

## **PROPERTY OWNERS ASSOCIATION OF NSW**

### **BOARDING HOUSE DEVELOPMENT CONTROL PLANS**

Several Councils in Sydney are in the process of producing Development Control Plans for Boarding Houses as part of a policy to attract and maintain affordable and low-cost rental accommodation to their municipalities.

Over recent years, the values of houses, land and now rents have risen significantly in Sydney. The general supply of rental properties, relative to demand, has now diminished for many different reasons, resulting in a very limited supply and recent high rent levels. Immigration is continuing to increase the urban population, creating more demand for housing. In addition, people are attracted to live in Sydney because of employment opportunities. Thus affordable rental accommodation for those on low to medium incomes is in much smaller supply than is desirable, especially in well located areas. The need for an adequate supply of low and medium cost rentals in areas close to employment centres is of growing importance.

For any city to function a vast range of workers are needed to perform a very large variety of jobs. All these people need to live somewhere and be able to travel to and from their work places at a reasonable cost. Increasingly many low-income people are being forced to relocate to outer suburbs or in particular areas of Sydney for affordable rents and travel long distances for employment. Many large institutions and businesses such as hospitals, universities, schools, office centres, retailers, service industries, government agencies, emergency services and many others find it difficult to obtain and maintain a reliable support workforce on moderate to low incomes.

Low to medium cost accommodation can be provided in a number of forms by the private sector. Boarding houses, lodges, hostels, flats and houses are different styles of accommodation designed for the varied needs of people and are provided at a range of costs and standards.

Boarding houses and lodges were very popular during the 1930's up to the 1960's in inner city areas. People from a wide range of income levels used them for long-term accommodation. People who could not afford or did not want to own houses or units and wished to live on their own without the complication of sharing flats found boarding houses satisfied their accommodation needs. Private property owners converted large residential buildings into multiple lettings and managed it as a business catering for a demand, mainly from single and married people of all ages. This type of residence was convenient for many people and consisted of rooms with shared facilities as well as more self-contained accommodation. Significant proportions of the population moved because of employment, health, educational and travel requirements. Many people were, and still are by nature transient and rely on an adequate supply of accommodation to suit their needs. The most popular boarding houses were located close to facilities such as employment centres, hospitals, educational institutions, recreation areas and transport services.

During the past 20 years, boarding houses have separated into those providing moderate to high-cost accommodation and those providing low-cost accommodation. A major reason for this division is the land tax exemption provided for low-cost boarding house and rental accommodation. In addition governments have only been supplying a very limited amount of public housing for low-income people and now rely on the private sector to provide a significant, possibly greater, proportion of the long-term low-cost housing required.

Now a common view held by some organisations and individuals is that boarding houses provide substandard accommodation for poverty-stricken people. Alternatively, those owners of boarding houses exploit the circumstances of their residents. Some appear to consider that boarding house accommodation provide a lack of family or community values. However, in reality this type of accommodation has existed for many decades, can provide an acceptable quality of living and has been popular with many people of different income levels.

For members of the Boarding House Division of the Property Owners Association this negative view of boarding houses is far removed from the properties they own and manage. In fact, many members consider that boarding houses should be relabelled as lodges to avoid the poor image that some people have of them.

There is a general tendency for Councils and the State Government to control the use of boarding houses and direct it to low-cost accommodation. Many are using Development Control Plans (DCP) and State Environmental Planning Policies (SEPP 10) to achieve this aim. While the stated aim is to maintain existing boarding houses and to generate new developments, the actual effect has been the decline of this housing type in the private sector. Investors and developers have shown very little interest in constructing new boarding houses under current conditions.

The issue for boarding house owners in 2008 is that managing this type of accommodation business continues to have very high costs and has become more complex. Boarding houses must comply with many requirements from Councils and other compliance bodies. These requirements can be unclear and complex requiring investors to employ many expensive specialist consultants to provide advice on existing and new proposals.

Development of a new boarding house is completely discouraged if government agencies aim to ultimately control its operation, such as permissible rent levels and prohibitions on changing to a different use. Investors will not be attracted to this form of control and will be attracted to other business propositions. Incentives provided by governments need to be reconsidered and be made significant enough to attract investment in new low-cost accommodation facilities and to maintain existing establishments. When Councils produce Development Control Plans they should not be too prescriptive with building design requirements and so create more complexity without providing sufficient incentives to encourage boarding houses.

Imposing greater restrictions on the development and operation of boarding houses than on other types of accommodation will not attract or maintain investment in this type of facility.

## **DEFINING A BOARDING HOUSE.**

What defines a boarding house is usually based on some idea of what, historically, some boarding houses provided. However, any definition should be general in nature and not too limited, specific or narrow, as each particular form of accommodation and the facilities provided tends to change over time. In an historic sense, the difference between a boarding house and other rental property is more related to how the accommodation is managed. A boarding house is a building that has

accommodation for a number of lodgers who are under a licence agreement with the property owner who provides management of services. In providing services to lodgers the property owner must have unrestricted access to and use of the premises. Lodgers do not have a lease for exclusive use of the premises as defined under a common 5A Lease Agreement and lodgers are bound by house rules specified by the owner of the boarding house premises. It is irrelevant whether particular facilities are shared or how self contained the accommodation is.

For boarding houses to evolve governments should be more flexible in its definitions. Residents of boarding houses do not prefer to share facilities such as bathrooms, kitchens and common rooms. Especially when men and women share facilities, significant conflict can be generated. When common rooms are provided for lodgers, it has been the experience of boarding house owners that the rooms are not used. The more self contained the accommodation in a boarding house is then the more successful it is likely to become as it is more attractive to residents. The main objective of Government should be to achieve more low cost accommodation and not specify the form of accommodation.

Governments should allow boarding house owners to upgrade their business by allowing more self contained facilities without a preconceived notion of what a boarding house is, in specifying building requirements such as shared common rooms, dining rooms, recreation areas, kitchens and bathrooms etc.

Councils in defining boarding houses in Local Environmental Plans (LEPs) have generally made them broad in nature such as the following :

City of Sydney LEP 1996 – Boarding house means a building or part of a building let in lodgings or a hostel, but does not include a hotel.

Randwick LEP 1998 - Boarding house means a building or place :

- (a) where permanent accommodation facilities are provided to the residents of the building or place, and
- (b) where meal and laundry facilities may be provided, and
- (c) which is not licenced to sell liquor within the meaning of the Liquor Act 1982.

Ashfield LEP: “boarding-house” includes a house let in lodgings or a hostel but does not include a motel.

State Government Department of Planning (SEPP 10)

boarding-house means a building :

- (a) that is wholly or partly let in lodgings, and
- (b) that provides lodgers with a principal place of residence for 3 months or more, and
- (c) that generally has shared facilities, such as a communal bathroom, kitchen or laundry, and
- (d) that has rooms with one or more lodgers, and includes a hotel (not being premises to which a hotelier’s licence under the Liquor Act 1982 relates)

However, in their DCP controls most councils have specified planning and design guidelines that require shared common rooms, indoor and outdoor recreation areas, sleeping rooms, kitchen areas, bathrooms etc.

## **INCENTIVES FOR BOARDING HOUSES.**

Currently boarding houses are subject to many restrictions and requirements.

Compliance is difficult, often confusing and generally costly to the owner. It can be difficult for a property owner to identify exactly what the requirements and restrictions are. Other types of accommodation such as home units, flats and houses have fewer restrictions and requirements and are less costly to run, maintain and develop.

As previously indicated existing boarding houses are diminishing in number and very few new developments are being sought by the private sector.

Provision of incentives could assist in maintaining existing boarding houses and encourage the building of new boarding house developments.

1. Reduction or removal of council rates in order to reduce overhead costs in running a boarding house. Councils have in the past made provision for changing zoning from commercial to residential so that a reduction in rates can occur, however further reductions are needed to reduce the cost of business overheads.
2. Land tax exemptions are provided by the State Government for boarding houses subject to rent limits and other conditions. Further consideration should be provided to expansion of the area for where land tax exemptions are provided for long term low cost rental accommodation in flats to include areas outside the City of Sydney area. The provision should allow for more realistic increases in maximum rent levels for accommodation under 5A Lease Agreements.
3. Grants provided from the Department of Housing should be expanded from the fire safety costs to also cover maintenance and renovation costs of boarding houses and low-cost rental accommodation. Existing boarding houses are usually large old buildings, many of which require extensive maintenance and upgrading. Building services such as electrical systems, communication facilities, security, gas and lighting require constant work as well as the general building condition.
4. Insurance and public liability cover is extremely costly for boarding houses. For insurance purposes boarding houses appear to be rated more like commercial (eg hotel) than residential premises. The State Government could make available lower premium insurance cover.
5. Incentives should encourage the type of accommodation that is being sought by government agencies such as low-cost accommodation rather than specifying a particular type of building such as boarding houses.

## **OPERATIONAL ISSUES FOR BOARDING HOUSES**

Boarding house requirements specified in DCP's should be easy to identify and understand whether it is for operational requirements, construction of additions and alterations or development of new properties. It would be better to just require boarding houses to comply with low cost accommodation requirements with only a few additional design requirements. This would probably reduce compliance costs. Confusion would also be reduced.

When Councils specify certain requirements for boarding houses, more consideration should be given to the cost and difficulty of providing them on sites that would have numerous restraints.

Operational items should be carefully considered by government agencies.

1. No prescription of detailed requirements of facilities such as room sizes, special acoustic impacts, landscape of private and commercial open space, communal rooms, bicycle racks, kitchen and bathroom equipment, etc. Councils should apply the building design and environmental provisions that exist for general residential developments.
2. No on-site car parking provisions to be specified for boarding houses as residents very rarely own cars. The very few residents that may own cars would be able to park them in the street with resident parking permits.
3. Fire requirements while important need to be realistic and practical. Items such as fire sprinklers to each room and back to base alarms for small boarding houses of up to 25 people have significant cost and construction problems.
4. Provision of support and social services to residents of low-cost accommodation when requested by property owners as some residents can have serious specific social, medical and financial problems to resolve. While boarding houses are not nursing homes or halfway houses occasions can arise where some residents may need urgent help or assistance which at present is difficult to achieve.

## PLANNING ISSUES

Councils in their Local Environmental Plan and Development Control Plans can consider the provision of incentives to encourage the construction of new low-cost rental facilities.

1. Allow all low cost rental accommodation such as boarding houses in all residential and commercial zones.
2. Allow a mixture of uses in a boarding house, for example combined with commercial and retail uses without a rates penalty.
3. Provide bonus floor space ratios for the provision of low-cost accommodation, such as boarding houses.
4. Monetary contributions collected under Section 94 for development applications can be provided, if legally possible, to subsidise the operation of low cost accommodation such as boarding houses.
5. Positive incentives to boarding house owners to provide accommodation would reduce the need for Councils and the State Government to control the use of boarding houses to provide low-cost rental accommodation. Removing the current disincentives would make it more attractive for investors to enter the low-cost rental and boarding house market and possibly build new premises.

It is important to note that it is not the function of the private sector to provide a service, like accommodation, at below market rates unless subsidies are provided to compensate for this loss of income. Attempts to shift part of the cost of providing accommodation to a particular sector of the population away from the public sector to the private sector will not work. Investors will move to other investments.

If only Governments provide low cost accommodation a much greater investment in public housing would be required.

If the objective of Councils and the State Government is to maintain or even increase boarding house accommodation, it is important to encourage this outcome. Positive incentives provided to boarding house owners can assist in this objective, if the objective is to increase the supply of low-cost to moderate accommodation broader incentives could be used to achieve this outcome.

## **CONCLUSION**

The Property Owners Association considers that it is only through cooperation between government and private boarding house owners that this traditional form of accommodation can continue and can expand into a broader improved low-cost accommodation form. Councils, when preparing Development Control Plans for boarding houses, need to consider these important issues, otherwise the result of the Development Control Plans could be ineffective and counterproductive.

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