



8 March 2023

Sheridan Coakes
Commissioner (Panel Chair)
Independent Planning Commission
ipcn@ipcn.nsw.gov.au

Dear Sheridan,

PIA Submission to Byron Shire STRA Planning Proposal

Thank you for the opportunity to lodge a submission on the Byron Shire Short Term Rental Accommodation (STRA) Planning Proposal. The Planning Institute of Australia (PIA) are a membership body which representing the planning profession in NSW and throughout Australia.

- **PIA is not able to comment on the specific number of days STRA should be limited by planning regulation in Byron Shire.**
- **PIA appreciates the rental market pressures in Byron Shire and supports regulation of STRA to prioritise access to housing for long-term residents and the local labour force.**
- **PIA supports state-wide baseline standards for STRA but also acknowledges the role of local policy to account for severe impacts on certain rental markets. We do not offer a view on the actual number of days.**
- **PIA supports implementation efforts for endorsed strategic objectives to improve access to housing.**

Byron Shire is dealing with acute rental market pressures which are impacting on the social and economic health of the LGA. This is partly due to hastened internal migration to accessible, high amenity regional areas during the COVID 19 pandemic. Another cause in Byron Shire is the displacement of residents following major flooding in the region last year. Both factors have the potential to introduce new competition from moderate income earners into the local rental market.

On the supply side, there is evidence that adoption of STRA causes dwellings to be withheld from the long-term rental market.¹ This can allow property owners to benefit from a higher marginal

¹ AHURI 2018, <https://www.ahuri.edu.au/research/news/tourists-turf-out-tenants-airbnb-hotspots>

yield and more flexible property tenure. This option is especially attractive in popular holiday destinations like Byron Bay.² STRA can facilitate export income from tourism and allow for efficient utilisation of spare dwellings, but also reduces the number of available long-term rental properties.

The outcome of this pressure on the local rental market may be indicated by data in the Rental Affordability Index (RAI)³ 2022. This classifies Byron Bay as 'severely unaffordable' for the average Australian rental household, meaning the average rent consumes 38-60% of household income. The RAI also shows this effect is particularly severe in Byron Shire, with a worse affordability score for the average Australian rental household than the Eastern Suburbs of Sydney.

Worsening rental affordability has considerable implications for the economic and social performance of acutely impacted LGAs like Byron Shire. Marginalisation of lower income earners in the rental market is a key constraint on local labour markets and productivity growth. Insecure rental housing also affects resident's ability to maintain community networks, which are especially important in regional areas.

PIA appreciates the significance of these impacts and supports regulation of STRA to prioritise access to housing for long-term residents and the local labour force. PIA has commented on this previously in relation to housing availability and affordability in Waverley LGA as well as more generally in our Position Statement and Discussion Paper on the Role of Planning in Housing (see Appendix A for relevant extracts).

State-wide STRA standards are an appropriate part of this regulatory mix, particularly to establish common terms of reference and baseline controls. Notwithstanding this, the impacts of STRA are uneven and depend on the size of a rental market and its proportion of STRA. Some local specificity is therefore appropriate. This is in accordance with the principle of subsidiarity: that powers and responsibilities should be left with the lowest level of government practicable.

Furthermore, both the North Coast Regional Plan 2041 and Byron Shire Local Strategic Planning Statement (LSPS) include endorsed strategic objectives to improve housing affordability. PIA supports the issue of authority to councils to administer these strategic objectives. The absence of effective implementation to achieve these objectives compromises the NSW planning system and strategy-led planning paradigm.

PIA does not have the information to argue for a specific limit to STRA days in Byron Shire, but we understand that improving the availability of long-term rental stock is an important policy goal consistent with the regional and local plans for the area.

PIA does not have a view on the number of additional properties that might be available under different STRA regulatory limits - but acknowledge that regulation can improve access to housing by longer term tenants. We also do not have a view on the specific implications for rental costs and broader housing affordability metrics in the specific case of Byron.

² AHURI 2022, <https://www.ahuri.edu.au/research/brief/why-does-australia-have-rental-crisis-and-what-can-be-done-about-it>

³ SGS Economics and Planning 2022, <https://www.sgsep.com.au/projects/rental-affordability-index>

PIA would be pleased to continue to be engaged in the development of STRA policy. If you have any queries about our submission, please don't hesitate to contact me on [REDACTED] or by email at [REDACTED].

Yours sincerely

[REDACTED]

John Brockhoff
National Policy Director, PIA

APPENDIX A – EXTRACTS OF PIA POSITION STATEMENT & DISCUSSION PAPER [\(link\)](#)

Extract from Discussion Paper on Rental Markets

The decline in affordability of home ownership and the related increase in households needing to rent also impacts the availability of rental property. This effect is exposing low-to-medium-income renters who are obliged to compete with people on higher incomes for affordable rental properties in the private rental market⁷. This impact appears to be substantial in areas with greater employment opportunities and higher amenity. The Rental Affordability Index reveals rental properties within the reach of lower income earners are typically found in more marginal locations.

While the price of rent should represent the true cost of shelter – in the aggregate even rents may be affected by spillover from the home ownership. The average proportion of income dedicated to rental (around 20-35%) has stayed relatively steady in recent decades, and former buyers may be substituting into rental property with little price effect (C Murray Pers Comm 2021). However, there is evidence indicating:

- On the demand side; a larger pool of renters with moderate incomes are strong competitors – especially in job rich areas; and
- On the supply side; there are some disincentives to bringing forward rental stock suitable for long term renters including the extraordinary capital growth of property relative to potential rental income¹⁰ and opportunities for short term rental.

Changes to the way housing is used during Covid appear to be exaggerating the pattern described above. There is a shift towards working from home and a preference for high amenity (especially coastal / regional) locations among employed moderate income earners. At the same time, the availability of rental supply is affected by landlords choosing to use their space themselves – or just offering their properties in the short-term holiday rental market. The implications of reduced rental availability also appear to be falling most heavily on low income renters in high amenity locations (SGS 2021). The capacity of households to access suitable and affordable housing affects the performance of cities and towns. It also has broader implications for the cost of living, productivity and availability of labour (eg ‘key workers’) – as well as equity of access to services and opportunities

A much larger pool of moderate income earners now rent for life - or persist in the rental market much longer. More of these ‘former home buyers’ compete for rental property in locations with good access to their work, services or lifestyle opportunities. Further work is needed to establish how lower income renters are being displaced – and whether the availability of rental property that is affordable to lower income households is becoming scarce in these settings.

There is increasing evidence that short term holiday letting (STHL) opportunities (eg Airbnb) are allowing landlords more flexible lease options (especially during Covid) – but are removing long lease rental stock from the market – especially in coastal / regional settings.

Extract from Discussion Paper on improving access to rental housing

Access to rental housing is becoming extremely constrained – affecting welfare and productivity outcomes. Planning has some roles in enabling access in different regional and urban settings.

PIA will communicate that factors worsening access to housing and affordability in the rental market for lower income earners require tailored measures to boost affordable housing supply where it is most needed. PIA understands that the private market is not providing affordable stock in important regional as well as jobs rich city locations.

PIA will advocate for the supply of long-term tenancies be available in regional and other locations to maintain access to work and community networks. This would include incentives and regulation of the short-term holiday letting market. Improving the security of tenure is important to improve the living conditions for an increasing proportion of households who rent. Rental security and the prevalence of long term rental contracts are among the mix of policies that would attract greater institution involvement and potentially greater housing choice in a broader rental market.