



Planning
Industry &
Environment

DRAFT NSW **Short Term Rental** **Accommodation –** **Economic Impact** **Assessment**

Technical **Notes**

October 2020



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Background

The NSW Government is implementing a new regulatory framework for short-term rental accommodation (STRA).

This includes a state-wide planning framework, a mandatory Code of Conduct and changes to strata legislation.

This broad-scale approach also includes a statutory definition under the draft **State Environmental Planning Policy (Short-term Rental Accommodation) 2019**.

As part of the changes to the regulatory framework, the Code of Conduct was exhibited in 2019. The proposed new policy framework will restrict non-hosted STRA to:

- 180 days in Greater Sydney; and
- 365 days in regional areas; except where a council varies this to no lower than 180 days.

Some local governments in NSW have sought assistance to potentially reduce the number of days STRA can be carried out to below the proposed cap outlined above.

This has predominantly been driven by LGAs where the growth of non-hosted STRA has led to considerable changes to the local housing market, economy and community. This acknowledgement has been reflected in the 'Ministerial Direction for Byron Shire' where non-hosted STRA has one of the largest penetrations into the housing market and impacts on the economy.

Short term rental accommodation

Short term rental accommodation (STRA) refers to visitor accommodation which is generally short term, fixed and not intended to be an occupants 'home'. It contrasts from the regular rental housing market in that it is less regulated and often organised through third party platforms.

This description of STRA is reflected in the statutory definition covered under **'Clause 54A of the Fair Trading Amendment (Short-term Rental Accommodation) Act 2018 No 41 [NSW] Schedule 1 Amendment of Fair Trading Act 1987 No 68'**

"short-term rental accommodation arrangement means a commercial arrangement for giving a person the right to occupy residential premises for a period of not more than 3 months at any one time, and includes any arrangement prescribed by the regulations to be a short-term rental accommodation arrangement, but does not include any arrangement prescribed by the regulations not to be a short-term rental accommodation arrangement".

The dominance of a small number of third party STRA platforms, especially AirBnB means that in common parlance and even academic literature it is often simply referred to as 'AirBnB accommodation'. This is despite the fact that both STRA has multiple operators and AirBnB offers a broader range of services than just STRA.

Why an economic impact assessment framework is necessary

The rapid growth of the sharing economy for accommodation, including STRA, has resulted in significant changes to the local economy and housing market of certain communities in NSW. These changes have led to both positive and negative impacts which are endured to varying degrees by different communities and members of those communities.

The merits of reducing the cap in an LGA needs to carefully assess the economic impact of such a change. This includes the impact on issues such as tourism investment, business growth, employment, consumption expenditure, housing affordability, community safety and satisfaction as well as longer term socio-economic changes. The Economic Impact Assessment Framework provides a process to undertake this consideration in a structured and consistent approach.

Using these notes

Please note the STRA EIA Summary Framework Paper should be read prior and in conjunction with these technical notes. The STRA EIA Summary Framework Paper provides background, context and justification for the structure.

IMPORTANT: Please read the STRA EIA Summary Framework Paper prior to commencing any EIA Drafting and referencing these technical notes.

These technical notes go through eight

steps of the EIA Framework and outline what the critical and/or highly recommended components of each step are.

These technical notes should be considered a high level template to guide the EIA process.

Desired outcome

The desired outcome is a rigorous and clear EIA which clearly articulates economic benefits, disbenefits and a cumulative assessment of both which the NSW Department of Planning, Industry and Environment can use to consider the reduction of the cap.

Structure

The structure of the EIA Framework is outlined below. There is detail in these technical notes on what is expected for each step.

- 1. Project scoping**
- 2. Case for change**
- 3. Measurable Impacts**
- 4. Non-measurable impacts**
- 5. Distribution of impacts**
- 6. Risk and sensitivity analysis**
- 7. Cumulative assessment of impacts**
- 8. Monitoring and mitigation**

Part 1

Project scoping



01

Part 1

Project scoping

The first part of the EIA framework is the project scoping.

Purpose: The project scoping is an opportunity to outline what the Council are seeking in terms of a reduction in the 'exempt development' Cap and to provide

some background to STRA in their LGA. It is also an opportunity for Council to provide some basic context to the local economy, tourism industry and housing market and how this relates to a proposed reduction of the cap.

Table 1: Minimum expected detail in Phase 1: Project scoping

Section	Project scoping detail
Background	Brief summary of Council's aspiration to reduce the cap Introduction to why Council is submitting this EIA and are exploring the option of reducing the 'exempt development' cap
Detail	What is the proposed cap for STRA (180/365 days) What number of days are Council wanting to reduce the cap to? Is Council seeking the 90 day maximum cap or another cap? If so why the specific cap? Are there other conditions Council are seeking? Are Council intending to make changes to their LEP regarding zoning or SP3 zones?
Economic Context	High level demographic profile Outline the key population metrics around population, age, income, family and household composition. Local industry profile and trend analysis Outline the key metrics around local industry mix (by ANZSIC or other), employment by industry and occupation, employment status and major industries in the region. How has/is employment changing? Local tourism profile and trend analysis Describe tourism in the LGA including key metrics on visitor nights, industry value and value-add, employment as well as trends to employment numbers and composition. Local housing market analysis and tourism accommodation profile Describe the local housing market including dwelling approvals and completions, dwelling structure mix, occupied and unoccupied dwellings, housing tenure and if there are tourism accommodation zones.

Output: A clear assessment of need to reduce the cap including market failure,

documented economic impacts and observed socio-economic concerns.

Part 2

Case for change



02

Part 2

Case for change

The second step is the case for change outlining justification to reduce the cap.

Purpose: The purpose of the case for change is to provide Council an opportunity to justify why the proposed

day limit cap should be reduced below the proposed threshold (180 or 365 days). This includes detailing economic and socio-economic impacts of the current cap and where there is any acknowledged or perceived market failure.

Table 2: Minimum expected detail in Phase 2: Case for change

Section	Case for change detail
Summary of issue	In summary why are Council wanting to reduce the cap Describe the key issues impacting the community and the economy at present and why Council think a reduction in the cap would benefit the community
Market failure	Is there identified market failure at present Is the current cap causing a market failure in sectors of the local economies such as rental housing or key worker attraction?
Economic impact	What are the economic impacts of the proposed cap Describe the economic impacts in measurable (of possible) and non-measurable terms to the LGA of the existing cap Have STRA economic impacts increased / expected to in the future Are the economic impacts of the cap increasing in frequency and magnitude or are they expected to in the future? Describe how.
Documented Change	Is there documented literature on the impacts of the proposed cap Has there been any research or analysis completed for the LGA, either by Council, another body or as part of a larger study? Describe the key findings.
Social impacts	What are the existing social (and indirectly economic) impacts Are existing economic impacts of the cap leading to defined and measurable social impacts?
Optimum cap	Describe the reasons for the preferred cap Outline the optimum cap and why the preferred cap is right for the LGA

Output: A clear assessment of need to reduce the cap including market failure,

documented economic impacts and observed socio-economic concerns.

Part 3

Measurable impacts

Abstract blue geometric shapes, including triangles and polygons, arranged in a cluster in the bottom right corner of the page.

03

Part 3

Measurable impacts

The third step is identifying the measurable economic impacts of reducing the cap to 90 days or the outlined preferred minimum. This process borrows from conventional cost benefit analysis, however takes a broader approach to benefit categorisation. It also uses considerations of local effect analysis to acknowledge local-specific issues.

Purpose: The purpose of step 3 is to measure in monetary or volume terms, the economic benefits (and disbenefits) of reducing the cap. It is also a requirement to consider the impacts both locally and to the State, acknowledging that a benefit to the State could be a disbenefit locally and vice versa.

Table 3: Minimum expected detail in Phase 3: Measurable impacts

Section	Measurable impacts
General Requirement	Benefit categorisation and consideration
Direct impacts	Impact on tourism contribution to GRP and GSP What is the current estimated contribution to GRP and GSP of STRA. Estimate how the cap reduction could impact contribution to GRP and GSP? This can include direct revenue (bookings), consumption expenditure revenue to local goods and services, change in investment for tourism infrastructure, revenue from intra-state, interstate and overseas and supply chain impacts on production.
	Impact on employment change Considering the above what is the expected impact of the change to employment?
	Impact on government surplus including taxation revenue Considering the above what is the expected impact of the change to State Government and Council revenue including taxation, contributions and rates?
	Impact on property investment and construction activity Considering the impact of tourism on housing and construction activity in the LGA, what is the possible impact of reducing the cap to investment and construction activity. What are the indirect impacts as result of this?
	Impact on property value accretion
	Other on local consumption and trading
	Impact on rental market availability and affordability What is the expected impact on housing affordability and general rental market availability?
	Impact on housing stress Would the cap reduction possibly impact mortgage and rental stress?

Part 3

Measurable impacts cont...

Table 3: Minimum expected detail in Phase 3: Measurable impacts cont...

Section	Measurable impacts
Indirect impacts	Broader consumption and production chain impacts
	Loss of foreign investment Does this present a tourism risk or impact on overall appeal to international visitation?
	Infrastructure spending grants change Does this compromise the ability of broader infrastructure investment and justification?

Output: A total value attribution to the benefits and disbenefits of the cap reduction.

Part 4

Non-measurable impacts



04

Part 4

Non-measurable impacts

The impact of reducing non-hosted STRA nights is likely to have significant economic impacts which cannot be accurately measured. Step 4 considers these impacts.

Purpose: While not producing a monetised benefit or saving, these

impacts are often critical to whether a proposal (in this case a cap reduction) would generate a net social benefit and could have economic impacts to both the local community and State.

Table 4: Minimum expected detail in Phase 4: Non-measurable impacts

Section	Non-measurable impacts
General requirement	Benefit categorisation and consideration
Direct & Indirect	Impact on housing accessibility and affordability Is the cap reduction likely to improve housing affordability and accessibility?
	Impact on enjoyment and quality of life
	Impact on employment and skills change What is the possible impact of employment and skills attraction of reducing the cap
	Impact on key worker retention / attraction Is it expected the cap mean help attract, lose or retain key workers? Are there specific factors that could influence this.
	Impact on community and permanency
	Impact on meeting government priorities (Premier & State) Does the reduction of the cap impact meeting Premier's and State priorities?
	Precedent impact? To what extent could this cap reduction impact precedent of changes to other tourism uses?
	Increase in demand / reduction for local services

Output: Detailed assessment of non-quantifiable economic impacts.

Part 5

Distribution of impacts



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Part 5

Distribution of impacts

After consideration of the impacts, step 5 considers how the impacts are distributed among the community.

Purpose: The distribution of economic impacts is critical to assess how the

impacts will be endured by different groups in the community. Considering the impacts identified in steps 3 and 4, consider the impacts on different parts of the community.

Table 4: Minimum expected detail in Phase 4: Non-measurable impacts

Section	Distribution of impacts
General Requirement	Identify the cumulative impacts on individual groups
Critical groups for consideration	Tourism industry including hospitality Is the reduction going to impact parts of the industry differently? An example could be considering the impact of tourism value and employment loss from a reduction but more affordable housing for key workers?
	Local property industry
	Local renters
	Homeowners
	Key workers
	Local business owners

Output: A consideration of impacts on critical groups in the community and how

this is likely to impact the overall economic impact assessment.

Part 6

Risk and sensitivity analysis



06

Part 6

Risk and sensitivity analysis

The risk and sensitivity analysis considers potential risks of both reducing the day limit cap and maintaining the base case. The risk assessment should be completed in two parts:

- An overview of key risks relevant to the LGA which the cap reduction/

continuation could lead to more severe economic impacts if they were to occur. This includes sensitivity analysis of certain factors.

- A consideration of risk potential endured by areas external to the LGA, including the State.

Table 6: Minimum expected detail in Phase 6: Risk & sensitivity analysis

Section	Distribution of impacts
General Requirement	Allocation of risk and sensitivity factors
Risk groupings	Economic risks
	Social risks
	Environmental risks
	Externalities
	Repetitional risks
	Other risks

Output: a risk management matrix which considers risk event, against likelihood and

severity. This is to be used against the risk matrix table below.

Table 6.2: Risk Matrix Table for risks to be applied against

Impact (Top) Likelihood (Below)	Negligible	Marginal	Critical	Catastrophic
Certain	3	4	4	4
Likely	3	3	4	4
Possible	2	2	3	4
Unlikely	1	1	2	3
Rare	1	1	2	3

Part 7

Cumulative assessment

A large, stylized gear graphic in a lighter shade of blue, positioned in the bottom right corner of the page. The gear has several teeth and a central hub.

07

Part 7

Cumulative assessment

The analysis undertaken in steps one through six should inform a cumulative economic impact assessment. The purpose of the cumulative assessment should be to consider the total net economic benefit (or disbenefit) of the non-hosted STRA Cap reduction and how it compares to the base case (existing cap). The cumulative assessment should consider quantifiable and non-quantifiable impacts with an assessment of local and State impacts and where these differ from one to the other.

The structure for the cumulative assessment is open to allow for a relevant level of detail. However this section should clearly articulate a clear assessment of the **net economic impact** of reducing the day limit cap reduction. The assessment should not leave questions open and should ensure that any significant reliance on non-measurable impacts is well grounded.

Table 7: Minimum expected detail in Phase 7: Cumulative assessment

Section	Distribution of impacts
General Requirement	Considered assessment of economic impacts
Expected outcomes	Consideration of measurable impacts
	Consideration of non-measurable impacts
	Summary assessment of economic impact
	Detailed consideration of State and Local position
	Risk and future change considerations

Output: A considered assessment of quantifiable and non-quantifiable impacts and the net economic and socio-economic

impact to the community and State of the reduction.

Part 8

Mitigation and monitoring

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Part 8

Mitigation and monitoring

The impacts associated with either reducing or retaining the day limit cap should consider which groups are impacted based on Step 5 'distribution of impacts'. A mitigation strategy to reduce the impact on groups impacted should be developed at a high-level.

The disruption to the housing market is in a continual state of evolution and the growth of non-hosted STRA has likely potential to change. As such, the impacts of a reduction in the cap are variable and likely to be different at a point in time to the present.

