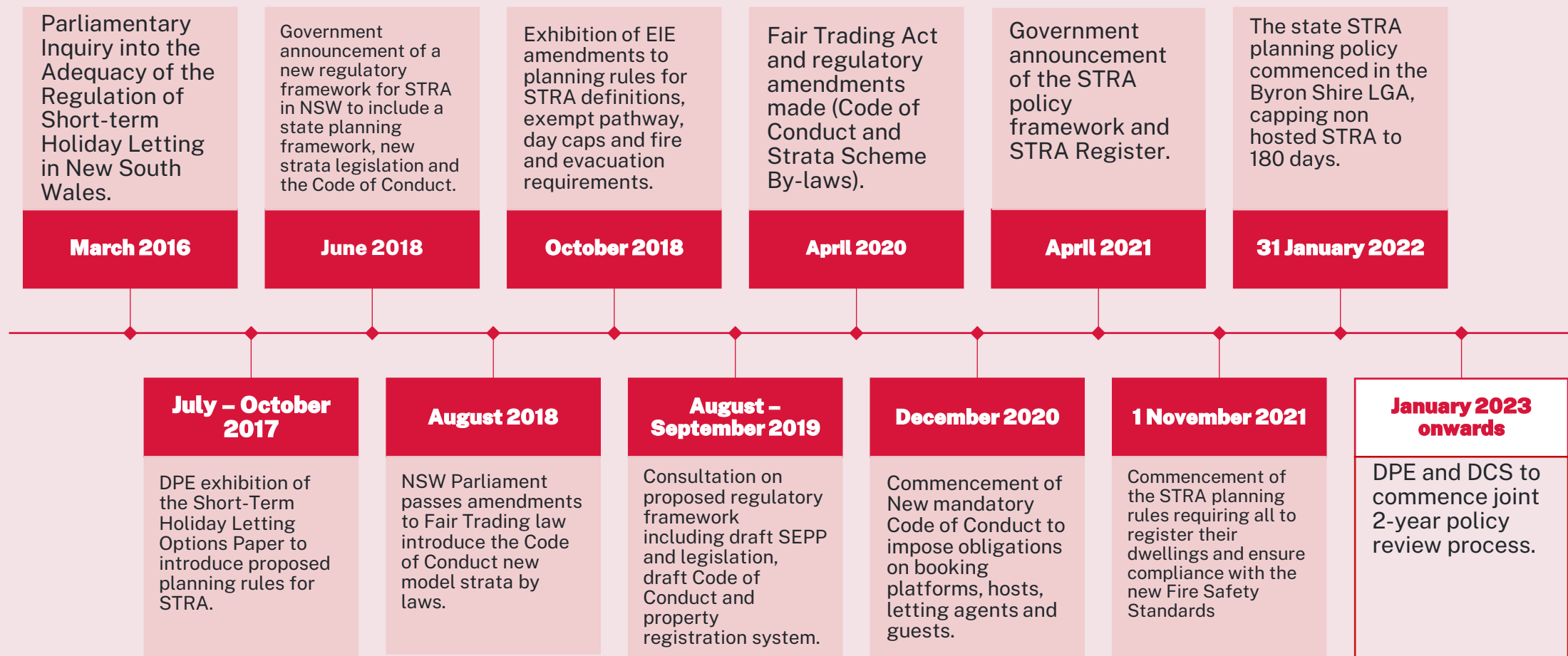
- Provide advice on the status of housing and rental affordability and rental availability in the Byron Shire, including the impact of non-hosted STRA as well as recent flood events.
- Provide recommendations to DPE to improve housing affordability and rental availability in the Byron Shire.
- Provide advice on the economic contribution of the STRA industry in Byron Shire and any potential economic implications for Byron Shire with the introduction of Council's proposed 90 and 365-day caps for non-hosted STRA in parts of Byron Shire.
- Hold a public hearing to provide the opportunity to hear public views from the community and industry.
- Provide advice to the Minister on whether the planning proposal to reduce the number of days of non-hosted STRA in parts of the Byron Shire should be finalised, with or without amendments, and whether any further information may be required for finalisation of the proposal.



# STRA Regulatory Framework

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# Key policy milestones



# Evolving policy drivers

## ISSUES

- Rise of party houses
- Guest safety and behaviour
- Inconsistent regulatory settings and planning approval pathways
- Government position to accept STRA as a legal home sharing activity and apply minimum intervention to mitigate the key issues
- No firm understanding of the size or scale of the industry



## RESPONSE

- Mandatory Code of Conduct and associated penalties under Fair Trading Law
- Mandatory Fire Safety and Emergency standards
- Simple planning framework and exempt development pathway
- Clarification that use of a dwelling for STRA is consistent with its primary residential purpose
- State registration system to enable improved data on the scale and location of an unknown industry



# Growing focus on housing market impacts

## NOW 2022 – 2023

- STRA discussions refocused to respond to pressures on housing markets following COVID-19, floods and bushfires
- Reducing rental availability and affordability particularly in regional housing markets
- Limited and inconsistent evidence base available to understand relationship between STRA and housing pressures on a general or localised scale



## RESPONSE – 2023

- Government committed to review the STRA regulatory framework within 2 years of implementation
- Review terms currently being agreed with DCS, potential focus areas include:
  - Impact of night caps on balancing STRA against local and regional housing market pressures
  - Effectiveness of Code of Conduct in managing amenity and behaviour impacts
  - Compliance and complaints processes

# Policy overview

The whole of government regulatory and planning framework for short-term rental accommodation in NSW includes:

- Definitions for hosted and non-hosted STRA
- Exempt development approval pathways under the Housing SEPP 2021
- Fire safety standards and associated penalties
- STRA premises register, all dwellings used for STRA must be registered
- Mandatory Code of Conduct for the STRA industry and Exclusion Register (DCS)



# Policy timing

NSW was one of the first jurisdictions in Australia to implement a comprehensive STRA policy framework.


What	Start date	Regulator
Strata scheme by-laws	10 April 2020	Fair Trading (Department of Customer Service)
Code of Conduct	18 December 2020	Fair Trading (Department of Customer Service)
State-wide planning framework made (with delayed commencement)	9 April 2021	DPE
State-wide planning framework and Premises register commences (excluding Byron Shire LGA)	1 November 2021	DPE
Byron Shire LGA - Planning framework and premises register commences	31 January 2022	DPE

# STRA Register Overview

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# STRA Register – Key statistics

	NSW	Byron Shire
# Active STRA Registrations	40,791	2,272
# Active non-hosted STRA Registrations	26,646	1,292
# NSW active hosted STRA Registrations	14,145	980
# De-registrations (house sold or no longer used for STRA)	1,628	63
# Non-renewed properties (currently blocked from booking on major sites)	5,669	14

0.81%  Average percentage of all private dwellings in NSW registered for non-hosted STRA

Data source: STRA Register 23 January 2023, ABS 2022 (All private dwellings – NSW)

# NSW overview – top 10s

## Non-hosted STRA registrations

LGA	No. STRA (non-hosted)
Shoalhaven City Council	2,987
Central Coast Council	2,105
Northern Beaches Council	1,389
Mid-Coast Council	1,388
Port Stephens Council	1,370
<b>Byron Shire Council</b>	<b>1,292</b>
City of Sydney	1,289
Waverley Council	840
Tweed Shire Council	779
Clarence Valley Council	634

## Non-hosted STRA registrations as a % of all private dwellings

LGA	Percentage of STRA (non-hosted)
<b>Byron Shire Council</b>	<b>8.49</b>
Snowy Monaro Regional Council	5.74
Shoalhaven City Council	5.39
Kiama Municipal Council	5.06
Port Stephens Council	4.02
Kempsey Shire Council	3.84
Bega Valley Council	3.13
Mid-Coast Council	2.93
Waverley Council	2.69
Clarence Valley Council	2.63

Data source: STRA Register 23 January 2023, ABS 2022 (All private dwellings by LGA)

# STRA is not new to Byron

## The Byron Shire is one of Australia's most desirable LGA's to live and visit.

The Shire has a long history as a national and international tourism and lifestyle destination.

Holiday homes and second homes have dominated the market for decades.

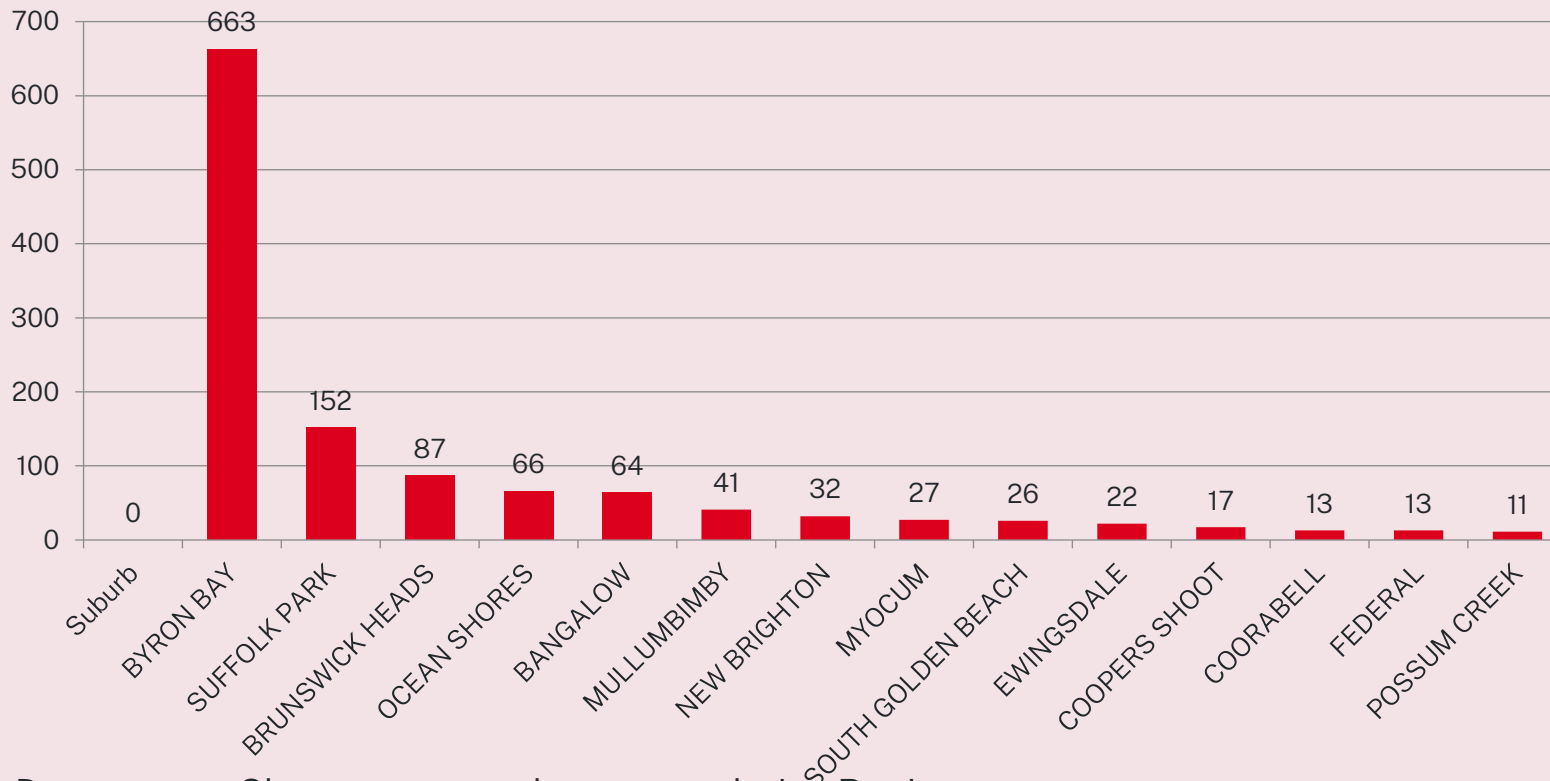
The evolution of family holiday homes to luxury products and the growth of online platforms have made it easier for investors or second home owners to secure significant financial benefits from STRA.

Limited approval of new tourism accommodation premises in the region is increasing the demand for STRA properties, particularly for family groups.



# STRA Register Data

Byron Shire: Non-hosted registrations by suburb  
(suburbs with under 10 registrations excluded)

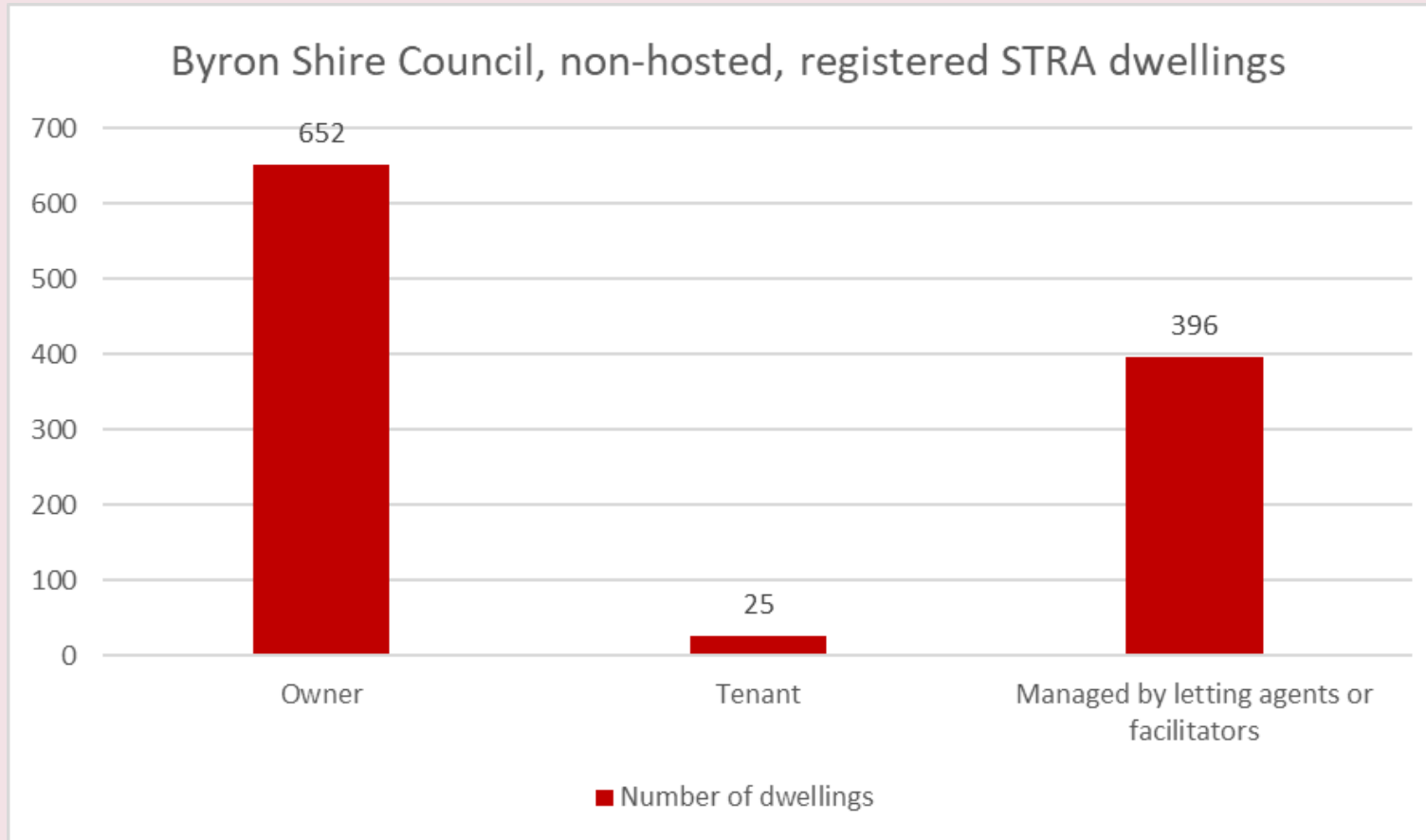


51% of non-hosted STRA dwellings in the LGA are located in **Byron Bay**.

Data source: Short-term rental accommodation Register



# Non-hosted STRA Dwelling Management



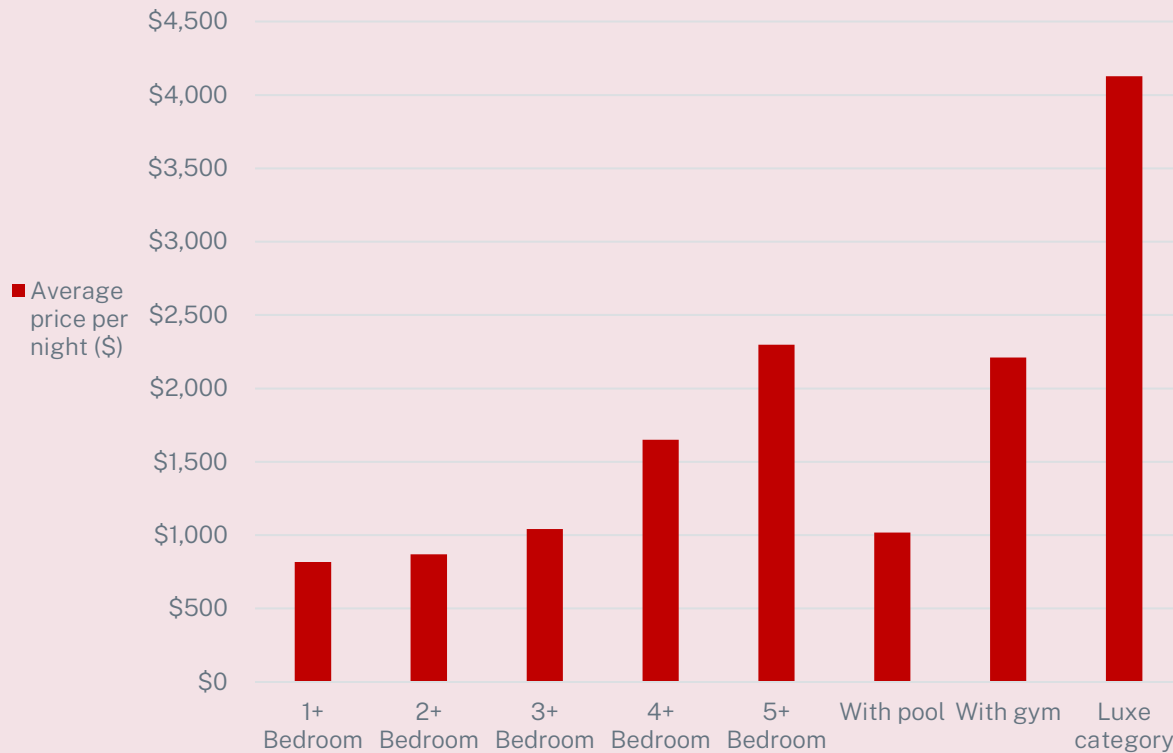
In the Byron Shire LGA, 30.84% of registered non-hosted STRA dwellings are professionally maintained by letting agents and facilitators.

In many cases these are local real estate agents of private holiday letting companies.

Data source: STRA Register

# Characteristics and pricing of STRA dwellings

Average market characteristics - Byron Bay (suburb) non-hosted listings



According to the Census, 42.6 percent of dwellings in the suburb of Byron Bay have 3 bedrooms.

The accommodation cost for a 3 bedroom dwelling according to booking platform 'A Perfect Stay' is between \$2,397 and \$9,718 per night in November 2023.

The Census identified the median weekly rent in the suburb of Byron Bay as \$460 and the monthly mortgage repayments as \$2,000.

In 2021, 50% of renter households in the Byron Shire LGA spent more than 30% of their household income on rent, compared with 35.5% of renter households in NSW.

Data source: Airbnb

# Housing Demand & Supply in Byron Shire

Note: Data sourced from NSW STRA Register on 23 January 2023.

# Housing demand and supply in the Byron Shire

Increasing population growth has occurred against limited new housing completions over past decades resulting in rising dwelling demand.

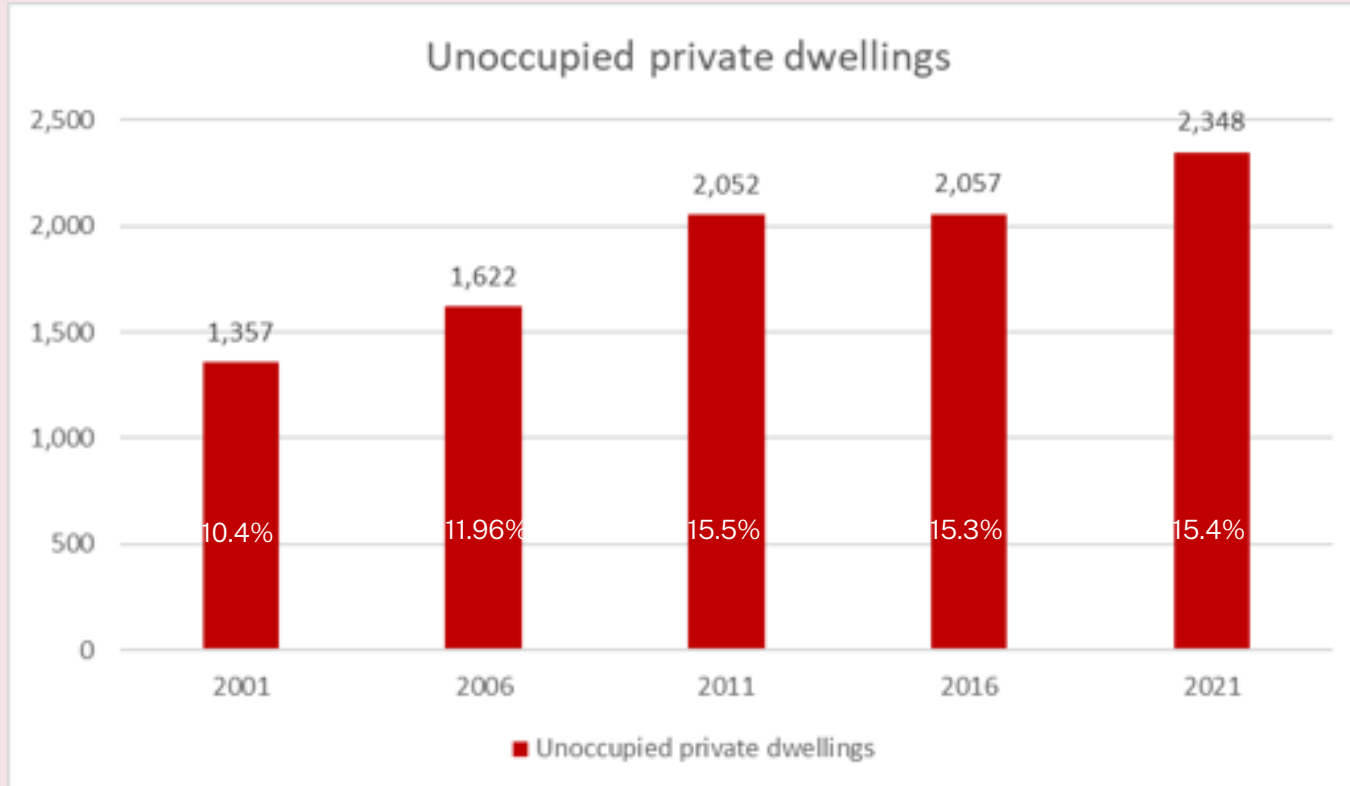
Housing pressures have been further exacerbated by COVID-19 Pandemic, floods and increasing accessibility to SE QLD and NSW east coast due to completion of M1 Motorway upgrades in 2020.

Resolution of issues around housing diversity and dwelling delivery targets is a key issue for the Byron Shire to address in strategic planning.

**The North Coast Regional Plan recognises that planning for housing in the area needs to recognise planning for future residents, but also for the increasing visitor economy.**



# Unoccupied private dwellings



Data source: ABS 2001-2021

The latest Census data indicates that 15% of private dwellings in the Byron Shire LGA are unoccupied. The NSW average is 10%.

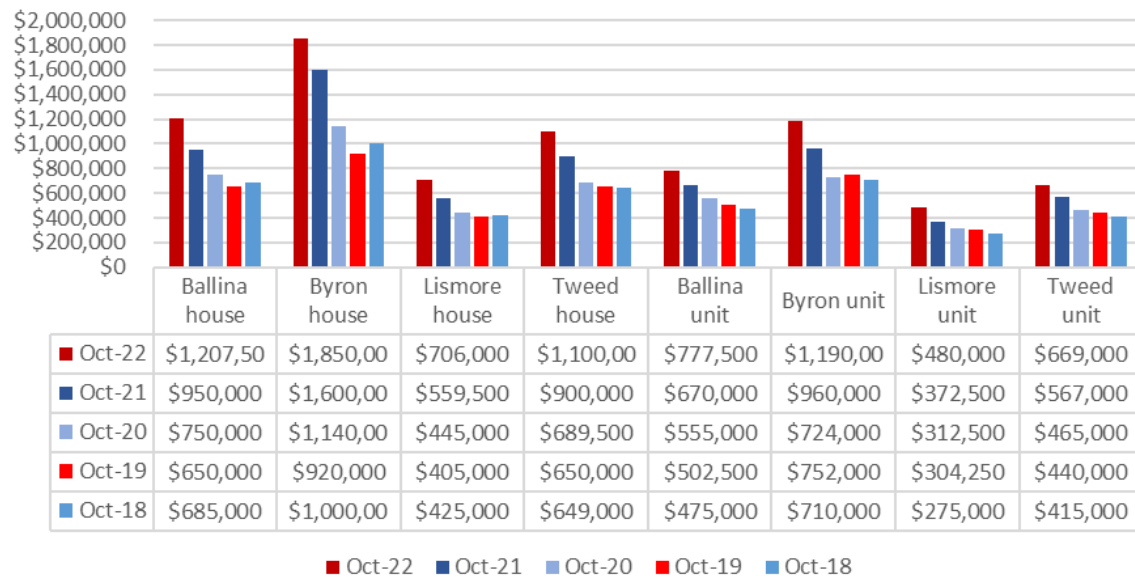
Similar to other regional coastal areas in NSW many unoccupied dwellings are private holiday homes that would not ordinarily be available on the local rental market. For example, Eurobodalla, on the south coast has around 27%.

Between 2011 and 2021, Census data indicates that the number of unoccupied dwellings in both the Byron Shire LGA and NSW have remained relatively consistent as a percentage of all dwellings.

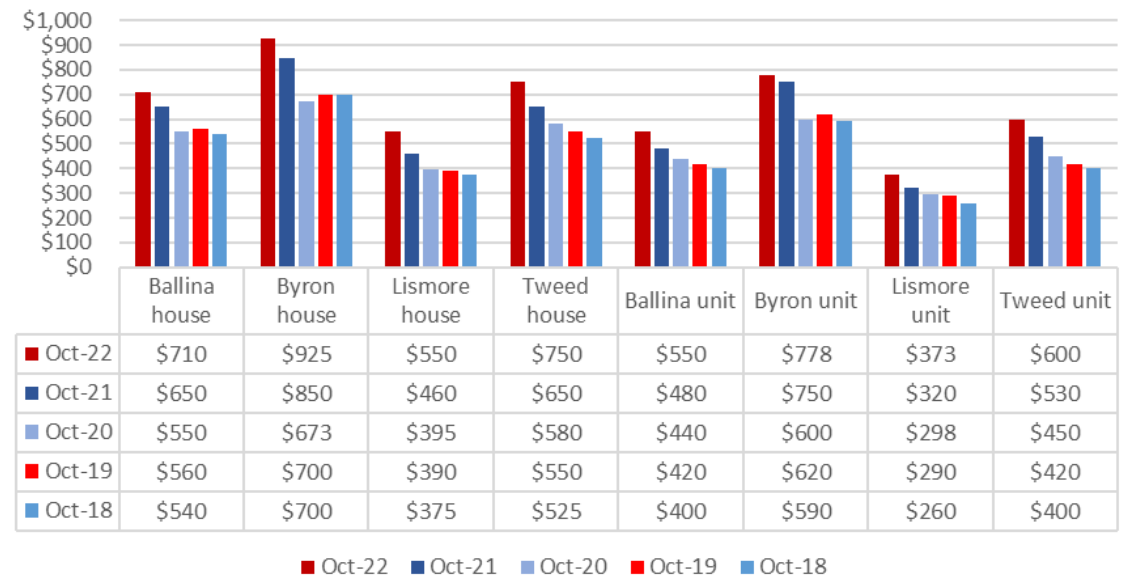
# Housing and Rental Prices of Byron and surrounding LGAs



### Housing Prices



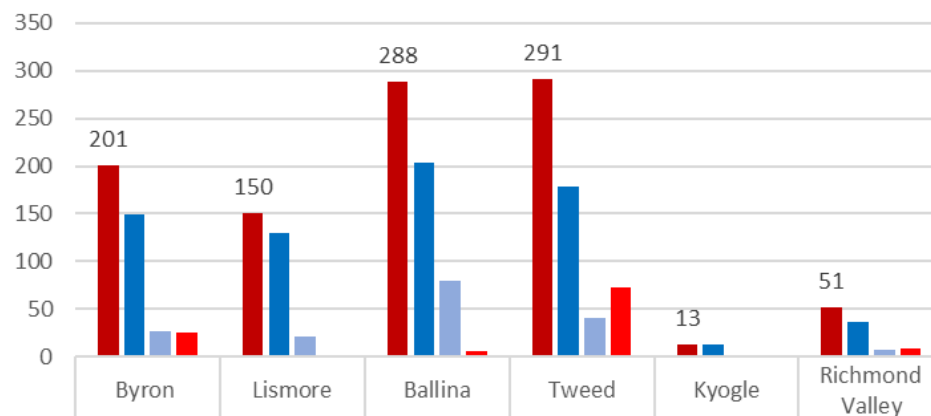
### Rental Prices



# Housing snapshot

## Byron Shire and surrounding LGAs: New housing supply approvals

Number of new residential dwellings approved from November 2021 to October 2022

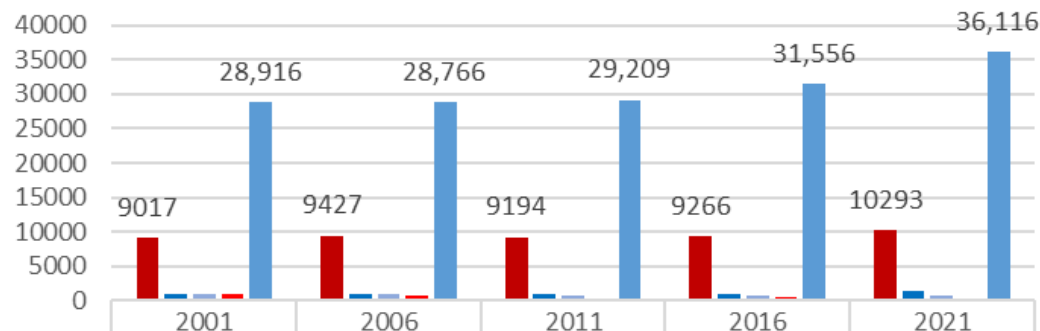


	Byron	Lismore	Ballina	Tweed	Kyogle	Richmond Valley
Total residential approvals	201	150	288	291	13	51
Total houses	149	129	203	179	13	36
Total townhouses	27	21	80	40	0	7
Total apartments	25	0	5	72	0	8

■ Total residential approvals ■ Total houses ■ Total townhouses ■ Total apartments

# Occupied private dwellings

Occupied private dwellings in Byron Shire, separated into dwelling structures compared to population growth



■ Separate houses	9017	9427	9194	9266	10293
■ Semi-detached, row or terrace house, townhouse etc	903	878	1023	814	1375
■ Flat, unit or apartment	886	894	603	731	773
■ Other dwelling	813	735	351	392	353
■ Population of LGA	28,916	28,766	29,209	31,556	36,116

- Separate houses
- Semi-detached, row or terrace house, townhouse etc
- Flat, unit or apartment
- Other dwelling
- Population of LGA

The number of occupied private dwellings in the Byron Shire LGA is predominantly separate houses.

Between 2001 and 2021 the number of occupied low density dwellings increased by 1,276. Occupied medium density dwellings increased by 472 and high density dwellings decreased by 113.

Comparatively, the population over this period increased by 7,200 people.



# Byron Shire Strategic Context

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# Strategic Context

The North Coast Regional Plan 2041 sets a 20-year framework, vision and direction for strategic planning and land use.

Includes a target for 40% of new housing to be 'multi-dwelling', which includes apartments, town houses, villas or small lot housing to encourage greater diversity

Includes a strategy which requires a 10 year supply of residential zoned and developable land to be provided and maintained in local council plans endorsed by DPE.

The first 2-5 years are to be zoned and development ready, with planning approvals and infrastructure plans in place.

Encourages planning for the visitor economy, which includes seasonal workers and workers associated with major infrastructure projects.

Encourages housing options which promote social inclusion, including crisis accommodation and affordable living for seniors, people with disability and single households

Contains an action to establish the North Coast urban housing monitoring program to improve the co-ordination and delivery of new housing.

Contains an action to establish housing affordability roundtables for each subregion with councils, community housing providers, State agencies and the housing development industry to look at measures to improve affordability and increase housing diversity

## ISSUE

- An additional 4,522 implied dwellings are required in Byron Shire LGA by 2041 to accommodate future population-driven demand.
- Councils need to plan for additional housing to address social inclusion and accommodate the visitor sector through their strategic plans.
- Byron Shire Council adopted a Residential Strategy in December 2020 which sets a vision and policy framework for future housing delivery in its urban areas for the next 20 years.
- There are significant constraints with some of the investigation areas identified in the Residential Strategy.
- A peer review of the Byron Shire Residential Strategy facilitated by the DPE Planning Delivery Unit recommended further work be undertaken before it could be endorsed by DPE.
- The NSW Government Flood Inquiry recommendations may impact future housing delivery and supply in the Byron Shire LGA.



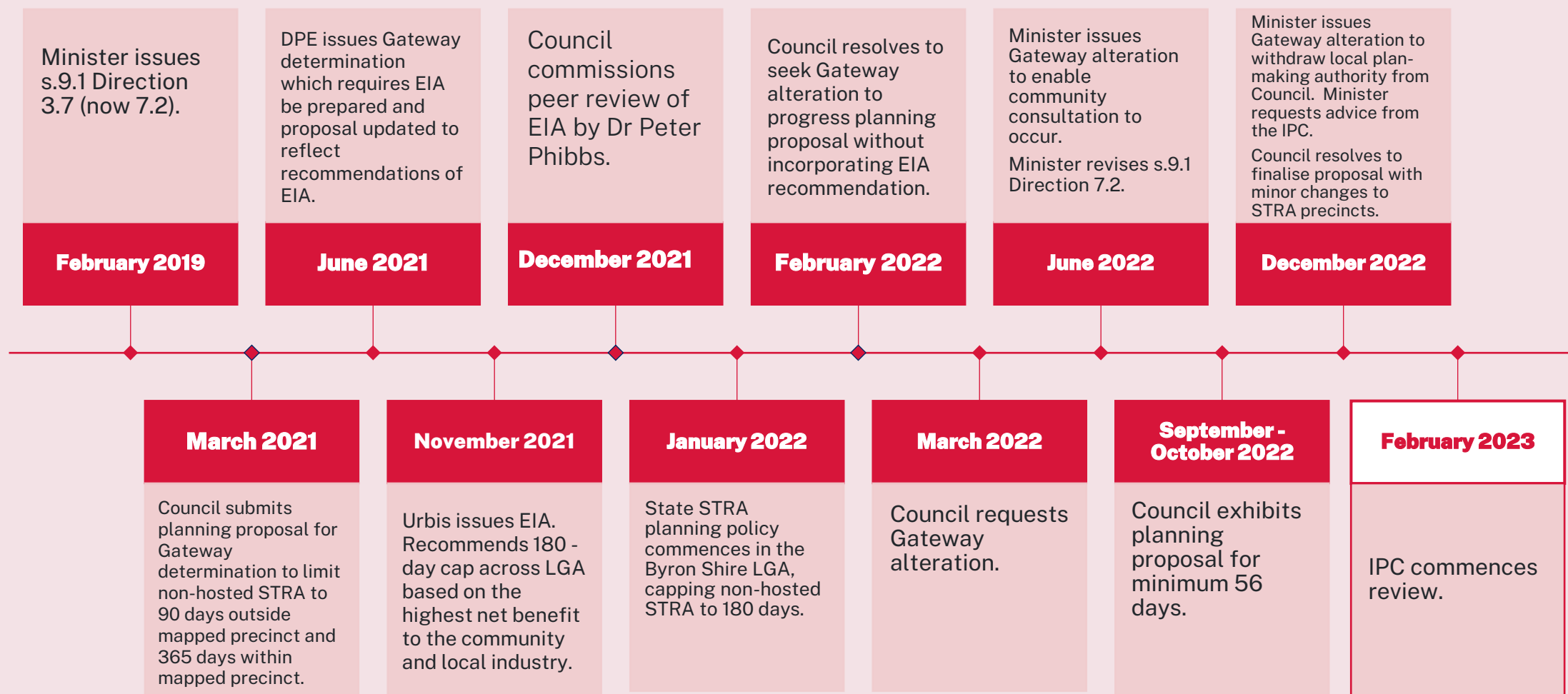
## FUTURE ACTIONS

- Council are working on updates to their Residential Strategy to seek endorsement from DPE.
- The Northern Rivers Reconstruction Corporation is working with councils in the Northern Rivers to prioritise and sequence projects.
- DPE and the Department of Customer Services commenced a joint 2-year STRA policy review process in January 2023.
- DPE is committed to ongoing collaboration with Council in relation to their various housing proposals and will continue to work to resolve outstanding matters.

# Planning Proposal

5

# Planning proposal milestones



# Planning proposal versions

1

## Version # 1.2

Dated March 2020

Pre Gateway version. Proposes an amendment to the Byron LEP 2014 to include definitions for hosted and non-hosted STRA, establish circumstances where STRA is exempt development or permitted with consent, restrict non-hosted STRA to 90 days across the LGA, prohibit STRA in certain locations and introduce a register for monitoring and enforcement.

2

## Version # 2

Dated March 2021

Gateway version. Proposes an amendment to the Byron LEP 2014 to include definitions for hosted and non-hosted STRA, establish circumstances where STRA is exempt development or permitted with consent, identify STRA precincts where non-hosted STRA may occur 365 days per year - otherwise 90 days, prohibit STRA in certain locations and introduce a register for monitoring and enforcement.

3

## Version # 3

Dated March 2022

Post Gateway revision to address some of the conditions of Gateway determination. Proposes amendment to Housing SEPP, includes matrix framework and risk mitigation and monitoring strategy and additional information about economic and social implications of proposal.

4

## Version # 4

Dated July 2022

Post Gateway alteration revision comprising administrative changes to address Gateway alteration requirements including, deferred commencement of proposed provisions, timeframe for public exhibition, details of local plan-making authority and project timeline.

# Regional Housing Taskforce

6

# Taskforce findings

In June 2021, the NSW Government established a Regional Housing Taskforce in response to increasing pressures on the supply and affordability of housing in Regional NSW. The Taskforce's investigation was undertaken in parallel with the announcement and commencement of the NSW state-wide regulation of STRA.

Regional housing markets are vulnerable to spikes in demand, including from temporary and seasonal workers, short term holiday letting and planning needs to better anticipate and respond to these impacts.

STRA was raised as an issue across the majority of regional NSW but most severe in high tourism areas (STRA was among top 5 issues raised in the North Coast).

Initial findings acknowledged STRA and holiday house ownership and letting was not a new concept in regional NSW, but the emergence of online booking platforms had facilitated rapid growth.

Stakeholders were concerned about the impact of STRA on dwelling supply, particularly in high tourism areas such as coastal towns, alpine areas and popular inland towns single households.

Stakeholders believed properties that would otherwise be used as rental properties were being converted to STRA, creating competition in the rental market and further tightening vacancy rates.

Some stakeholders considered the economic benefits associated with tourism growth to outweigh the impact on the housing market.

Some stakeholders called for councils to be allowed greater discretion and flexibility in setting local controls regulating STRA, specifically to give councils the ability to determine the locations where properties can be let as STRA and the number of days available.

Taskforce recommended reviewing short and longer term impacts on regional housing outcomes of recent and planned reforms, including the Housing SEPP and regulation of STRA.



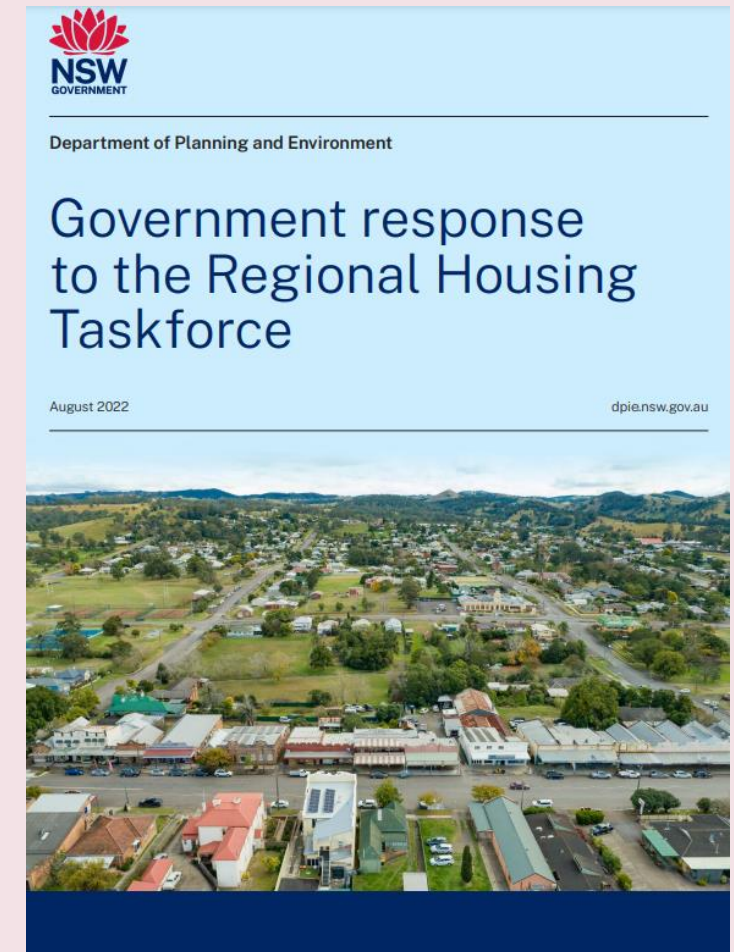
# NSW Government response

The Taskforce acknowledged the need to review the impacts of a range of recent and planned policy reforms including the regulation of STRA.

In August 2022, the NSW Government endorsed all of the Taskforce's recommendations and as Action 5.2.1 committed DPE to:

‘Ongoing review of the Housing SEPP to evaluate its effectiveness in the regional housing market and development contexts, including relating to short-term rental accommodation provisions.

The timing for completion of this Action is 2022-2023.



# Economic Impact Assessment

7

# BYRON SHIRE SHORT-TERM RENTAL ACCOMMODATION (STRA) ECONOMIC IMPACT ASSESSMENT



Briefing to the Independent Planning  
Commission

10th February 2023

# 1. ENGAGEMENT

- **Urbis were approached by DPE in May 2021 to prepare a proposed scope of work in response to a Request for Quotation to undertake an Economic Impact Assessment (EIA)**
- **This EIA was to be jointly funded by DPE and Council**
- **Urbis provided an initial proposal which was reviewed by DPE and Council**
- **Based on feedback from DPE and Council, Urbis issued a revised proposal with an updated scope of work**
- **Urbis then met with DPE and Council to agree on further refinements to the scope of work**
- **Urbis issued a final proposal in June 2021 which was accepted by DPE and Council in July 2021**

## 2. SCOPE OF WORK

- **DPE and Council jointly engaged Urbis to undertake an Economic Impact Assessment of the Planning 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.**
- **The three key objectives of the EIA were 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.

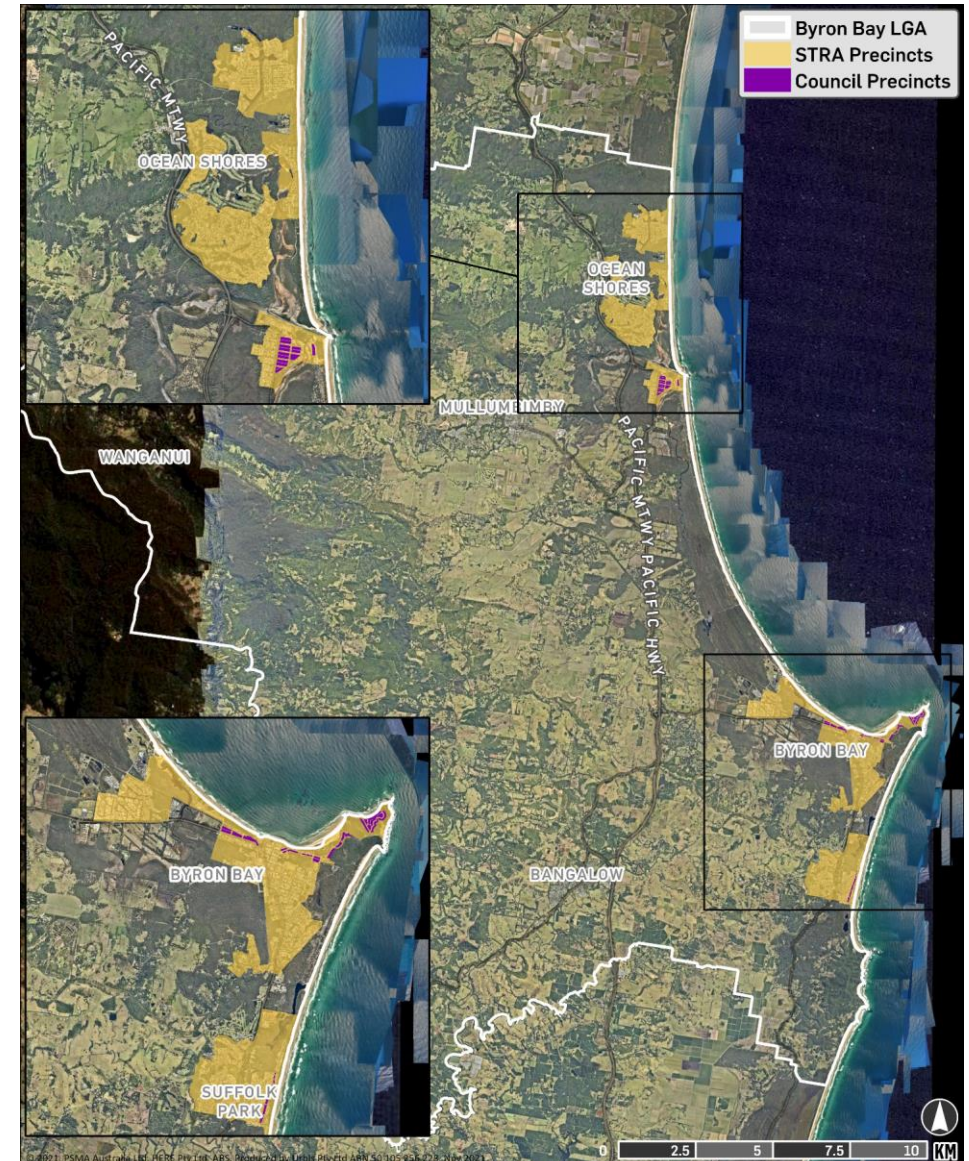


# 3. METHODOLOGY

1. Inception Meeting
2. Document and Data Review
3. Preparation of Context Document
4. In Depth Interviews with Industry Representatives  
(i.e. real estate agencies, chamber of commerce, holiday letting agencies)
5. Survey of Property Owners
6. Identification of Six Policy Options
7. Multi-Criteria Assessment of Policy Options
8. Recommendations

# 3. METHODOLOGY – URBIS-DEFINED 365-DAY STRA

- Council-defined STRA Precincts were defined in Council's Current Gateway Planning Proposal
- Council-defined STRA Precincts accounted for:
  - ~9% (450) of the 5,249 non-hosted STRA properties in the Byron LGA in 2019 (base year)
  - ~5% (661) of the 14,100 dwellings in the Byron LGA
- Urbis-defined STRA Precincts were defined as part of the EIA with an aim of minimising potential detrimental impacts on the tourism industry while maximising the number of dwellings able to be delivered to the housing market (by identifying areas that capture both a large share of STRA listings and a small share of residential dwellings)
- Urbis-defined STRA Precincts accounted for:
  - ~67% (3,509) of the 5,249 non-hosted STRA properties in the Byron LGA in 2019 (base year)
  - ~48% (6,800) of the 14,100 dwellings in the Byron LGA



## 4. FINDINGS

- Each policy option was 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
- All options were likely to result in moderate-to-high overall net benefits
- Base Case: SEPP Default (a 180-day cap across the entire LGA) had potential to result in the highest overall net benefit of +13.5
- Option 1: Council’s Current Gateway Planning Proposal (a 90-day cap outside of Council-defined STRA Precincts) had potential to result in a moderate overall net benefit of +7

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)



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Option 2: No Caps	Moderate Net Benefit (+7.5)

## 4. FINDINGS

- **180-day cap across the entire Byron LGA (the Base Case: SEPP Default) found to represent the best proposed policy option:**
  - Estimated to generate the highest overall net benefits
  - Estimated to generate net benefits for all relevant groups except Visitor Market Visitors
  - Strong benefits expected to accrue to Residential Property Market Renters and Purchasers and Local Residents / Community
  - No net disbenefits accruing to Residential Property Market Owners, Local Services and Businesses, Local Workers
- **In contrast, Option 1: Council's Current Gateway Planning Proposal:**
  - Estimated to generate strong benefits for Residential Property Market Renters and Purchasers and Local Residents / Community
  - Net disbenefits accruing to Residential Property Market Owners, Visitors, Local Services and Businesses, and Local Workers.
- **Therefore, we considered the Base Case: SEPP Default (a 180-day cap across the entire LGA) to represent the preferred policy option from an economic perspective. It was estimated to provide the most substantial benefits across almost all relevant groups while minimising detrimental impacts on Visitor Market Visitors.**

# 4. PEER REVIEW

Dr Peter Phibbs Peer Review Conclusions	Urbis Response
<p><b>The report confuses economic impact analysis with evaluative methods like cost benefit analysis</b></p>	<p>As per DPE's draft terms of reference and the final agreed scope of work, we were instructed to undertake an economic impact assessment comparing policy options, not a cost benefit analysis.</p>
<p><b>The method it uses to compare options is unreliable because no attempt is made to weight the importance of the impacts on different stakeholder groups</b></p>	<p>In the absence of any basis for the importance of impacts on different stakeholders, all stakeholders were assumed to have equal weighting. This is a limitation of the context.</p>
<p><b>The economic impacts focuses on Byron Bay impacts when some estimates should have been made of the impacts on the NSW economy. In many cases the negative impacts on Byron Bay from the changes proposed by Byron Council, will be matched by positive impacts on surrounding Councils.</b></p>	<p>As per DPE's draft terms of reference and the final agreed scope of work, we were instructed to assess the impacts on the Byron Shire Economy, not the entire State of NSW.</p>
<p><b>The economic impacts ignore the positive economic impacts from the increase in long term tenants associated with some options.</b></p>	<p>No assessment will ever exhaustively account for all impacts. Our EIA has sought to identify and account for the majority of major impacts and is transparent about which impacts have been considered.</p>
<p><b>The study, perhaps because of errors in estimating the size of the rental market, has underestimated the extent of the market failure. In my opinion, the experience of Byron Bay is so different than Sydney, a more significant planning response to the issue of STRAs is required in Byron - the Sydney STRA cap will not be effective.</b></p>	<p>As noted in the EIA report, there is potential for the actual absolute impacts of the different policy options to differ from the impacts we have identified and quantified.</p> <p>Therefore, in order to ensure a rigorous and objective assessment, we have primarily focused on relative differences in impacts between the different policy options rather than absolute impacts.</p> <p>Given all stakeholders were assumed to have equal weighting, the scale of the current market failure does not impact the relative assessment of options.</p>