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# COST BENEFIT ANALYSIS

## PROPOSED LOCAL LAW AMENDMENT: SHORT STAY LETTING & HOME HOSTED ACCOMMODATION

NOOSA SHIRE COUNCIL  
SEPTEMBER 2021

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## EXECUTIVE SUMMARY

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Noosa Shire Council (Council) is proposing a local law to manage the operation of short stay letting and home hosted accommodation across Noosa Shire to better manage the adverse effects on predominantly permanently occupied residential communities from the increased utilisation of residential properties for short stay accommodation.

A cost benefit analysis has been undertaken to demonstrate the benefits and costs – and the overall net benefit or cost – to the community from the proposed local law using available information and market assumptions where information is not publicly available.

It is presently estimated that there are nearly 5,000 properties operating short stay letting or home hosted accommodation. Some of these properties are located in designated short stay accommodation precincts and locations and as such will not be subject to the local law.

The costs of the proposed local law (in real terms) are estimated as:

- Council administration costs of \$0.68 million in 2022, \$0.70 million in 2023, \$0.46 million in 2024 and \$0.31 million thereafter, passed through to short stay accommodation property owners via initial application fees and ongoing general rates.
- Additional property management and complaints administration costs for short stay let premises (not home hosted accommodation) of \$6.12 million per annum, with \$0.25 million incurred within Noosa Shire, \$0.63 million incurred elsewhere in Queensland and \$5.24 million incurred interstate or overseas.

There is a significant impact on traditional residential neighbourhoods from the increased level and type of activity associated with short stay accommodation, much of which is focussed on noise disturbances, amenity, safety and security. Placing effective local controls on activity and behaviour will reduce the extent and type of adverse effects on permanent residents in locations where short stay letting and home hosted accommodation are provided.

Much of these impacts relate to resident health and residential amenity, with amenity referring to the ability for residents to enjoy their homes in a peaceful manner with feelings of community and safety. Residential homes should allow their occupants the ability to wind down, relax and sleep with minimal disturbances. Such residential amenity maximises resident health and wellbeing.

Potential beneficiaries within Noosa Shire from the proposed local law include 10,610 residential properties consisting of an estimated 26,525 persons, and as such represent a significant portion of the local community. The benefits of the proposed local law on resident health and residential amenity are estimated as \$9.56 million per annum.

It is not anticipated that the supply of, nor the demand for, short stay accommodation in Noosa Shire will be impacted by the proposed local law based on assessed financial impacts on property owners and the potential impact of passing through increased costs to visitors.

A quantitative assessment has been undertaken, with costs and benefits discounted to present value terms to estimate the net present value and benefit cost ratio of the proposed local law over a 30-year period. Sensitivity analysis has been conducted at real discount rates at 0%, 4%, 7% and 10%.

When considering all impacts irrespective of location, the value of identified benefits exceeds the value of identified costs.

**Table E.1. Quantitative Assessment – All Impacts Irrespective of Location**

All Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 13.0	\$ 7.9	\$ 5.9	\$ 4.6
Property Management	\$ 183.6	\$ 110.1	\$ 81.3	\$ 63.5
<b>Total Costs</b>	<b>\$ 196.6</b>	<b>\$ 117.9</b>	<b>\$ 87.1</b>	<b>\$ 68.1</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 90.2</b>	<b>\$ 54.1</b>	<b>\$ 39.8</b>	<b>\$ 31.1</b>
<i>Benefit Cost Ratio</i>	1.46	1.46	1.46	1.46

Source: AEC.

When considering impacts only within Queensland, the value of identified benefits exceeds the value of identified costs by an even greater extent.

**Table E.2. Quantitative Assessment – All Impacts in Queensland**

Queensland Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 6.4	\$ 3.8	\$ 2.9	\$ 2.3
Property Management	\$ 26.5	\$ 15.9	\$ 11.7	\$ 9.1
<b>Total Costs</b>	<b>\$ 32.8</b>	<b>\$ 19.7</b>	<b>\$ 14.6</b>	<b>\$ 11.4</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 254.0</b>	<b>\$ 152.3</b>	<b>\$ 112.4</b>	<b>\$ 87.7</b>
<i>Benefit Cost Ratio</i>	8.73	8.72	8.71	8.68

Source: AEC.

When considering impacts only within Noosa Shire, the value of identified benefits exceeds the value of identified costs by an enormous margin.

**Table E.3. Quantitative Assessment – All Impacts in Noosa Shire**

Noosa Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 1.8	\$ 1.1	\$ 0.8	\$ 0.7
Property Management	\$ 7.6	\$ 4.5	\$ 3.3	\$ 2.6
<b>Total Costs</b>	<b>\$ 9.4</b>	<b>\$ 5.6</b>	<b>\$ 4.2</b>	<b>\$ 3.3</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 277.5</b>	<b>\$ 166.3</b>	<b>\$ 122.8</b>	<b>\$ 95.9</b>
<i>Benefit Cost Ratio</i>	30.57	30.54	30.47	30.38

Source: AEC.

Based on the assumptions underpinning the cost benefit analysis, the quantitative assessment highlights that the benefits associated with the proposed local law significantly outweigh the costs associated with the proposed local law. Short stay accommodation operators – 86% of which are located outside of Noosa Shire and 51% of which are located outside of Queensland – are currently receiving commercial benefits at a significant cost to local resident health and residential amenity.

In addition to the quantitative outcomes, it is also envisaged that the proposed local law would result in the following qualitative benefits:

- An enhanced feeling of safety and security for residents in their homes.
- The creation of additional local employment through the requirement to have a local contact person on call for all short stay accommodation premises.

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## 1. BACKGROUND

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Noosa Shire Council (Council) has recently publicly notified a proposed local law to manage the operation of short stay letting and home hosted accommodation across Noosa Shire to better manage the adverse effects on predominantly permanently occupied residential communities from the increased utilisation of residential properties for short stay accommodation.

All short stay let properties will require an approval under the proposed local law (exemptions exists for certain precincts and sites), with conditions placed on the approval including appropriate use and site requirements, a code of conduct for guest behaviour and the need for a local contact person who manages the property and deals with complaints. The proposed local law does not aim to address potential issues with housing rental supply or affordability potentially arising as a result of the use of traditional residential premises for short stay accommodation.

As part of the public consultation process, a list of likely anti-competitive provisions were identified in each of the amending local law and the amending subordinate local law in the Public Interest Test Plan, which was prepared in accordance with the requirements of the National Competition Policy guidelines.

The possible anti-competitive provisions identified in the Public Interest Test Plan include:

- *Administration (Amendment) Local Law (No. 1) 2021, Section 5 (Amendment of Schedule 2 (Prescribed Activities)).*
- *Administration (Amendment) Subordinate Local Law (No. 1) 2021, Section 5 (Insertion of a new Schedule 21A – Operation of short stay letting and home hosted accommodation).*

Under Clause 5(1) of the Competition Principles Agreement (CPA), legislation should not restrict competition unless it can be demonstrated that the benefits to the community as a whole outweigh the costs, and the objectives of the legislation can only be achieved by restricting competition.

To support Council's Public Interest Test Plan, AEC Group Pty Ltd (AEC) has been commissioned to assess the socio-economic costs and benefits of the amending local law and the amending subordinate local law. The assessment is required to demonstrate the benefits and costs – and the overall net benefit or cost – to the community from the proposed amendments.

## 2. PROPOSED LOCAL LAW AMENDMENT

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### 2.1 IDENTIFYING THE ISSUE

Council indicates that the number of residential premises being purchased and used for short stay letting and home hosted accommodation within traditionally permanent residential areas has increased due to the rise of online booking platforms. It is presently estimated that there are nearly 5,000 properties operating short stay letting or home hosted accommodation. Figure 2.1 on the following page highlights the number and location of currently identified short stay accommodation premises across the Shire.

Although short-term letting and home hosted accommodation offers the opportunity for owners of premises to earn extra income by renting out all or part of their homes, it also has the potential to lead to adverse effects on quality of life for permanent residents given the conflicting use of traditional residential premises as short-term holiday and event celebration accommodation versus permanent occupancy for working or retired households.

Further, many premises are managed from a distance with no local presence, management structure or regulation to ensure appropriate use and behaviour. There is also no consistent code of conduct for guest behaviour nor for resolving resident complaints in a timely manner<sup>1</sup> across the different booking platforms for short stay letting and home hosted accommodation. Further, while the Queensland Police Service may attend to address an issue on a particular night, the revolving doors of occupancy mean that there is no lasting effect of such a response.

Key issues identified as requiring addressing in the operation of short-term accommodation include:

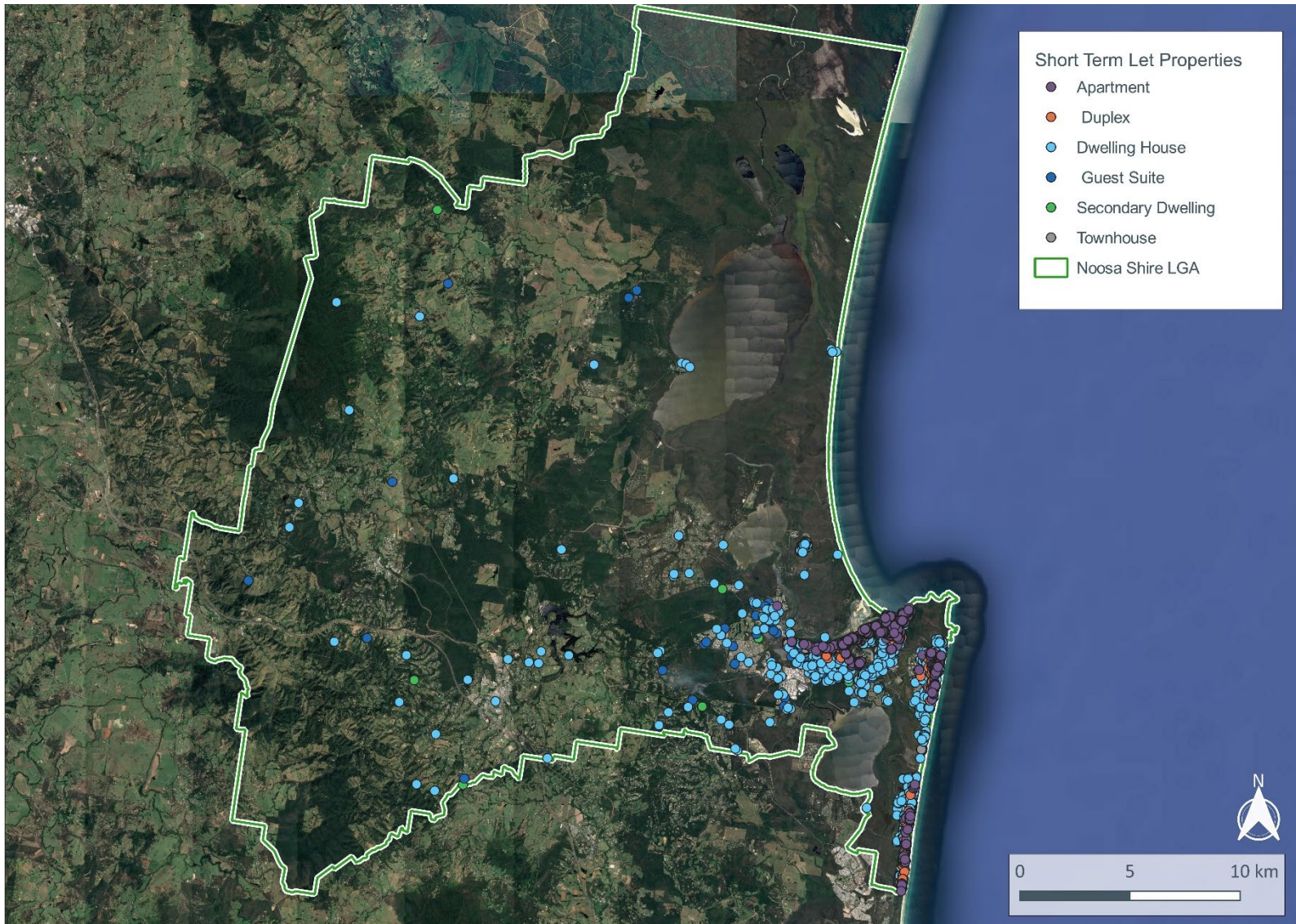
- Lack of regulation and enforcement.
- Lack of local complaints management and resolution.
- Number of guests and overcrowding.
- Frequency and turnover of guests.
- Noise disturbances.
- Times and type of use of outdoor space.
- Waste disposal and waste management.
- Number of vehicles and parking.
- Safety and security.
- Pet nuisance management.
- Conflict between permanent residents and visitors.

A regulatory approach to short stay letting and home hosted accommodation seeks to ensure the ongoing benefits of short-term letting and home hosted accommodation for users and owners of premises, while minimising the adverse effects to permanent residents and residential amenity through the lawful and safe provision of short stay letting and home hosted accommodation and the creation of a formal avenue for timely, effective complaints management and resolution for adversely impacted residents.

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<sup>1</sup> For example, while Airbnb has launched an Australian support line that provides a call back service for affected neighbours within 10 minutes, this is not an industry standard and also does not necessarily mean that issues raised will be appropriately resolved.

Figure 2.1. Map of Short Stay Accommodation by Type



Source: Council.



## 2.2 CURRENT ENVIRONMENT

The following characteristics define the current operating environment for short stay letting and home hosted accommodation:

- No requirement for Council approval for, and no conditions are applied to, the provision of short stay letting and home hosted accommodation premises.
- Short stay letting may be managed without the need for any local contact person.
- The enforcement of appropriate guest behaviour at short stay letting and home hosted accommodation premises is reliant on the individual policies of accommodation companies, property managers, individuals self-managing their premises and the Queensland Police Service responding to noise and safety complaints.
- There is an ongoing risk that short stay letting and home hosted accommodation is operated in a manner which does not have proper regard for appropriate health, safety and amenity standards in residential neighbourhoods, as desired by Council and the community.

## 2.3 PROPOSED LOCAL LAW AMENDMENT ENVIRONMENT

Council's proposed local law aims to regulate and manage the ongoing use of short stay letting and home hosted accommodation to reduce the adverse effects of such activity on permanent residents and residential amenity.

The proposed local law will introduce the following requirements:

- Mandatory approval process (including initial application and annual renewal) for all premises providing short stay letting and home hosted accommodation across Noosa Shire, subject to exemptions for certain precincts and sites where such activity would normally be expected<sup>2</sup>.
- Imposition of conditions on approved premises to reduce the adverse effects of short stay accommodation on residential amenity in the vicinity of the premises and to ensure safety for residents and users, including (but not limited to) the following requirements:
  - Prominent display at the exterior of the premises of contact person details for queries and complaints.
  - Prominent display at the interior of the premises and on booking websites of the code of conduct for guest behaviour.
  - Must not constitute a nuisance, including unacceptable behaviour such as loud aggressive behaviour, yelling, screaming or arguing, excessively loud cheering, clapping or singing, and nuisance pets.
  - Registers of use and complaints.
  - Premises kept in safe and tidy condition, including clean, tidy, sanitary and hygienic waste containers.
  - No sleeping or camping on the premises in tents, caravans, campervans or similar.
  - Adequate onsite vehicular space and parking on premises so as to not cause a disturbance to adjoining residents.
  - Formal compliance with necessary safety protocols (e.g., pool safety, electrical safety).
  - Sufficient public liability insurance ( $\geq$  \$10 million).
- Provision of a local contact person that:
  - Is available 24 hours a day / 7 days a week.
  - Is located within 20 minutes travel of the premises by vehicle.
  - Is responsible for supervising and managing the premises, including addressing complaints about the use of the premises and visitor queries.

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<sup>2</sup> Council estimates that approximately 1,241 of the unit/townhouses and proposed to be exempt from the local law, including 807 properties in the Hastings Street mixed use precinct and 434 properties on visitor only approved sites.

- Responds to and resolves complaints within 30 minutes of receipt of notification of each complaint, including ensuring compliance with the requirements of the code of conduct for guest behaviour.
- Council has the power to:
  - Access premises for inspections.
  - Access information on use and complaints on request.
  - Issue compliance notices where non-compliance is found.
  - Have work carried out and seek to recover costs following non-compliance with a notice.
  - Stop an approval holder from providing such accommodation for non-compliance following issue of a notice or where premises are operating without approval.
  - Close premises summarily if there is a serious risk to health or safety.
- Council is responsible for managing the approvals process including initial applications and annual renewals, in addition to managing a 24 hours a day / 7 days a week complaints hotline which will provide residents a platform to report any issues and/or misbehaviours of guests, notify contact persons of complaints made and arrange for security to respond to complaints in the event that contact persons are unable to be reached.

## 3. ESTIMATED COSTS

### 3.1 COUNCIL COSTS

Council has identified the resources required to implement the local law, and manage the ongoing administration of, and compliance with, the local law.

The first three years of implementation is anticipated to generate the largest workload to support application processing for existing short stay accommodation premises. The resourcing effort required thereafter will include the processing of incremental premise applications associated with growth and change in land use, in addition to services engaged to manage and operate a complaints hotline accessible 24 hours a day / 7 days a week to receive calls, notify responsible contact persons and engage security services to attend properties where there is no response from responsible contact persons.

The estimated annual costs associated with implementing and administering the local law over the first five years are outlined below. These costs exclude cost indexation and as such are in real (i.e., current day) dollar terms.

**Table 3.1. Local Law Implementation and Administration Council Costs, First 5 Years (real terms)**

Cost Type	2022	2023	2024	2025	2026
Labour	\$374,653	\$400,694	\$244,452	\$166,331	\$166,331
Materials and Services / Other	\$305,708	\$294,854	\$215,666	\$147,519	\$147,519
<b>Total</b>	<b>\$680,362</b>	<b>\$695,547</b>	<b>\$460,118</b>	<b>\$313,850</b>	<b>\$313,850</b>

Source: Council.

#### IMPACT SUMMARY:

Council will incur and pass on initial and ongoing application processing costs for existing short stay letting and home hosted accommodation providers, plus it will also incur ongoing administration costs associated with the proposal local law, with the costs totalling \$0.68 million in 2022, \$0.70 million in 2023, \$0.46 million in 2024 and \$0.31 million thereafter.

### 3.2 ACCOMMODATION PROVIDER COSTS

#### 3.2.1 Application and Renewal Costs

Under the proposed local law, short stay letting and home hosted accommodation properties will require an initial approval unless identified as exempt. Approval is required if the premises is short stay let on a permanent basis, or a principal place of residence which is let for no more than four times and 60 days per calendar year.

Applications must include the following information:

- A site plan and floor plan of the premises.
- Confirmation that the premises can be lawfully used for short stay letting, either by a development approval or via existing use rights which comply with development approval conditions.
- Written confirmation that the premises is in good condition, will not be used as a party house and appropriate safety certification has been obtained.
- Contact person information who will be responsible for the premises and be available at all times, including addressing complaints and visitor queries.

Section 4 of Council's draft Implementation Plan outlines the following application fees:

- \$300 per dwelling house and \$100 per duplex or unit for Non-Principal Place of Residence premises (short stay letting of entire dwelling).

- \$75 per home hosted accommodation property and \$75 per short stay let property four times and no more than 60 days per year for Principal Place of Residence premises.

These fees will be fixed for the first three years of implementation, with indexation applied thereafter.

Approvals must be renewed annually while accommodation continues to be provided, although no fee will be levied by Council on renewals. Ongoing management and administration of the proposed local law outside of application fees will be funded via general rates.

The approval costs and higher general rates levied on short stay letting and home hosted accommodation are not included in the cost benefit assessment as they are already included in the identified additional costs incurred by Council which are then passed on to accommodation providers through the approval fees and higher general rates. Council indicates that 86% of short stay letting premises are owned by persons residing outside of Noosa Shire (35% rest of Queensland, 45% interstate and 6% international), meaning that only 14% of these costs will be passed on to Noosa Shire residents.

Consideration of the potential impact of the increased costs incurred by accommodation providers on the ability to continue to operate and attract visitation to the region is included in a subsequent section.

#### **IMPACT SUMMARY:**

No additional costs are incurred as these costs represent pass-through costs equal to the financial costs incurred by Council covered in Section 3.1, noting only 14% of the costs from Section 3.1 will be incurred by Noosa residents and only 49% of the costs from Section 3.1 will be incurred by Queensland residents.

### **3.2.2 Property Management Costs**

It is estimated that around 3,700 premises will require approval under the local law, with 100 of these being home hosted accommodation and 3,600 being short stay letting premises.

The proposed local law requires short stay letting properties to appoint a local contact person to the premises who must be available 24 hours a day / 7 days a week and be located within 20 minutes travel by vehicle, in addition to responding to complaints within 30 minutes. Letting agents, security firms or property owners themselves can be the nominated contact person to respond to complaints. Home hosted accommodation will not incur any additional property management costs as there is no requirement in the proposed local law for a contact person given that the guest resides at the premises and is able to deal with issues on the spot.

Research indicates that property management fees for short stay accommodation equate to around 15%-20% of rental revenue depending on the level of service included, with additional fees for linen, call outs, advertising, etc. Many properties are currently managed by local agents and many property management arrangements already include after-hours response mechanisms.

The additional costs to short stay letting property owners from adhering to the proposed local law are difficult to estimate, as they will be dependent on the current property management structure of each premises. The least cost impact will be on those premises managed locally with an after-hours service, while the greatest cost impact will be on those premises managed from a distance with a lock box system and no after-hours service.

In the absence of information on property management structures applicable to all short stay letting premises, the following assumptions are made:

- 50% of premises (1,800) have a 24/7 response currently included.
- 50% of premises (1,800) do not have a 24/7 response currently included.

It is assumed that the following additional property management costs will be incurred as a result of having a local contact person to deal with complaints in accordance with the required timeframes:

- \$2,000 per annum additional annual retainer cost for premises without a 24/7 response currently included.
- \$500 per annum additional annual retainer cost for premises with a 24/7 response currently included.

- \$75 cost per complaint requiring a contact person<sup>3</sup>.
- 6 complaints lodged on average per premises per annum<sup>4</sup>.

The effect of applying the above assumptions equates to additional costs incurred of \$2,450 per annum for premises without a 24/7 response currently included and \$950 per annum for premises with a 24/7 response currently included.

Across 3,600 short stay letting premises, the aggregate cost is estimated at \$6.12 million per annum. Council has indicated that 86% of short stay letting premises are owned by persons residing outside of Noosa Shire, meaning that \$5.26 million would be incurred by property owners outside of Noosa Shire and only \$0.86 million incurred by property owners within Noosa Shire.

Property owners will likely introduce a pass-through fee on users for complaints to be retained from bonds held. A \$250 complaint fee would yield \$1,200 per annum assuming the property owner would not be able to levy fees on 20% of occasions due to vexatious/unwarranted complaints<sup>5</sup>. While this does not reduce the overall economic cost of additional property management costs, it does transfer costs from within Noosa Shire to users from areas outside of Noosa Shire (and from within Queensland to users from outside of Queensland).

The end outcome is an aggregate cost of \$6.12 million per annum, with \$0.25 million incurred within Noosa Shire, \$0.63 million elsewhere in Queensland and \$5.24 million incurred interstate or overseas.

#### **IMPACT SUMMARY:**

Additional property management costs are incurred totalling \$6.12 million per annum, with \$0.25 million incurred within Noosa Shire, \$0.63 million incurred elsewhere in Queensland and \$5.24 million incurred interstate or overseas.

### **3.3 SUPPLY OF, AND DEMAND FOR, SHORT STAY ACCOMMODATION**

During the consultation process, some industry respondents indicated that short-term letting activity will be impacted as a result of the proposed local law given that the cost of providing short stay accommodation will increase and if costs are passed through to users the relative cost of Noosa accommodation will also increase.

A theoretical average Noosa short stay letting premises was established to determine the financial implications for property owners from the additional costs incurred as a result of the proposed local law.

A gross rental revenue estimate of \$81,650 per annum (with average occupancy of 62%) was produced on the basis of the following assumptions which were derived from research into available online rates for a 2-3 bedroom apartment:

- \$300 gross rate per night in low season (May to September), with occupancy of 50%.
- \$330 gross rate per night in mid-season (October to early December and February to March), with occupancy of 60%.
- \$400 gross rate per night in holiday season (mid-December to January and March to April), with occupancy of 80%.
- \$700 gross rate per night in peak season (Christmas / New Years<sup>3</sup>), with occupancy of 90%.

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<sup>3</sup> Council received cost estimates for security callouts ranging from \$70 on weekdays to \$75-\$80 on weekends.

<sup>4</sup> It is assumed that the code of conduct for guest behaviour, the enforcement of this behaviour through the formal complaints mechanism and the fee charged to those requiring complaints to be attended to will lead to a reduction in total annual disturbances.

<sup>5</sup> The code of conduct for guest behaviour should form part of the terms and conditions of rental and accountability for inappropriate behaviour could be enforced through levying a charge on users for complaint responses from the bond paid by users of the premises.

Costs exclusive of financing are estimated at 20% for property management<sup>6</sup> inclusive of listing fees and 17.5% for other property costs (e.g. cleaning, rates, utilities, maintenance), leaving a net rental revenue estimate of \$51,030 per annum.

The estimated annual cost of the proposed local law on property management costs, as outlined in the preceding section, is \$2,450 per premises without a current 24/7 management arrangement and \$950 per premises with a current 24/7 management arrangement. The average cost of Council-incurred administration costs is an additional \$90 per premises.

Assuming a \$250 fee is applied to users for any complaints made to recoup the fixed and variable costs incurred by affected property owners, and a recovery rate of 80% of these fees from users, these costs are reduced to \$1,340 per premises without a current 24/7 management arrangement and no net cost per premises with a current 24/7 management arrangement. The net cost for those without a current 24/7 management arrangement equates to 1.6% of estimated gross rental income and 2.6% of estimated net rental income.

Property owners may choose to either pass on these net costs to visitors through increased rental rates or absorb them within their cost base. In order to recoup the additional costs incurred, nightly rates would need to increase by an average of \$5.71 per night for premises without a current 24/7 management arrangement. Given Noosa's attractiveness as a premium tourist destination, it is not anticipated that its competitiveness for short stay accommodation will be impacted by such a small price increase. Similarly, the additional costs incurred would not deter property owners from putting properties up for short stay letting, particularly given that short stay letting has the potential to provide twice the net rental income as permanent rental arrangements (Fairbairn, M., 2017).

**IMPACT SUMMARY:**

It is not anticipated that the supply of, nor the demand for, short stay accommodation in Noosa Shire will be impacted by the proposed local law on the basis of assessed financial impacts on property owners.

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<sup>6</sup> This assumes that all short stay letting premises are managed under a property management agreement which is not the case – however, a conservative approach is adopted for the purposes of this assessment.

## 4. ESTIMATED BENEFITS

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### 4.1 ADVERSE EFFECTS THAT MAY BE ADDRESSED BY THE LOCAL LAW

The exact frequency and extent of disturbances on residential neighbourhoods within Noosa Shire from short stay accommodation is unavailable, given there is no current mechanism by which issues and complaints are centrally received and recorded.

Some residents have directly contacted Council to make complaints – with a total of 127 queries and complaints regarding short stay accommodation received by Council in the past 12 months – however, Council currently has very limited powers in dealing with such complaints. Other residents will have contacted the Queensland Police Service in instances where noise and disturbance levels were excessive and outside of the confines of allowable behaviour and potentially considered illegal and/or dangerous. Many residents would have refrained from making complaints on the basis that they are aware of Council's inability to deal with most issues and on the basis that using the Queensland Police Service is likely to be a last resort where issues were considered extremely disturbing or very serious. As such, they would generally sit silently 'in suffering' and not contact anyone.

As a consequence of the above, available information on actual disturbances is incomplete, under reported and therefore not representative of actual disturbances on residential amenity. During the local law consultation process, Council received 300 resident submissions, 2 resident petitions and 6 resident/community group submissions highlighting the anguish of residents in having to cope with the adverse amenity effects of short stay accommodation within residential neighbourhoods.

As part of the consultation process pertaining to the proposed local law, residents and community groups indicated that short-term letting activity impacts residential amenity and the overall liveability of neighbourhoods. Adverse impacts from short-term letting activity identified during the consultation process included:

- Health and wellbeing.
- Mental health.
- Sleep deprivation.
- Lesser lifestyle and enjoyment of home.
- Loss of sense of community and neighbours.
- Impact on work and school life.
- Reduced safety and security.
- Lack of complaint resolution.
- Noise from activities such as parties, use of outdoor areas and use of pools.
- Unacceptable guest behavior, including swearing and aggression.
- Overcrowding and levels of occupancy.
- Lack of vehicle parking, including the storage of boats and trailers.
- Traffic congestion.
- Inappropriate disposal and storage of rubbish.
- Pets left unattended and causing noise disturbances.
- Turnover of guests and noise disturbances during arrival and departure.
- More regular use of services and trades (e.g., cleaning services) creating additional activity.

The above issues are not unique to Noosa Shire, with numerous studies having identified similar outcomes in other jurisdictions and the issue of high levels of tourism activity filtering through to residential areas is a known issue of concern for communities worldwide. A few recent examples include:

- One of the findings of the Western Australian Government's inquiry into short-stay accommodation was that *"Short-term rentals can cause a range of amenity impacts in residential areas, such as parking, the creation*

*and collection of rubbish, the noise and anti-social behaviour of guests, and the behaviour of their pets.”*  
(Parliament of Western Australia, 2019, p.59)

- Economic Policy Institute (2019) outlines that the economic costs of short-term rental services likely outweigh the benefits and indicates that absentee owners have less incentive to make sure their renters are respectful of neighbours or to prevent an excessive number of people occupying their property, with impacts likely worse for short-term rentals. It noted that as a consequence of these impacts, there has been increasing prevalence of zoning laws banning short-term travel accommodation in residential neighbourhoods.
- Nieuwland, S. & Melik (2020) indicates that local residents worldwide have started to complain about negative impacts of short-term letting, with nuisances ranging from noise caused by visitors (e.g. loud parties and drunken behaviour) to issues with traffic, parking and waste management, and safety concerns when strangers enter their neighbourhoods and buildings.

**IMPACT SUMMARY:**

There is a significant impact on traditional residential neighbourhoods from the increased level and type of activity associated with short stay accommodation, much of which is focussed on noise disturbances, amenity, safety and security. Placing effective local controls on activity and behaviour will reduce the extent and type of adverse effects placed on permanent residents in locations where short stay letting and home hosted accommodation are provided.

## 4.2 POTENTIAL BENEFICIARIES

Council identified the number of potentially affected residential properties from noise and other disturbances located within 50 metres of short stay let premises as 10,610 unique properties, noting that some of these properties are impacted by multiple short stay let properties and may have higher levels of disturbance than properties impacted by a single short stay let premises.

The 2016 Census, as reported by the Australian Bureau of Statistics, highlights that there were 2.5 persons per household on average across Noosa Shire. As such, the total potentially impacted population of permanent residents in Noosa Shire from the adverse effects of short stay accommodation totals 26,525 persons.

**IMPACT SUMMARY:**

The potential beneficiaries within Noosa Shire from the proposed local law include 10,610 residential properties consisting of an estimated 26,525 persons.

## 4.3 RESIDENT HEALTH AND RESIDENTIAL AMENITY

### 4.3.1 Definition

For the purposes of this assessment, residential amenity refers to the ability for residents to enjoy their homes in a peaceful manner with feelings of community and safety. Residential homes should allow their occupants the ability to wind down, relax and sleep with minimal disturbances. Such residential amenity maximises resident health and wellbeing.

### 4.3.2 The Issue

Guests of short stay letting properties may be less concerned with maintaining good neighbourly relations, resulting in negative impacts on residential amenity such as increased noise levels, traffic and waste.

Excess noise is unpleasant as it disturbs and interferes with day-to-day activities and routines and as such can significantly impact the quality of life and health and wellbeing of affected individuals. Section 4.1 highlights the significant adverse effects likely to result from the type of activity occurring at short stay accommodation premises within residential neighbourhoods.



The requirement for short stay letting premises to adopt a code of conduct for guest behaviour and to appoint a local contact person to respond to complaints within 30 minutes of notification will result in lesser incidence of adverse effects due to a combination of Council specifications for use, enhanced understanding of acceptable guest behaviour and better local resolution of unacceptable guest behaviour. It is anticipated that such controls will lead to avoided noise disturbances and an improvement in the general health and wellbeing of residents. While not all of the issues raised by residents in the consultation process will be addressed by the local law (e.g. turnover of guests, service/trade activity) given that short-term accommodation will still be allowed to take place (if lawful), the local law does also aim to mitigate these adverse effects through appropriate local controls.

WHO (2011) identified a range of adverse health effects associated with environmental noise, which can be applied to a residential disturbance impact setting in the following manner:

- Cardiovascular disease – there is concern about the impact of environmental noise on public health, particularly regarding cardiovascular outcomes and the risk of hypertension.
- Sleep disturbances – noise disturbances significantly impact the capacity of individuals to effectively relax and achieve the desired length and pattern of sleep.
- Cognitive impairment – as a consequence of impacted sleep, affected individuals may have concentration and productivity issues in undertaking work and other activities.
- Annoyance – noise and other disturbances can create stress through continued annoyance, which over time may result in suffering and mental anguish for affected individuals.
- Anxiety – the combined effect of the ongoing turnover of ‘neighbours’, different noise disturbance experiences and the lack of capacity to ensure appropriate behaviour from visitors creates uncertainty for affected individuals over the type of visitor that will next arrive, causing ongoing anxiety.

Residential amenity will also be enhanced by ensuring appropriate conduct for vehicle parking, use of premises, waste management, traffic and safety, etc. Such aspects of amenity are deemed to be impacted by short stay accommodation in the current environment due to the fact that commercial lodging activity is being undertaken in traditional residential areas. By establishing conditions on the approval to operate short stay letting and home hosted accommodation activities (e.g. appropriate waste management, onsite parking capacity), the adverse residential amenity effects associated with such activities should be reduced.

### 4.3.3 Assumptions

Jensen, H., *et al.* (2019) included an assessment of the impact of noise on residents in high density dwellings which is somewhat related to a residential disturbance from short stay accommodation setting given it considers noise within a residential context and noise that impacts quality of life and potentially impacts sleep and general lifestyle patterns. This study identified 35.6% of residents in high density dwellings as being bothered by noise from neighbours, with:

- 24.5% of very bothered residents suffering from sleeping problems or insomnia, 16.4% suffering from melancholy, depression or unhappiness and 16.4% suffering from anxiety, nervousness, restlessness or apprehension.
- 15.5% of slightly bothered residents suffering from sleeping problems or insomnia, 9.7% suffering from melancholy, depression or unhappiness and 10.1% suffering from anxiety, nervousness, restlessness or apprehension.

In a study of the burden of disease on people from environmental noise, WHO (2011) indicated disability weights<sup>7</sup> of 0.07 for insomnia and 0.02 for general annoyance. In a study of the burden of mental disorders on people, Vos, T. (2000) indicated disability weights of 0.23 for anxiety and 0.14 for mild depression.

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<sup>7</sup> A component to measuring the Disability Adjusted Life Year – a measure of the burden of health problems/risks measured between 0 and 1.

Given the lack of complete information on the frequency of noise disturbances locally, the following noise disturbance scenario is considered appropriate:

- In line with Jensen, H., *et al.* (2019), it is assumed that 35.6% of potentially affected residents are bothered by disturbances from short stay accommodation premises in the absence of the proposed local law and experience impacts as a result.
- A once per week noise-disturbance improvement (i.e., 52 per annum) results from the proposed local law affected residents.

The following assumptions underpin the estimation of potential adverse effects on other aspects of amenity from short stay accommodation properties:

- There is an identified benefit to residents of improved street quality at approximately \$0.05 per minute spent on, or looking at, the street or neighbourhood (CABE, 2007<sup>8</sup>).
- 5% of short stay accommodation premises do not meet general requirements for parking and waste disposal and are negatively impacting local street amenity 1 day per week (i.e., 52 days of the year).
- 20% of residents in surrounding properties are negatively impacted by a deterioration in the quality of the streetscape and residential amenity within the neighbourhood.
- The average duration of the residential amenity impact from affected residents having to view the impacted streetscape and neighbourhood is 3 hours per day.

No valuation has been assigned to an improved feeling of safety within the home. This should be considered a qualitative benefit in addition to the quantified benefits derived in the following section.

#### 4.3.4 Quantification of Benefits

With the proposed local law in place and the avoided disturbances, there are fewer instances of insomnia, depression, anxiety and general annoyance for those bothered by disturbances from short stay accommodation. These avoided disturbances will result in significant health benefits relative to the status quo, which are calculated as:

- \$1.75 million per annum for insomnia.
- \$2.23 million per annum for depression.
- \$3.69 million per annum for anxiety.
- \$1.76 million per annum for general annoyance.

The combined health benefits from the avoided amenity disturbances is estimated at \$9.43 million per annum. Other amenity improvements experienced by residents from enhanced beauty within residential neighbourhoods is estimated at an additional \$0.14 million per annum.

#### **IMPACT SUMMARY:**

The resident health and residential amenity benefits of avoided noise and other disturbances are considered to be significant for affected residents, with an estimated \$9.56 million per annum benefit quantified as being potentially achievable via the proposed local law. All of the benefits associated with the proposed law are assumed to be retained within Noosa Shire given the beneficiaries are permanent local residents.

<sup>8</sup> The impact was identified at £0.017 per minute in 2007 and has been converted to AUD based on the average AUD/GBP exchange rate in 2007 of 0.42 and indexed to 2021 Australian dollars using Australian CPI.

#### 4.4 RELOCATION COSTS FOR PROPERTY OWNERS DECIDING TO MOVE

In some instances, short stay accommodation activities may ultimately lead to permanent residents deciding to move elsewhere at a significant cost when including transaction fees, taxes and moving costs (including lost productivity). This has not been valued on the basis that it may result in double counting when considering the benefits already covered in Section 4.3.

**IMPACT SUMMARY:**

No additional benefits are included from avoided resident relocation costs as these benefits are likely to be included within the benefits covered in Section 4.3.

#### 4.5 LOCAL EMPLOYMENT BENEFITS

The requirement under the local law to have a local contact person to respond to and resolve complaints will increase the demand for such services within Noosa Shire. Such increased demand will flow through to increased local employment either through the increased use of local property managers or the direct use of contact persons.

This benefit has not been quantified on the basis that it is a consequence of regulation. However, it should be considered from a qualitative assessment perspective.

**IMPACT SUMMARY:**

Additional local employment will result from the proposed local law due to the need to have a local presence to respond to all complaints associated with short stay accommodation within Noosa Shire.

## 5. COST-BENEFIT ANALYSIS FINDINGS

### 5.1 QUANTITATIVE ASSESSMENT

A quantitative assessment has been undertaken, with costs and benefits discounted to present value terms to estimate the net present value and benefit cost ratio of the proposed local law over a 30-year period. Sensitivity analysis has been conducted at real discount rates at 0%, 4%, 7% and 10%.

When considering all impacts irrespective of location, the value of identified benefits exceeds the value of identified costs.

**Table 5.1. Quantitative Assessment – All Impacts Irrespective of Location**

All Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 13.0	\$ 7.9	\$ 5.9	\$ 4.6
Property Management	\$ 183.6	\$ 110.1	\$ 81.3	\$ 63.5
<b>Total Costs</b>	<b>\$ 196.6</b>	<b>\$ 117.9</b>	<b>\$ 87.1</b>	<b>\$ 68.1</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 90.2</b>	<b>\$ 54.1</b>	<b>\$ 39.8</b>	<b>\$ 31.1</b>
<b>Benefit Cost Ratio</b>	<b>1.46</b>	<b>1.46</b>	<b>1.46</b>	<b>1.46</b>

Source: AEC.

When considering impacts only within Queensland, the value of identified benefits exceeds the value of identified costs by an even greater extent.

**Table 5.2. Quantitative Assessment – All Impacts in Queensland**

Queensland Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 6.4	\$ 3.8	\$ 2.9	\$ 2.3
Property Management	\$ 26.5	\$ 15.9	\$ 11.7	\$ 9.1
<b>Total Costs</b>	<b>\$ 32.8</b>	<b>\$ 19.7</b>	<b>\$ 14.6</b>	<b>\$ 11.4</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 254.0</b>	<b>\$ 152.3</b>	<b>\$ 112.4</b>	<b>\$ 87.7</b>
<b>Benefit Cost Ratio</b>	<b>8.73</b>	<b>8.72</b>	<b>8.71</b>	<b>8.68</b>

Source: AEC.

When considering impacts only within Noosa Shire, the value of identified benefits exceeds the value of identified costs by an enormous margin.

**Table 5.3. Quantitative Assessment – All Impacts in Noosa Shire**

Noosa Impacts Impact	Discount Rate			
	0%	4%	7%	10%
<b>Costs</b>				
Council Administration	\$ 1.8	\$ 1.1	\$ 0.8	\$ 0.7
Property Management	\$ 7.6	\$ 4.5	\$ 3.3	\$ 2.6
<b>Total Costs</b>	<b>\$ 9.4</b>	<b>\$ 5.6</b>	<b>\$ 4.2</b>	<b>\$ 3.3</b>
<b>Benefits</b>				
Health and Amenity	\$ 286.9	\$ 172.0	\$ 127.0	\$ 99.2
<b>Total Benefits</b>	<b>\$ 286.9</b>	<b>\$ 172.0</b>	<b>\$ 127.0</b>	<b>\$ 99.2</b>
<b>Net Present Value</b>	<b>\$ 277.5</b>	<b>\$ 166.3</b>	<b>\$ 122.8</b>	<b>\$ 95.9</b>
<b>Benefit Cost Ratio</b>	<b>30.57</b>	<b>30.54</b>	<b>30.47</b>	<b>30.38</b>

Source: AEC.

## 5.2 FINDINGS

Based on the assumptions underpinning the cost benefit analysis, the quantitative assessment highlights that the benefits associated with the proposed local law significantly outweigh the costs associated with the proposed local law.

Short stay accommodation operators – 86% of which are located outside of Noosa Shire and 51% of which are located outside of Queensland – are currently receiving commercial benefits at a significant cost to local resident health and residential amenity.

In addition to the quantitative outcomes, it is also envisaged that the proposed local law would result in the following qualitative benefits:

- An enhanced feeling of safety and security for residents in their homes.
- The creation of additional local employment through the requirement to have a local contact person on call for all short stay accommodation premises.

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