

**Submission**

**No 42**

## **INTERNATIONAL STUDENT ACCOMMODATION IN NEW SOUTH WALES**

**Organisation:** Property Owners Association of NSW

**Name:** Mr Peter Dormia

**Position:** Secretary

**Date Received:** 11/10/2011



The problem lies with “illegal” accommodation facilities. They are flaunting the regulations, endangering people’s lives, and profiting by non compliance.

**Recommendation:**

Local authorities currently have ample power and resources, and should use these to efficiently stamp out “illegal” operators. “Illegal” operators can easily be identified as they will need to advertise for clients on popular websites or flyers often seen in commercial centres.

**Residential Tenancy Act: Subletting provisions.**

Recently the NSW government enacted new sub-letting provisions to the Residential Tenancy Act. These provisions have opened up a new avenue for “illegal” accommodation facilities. Armed simply with a lease, some furniture and almost no capital or experience, a opportunistic lessee can easily flaunt regulations and set up an illegal student accommodation facility by subletting the premises.

**Recommendation**

Amend the subletting provisions of the RTA so as to preclude lessee’s ability to sub let.

**Encourage the Supply of Legitimate Accommodation**

The supply of “illegal” accommodation prevails because of the onerous commercial and operational difficulties that are imposed on legitimate operators.

Thereby measures that strengthen the legitimate operator’s viability, and lessen operational complications will ultimately keep existing operators and encourage new operators in the long run.

Areas that the NSW government can address to achieve this include:

**1..Insurance costs.**

The cost of insuring a boarding house is estimated to be 10 times higher than the cost of insuring an equivalent residential property. This is onerous and prevails despite higher standards of fire and essential service provisions in legitimate boarding houses, tighter compliance standards, and greater management involvement.

**Problem:**

Insurance costs are artificially elevated by state government duties, such as stamp duties and the Fire Service levy.

**Recommendations**

This Fire Service Levy and Stamp duty should be rebated to legitimate boarding house operators. It could be easily done in conjunction with land tax returns that qualify for the low cost accommodation provision. Operators who meet the tariff conditions, could forward their insurance invoice and claim the amount charged as a fire levy as rebate. The state government could fund this from their surplus of fire grants.

**Problem**

A large part of excessive insurance costs relates to inefficiencies in the insurance market. In particular the withdrawal of retail insurers from the boarding house market has meant that boarding house operators require brokers to arrange insurers of last resort. This problem intensifies each year and the difficulty of finding feasible insurance may soon cripple the industry

**Recommendations**

The NSW State government set up a government backed insurance scheme for legitimate accommodation providers.

## **2. Essential fire safety compliance costs.**

Legitimate boarding houses are required to provide annual fire compliance reports which include maintenance and upgrades to the system. It is both financially draining and structurally unachievable for boarding houses to meet the vast and complex array of BCA provisions in an environment that continuously changes.

### Recommendation

There is a need to simplify the process, so as to mitigate the complexity and cost. Streamlining testing is also required, to avoid unnecessary duplication, and "excessive" testing and compliance requirements.

### Recommendation

NSW Fire brigade's false alarm 'call out fees' have increased from \$125 to \$750 in the last few years. Additional concessions to the existing rebate provisions should be made so as to ensure legitimate and responsible operators are remitted any and all false alarm call out fees.

## **3. Punitive Sydney Water pricing policies.**

Sydney Water pricing policy punishes legitimate boarding housing. Currently if a boarding house has more than 10 rooms, either commercial rates or equivalent separate meter rates are charged. This is despite the fact that the boarding houses generally only have one meter so the owner becomes the end user.

### Recommendation

All boarding houses should face a single normal residential rate, as they are residential premises. Submissions backed by the NSW State government are required at the upcoming IPART hearings (in mid 2011) promoting the need for restraint in utility charges for legitimate accommodation providers that meet water efficiency targets.

## **4. Affordable Housing SEPP.**

The provisions in the Affordable Housing SEPP are a step in the right direction by encouraging the construction of student accommodation.

But the Affordable Housing SEPP falls short on many fronts. For example the Affordable Housing SEPP does not extend to heritage listed buildings. Heritage buildings form the bulk of existing legitimate accommodation facilities in established areas of Sydney.

This exception alone effectively nullifies the benefit of the Affordable Housing SEPP for a significant portion of existing affordable housing in established areas.

### Recommendation

Remove the heritage constraint in the Affordable Housing SEPP, and mitigate red tape so as to provide greater certainty to operators wishing to expand supply of legitimate accommodation. Existing heritage protection measures would operate to accommodate any expansion of existing heritage buildings.

## **5. Proposed Government Legislation.**

"Boarding house" is a general term for affordable and flexible long term accommodation. Their strength comes from a flexible form of furnished accommodation that caters for a small, but important segment of the accommodation market.

International students are a classic example of boarding house residents. Transient workers, tourists, young people starting up, or people seeking community living also make up a large part of the demand for this form of managed residential accommodation.

Additional provisions, legislation and/or regulations that place constraints on operators will create greater burdens and stifle legitimate supply. It will also lead to more underground operators who will take up the surplus demand for accommodation.

For example, Boarder and Lodger legislation in Victoria has had an adverse impact on the supply of legitimate boarding houses in that state.

This is a worst case scenario, and contrary to the interests of all stake holders.

**Recommendation:**

Do not introduce further legislation and regulations on legitimate boarding houses.

**6. Positive Marketing of Boarding Houses.**

Boarding Houses suffer the stigma associated with

1. Illegal boarding houses, as well as
2. Residential care facilities that cater for disabled and vulnerable people.

**Recommendation:**

Local government authorities need to stamp out “illegal” operators.

**Recommendation:**

The NSW State government should market boarding houses as a genuine alternative to residential housing, so it's better perceived by normal people looking for affordable long term housing. Awards could be provided to excellent operators, possibly a star rating system could be introduced and promoted. This will further encourage the upgrading of supply.

**Recommendation:**

DADHC (Dept Aged Disability & Housing Care) and the current The Inter Departmental Committee (IDC) on housing are incorrectly referring Residential Care facilities as “licenced boarding houses”. They are Residential Care Facilities, not Boarding Houses. This should be corrected so as to avoid unnecessary confusion.

**7. Discounted financing for Student accommodation Facilities.**

Capital costs for provision of the housing is very high. This is compounded with low yields and high compliance costs.

**Recommendation:-**

Government subsidies to lessen the burden of financing costs could be provided to legitimate operators to assist alleviate the burden of capital cost of operations.

**8. Utility Costs.**

Electricity, water and gas costs have increased rapidly and are scheduled to continue to increase.

**Recommendation:-**

Generous rebates are required for legitimate housing facilities that meet energy efficient targets.

**Conclusion**

These issues can and should be addressed by the NSW state government if it is genuinely serious about increasing the supply of legitimate affordable housing and clamping down on illegal operators.

If they are not, then inevitably there will be increasing numbers of operators driven “underground”, as was the case in Victoria when boarders and lodgers legislation was imposed.

This is the worse possible outcome, and contrary to the interest of all stakeholders.

In particular it increases the possibility of a truly tragic event, such as a fire, with people's lives at stake. The whole export education industry and Australia's international reputation could be devastated, particularly so if such an event gained widespread media attention. Hopefully this will never occur.

Nonetheless, students do share their experiences with those at home when they return. If they are forced into illegal premises, their living arrangements will significantly affect their impression of Australia. Word of mouth is a crucial marketing tool to all segments of the tourist/student export market.

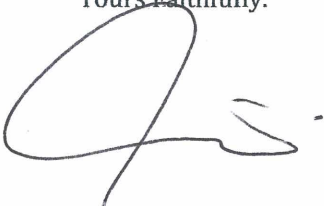
Thereby, whether it be for international students, transient workers, tourists, young people starting up, or people seeking community living, this is irrelevant, as the flavour of accommodation demand will continuously evolve. A healthy supply of legitimate flexible accommodation is crucially important to the good and efficient functioning of a modern city.

Clearly this legitimate accommodation supply is in decline, despite the obvious demand.

This supply decline will only be reversed with improved viability, and improved marketing of the industry.

On behalf of the Property Owners Association of NSW.

Yours Faithfully.

A handwritten signature in black ink, appearing to read 'Peter Dormia', with a large loop at the start and a horizontal line extending to the right.

Peter Dormia

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