

## **SUBMISSION TO IPART ON COUNCIL RATES**

### **AIM:**

Request to IPART for council rate concessions for registered boarding houses in NSW.

### **BACKGROUND:**

The State Government of NSW and certain local councils highly encourage affordable rents for low-income people in NSW to live in city centers close to where they work, study or need certain services. In order to achieve particular social goals the State Government brought in specific legislation that requires existing and new boarding houses to be registered by the Department of Fair Trading and these boarding houses must comply with detailed specific requirements listed in the legislation.

The Department of Planning has a State Planning Policy (SEPP 10) to control low cost rental housing in parts of NSW and this specifies that local councils must administer the policy requirements. These policy controls have an adverse financial impact on low cost rental property owners as it restricts land use alternatives.

There are now only a moderate number of boarding houses registered in NSW especially in Sydney, as the rising cost of operating them is extremely difficult and Government assistance by a multitude of government agencies are uncoordinated, detrimental and many are unhelpful.

The number of boarding houses in Sydney has been declining significantly over many years and without changes in the way they are administered the decline will continue. Hence the social benefit they provide will be lost.

Many boarding houses provide vital accommodation for specific people that are unmet by common residential markets. Low cost accommodation in the private residential market such as shared rentals, institutions, back-packer hostels, caravan parks and private hotels are insufficient and do not provide for the needs of many people requiring affordable rents.

Public housing has been overwhelmed and governments are unable to meet demand that is increasing rapidly. Low cost rental housing is now more reliant on the private rental market providers.

Due to many detrimental requirements placed on boarding houses many have gone out of business as they become financially unviable. When the State Government introduced additional registration requirements several years ago they offered support to keep as many of

the existing boarding houses operational but as yet little assistance has been provided. The Property Owners Association of NSW (POA), on behalf of its boarding house members, has been consulting the State Government for many years concerning the need for concessions on boarding houses and low rent accommodation. The POA is still patiently waiting and consulting the State Government on positive support for members. If the State and local governments want low cost rentals in Sydney then they need to take an initiative to investigate what may be possible to support a fragile housing sector such as boarding houses.

Some of the detrimental issues facing boarding houses are:

- The high cost of building maintenance (such as, builders, electricians, plumbers, painters, etc.) to achieve the best possible standard of accommodation in older buildings.
- Fire requirements and standards from government codes are significant as yearly certification is required through local councils. False alarm costs with the Fire Brigade are extremely expensive and non-compliance penalties with regulators are massive.
- High costs and difficulty in obtaining building and public risk insurance need to be met each year with the need of insurance brokers for commercial policies.
- High costs for sewerage and water supply some of which are commercial rates.
- High energy costs for electricity and gas.
- High land rates for local councils especially for some specific services.
- High costs for management and operational requirements.

The Office of State Revenue provides land tax exemption for registered boarding houses on a yearly basis as long as tariff levels comply with specified maximum levels for resident accommodation. Conditions include that accommodation must be for longer term periods with three months being the minimum. Also, some limited loans are provided with strict conditions by the Department of Planning for some fire protection requirements.

#### **COMMENT**

My family has owned a boarding house located in the eastern suburbs since the mid 1950s. I can state that the effort of conducting the boarding house business is becoming more and more difficult as time goes on. Our residents are very happy with the type and standard of accommodation provided. Our residents are teachers, junior managers, building workers, journalists, council workers, bus drivers, cleaners, students, nurses etc, people that are not on high wages and depend on low rental tariffs. Our residents generally stay for many years and usually only move when employment or personal circumstances change. Some of our residents have stayed for over ten years.

The current rapid rise in property values in recent years has created a hiatus for affordable rents in Sydney and people on low wages or incomes are suffering financial hardship and find it extremely difficult to find affordable rental accommodation. Governments have been unable to provide sufficient affordable accommodation and have sought for the private sector to somehow make up for the shortfall.

Boarding houses are residential accommodation and not a commercial use like private hotels or back packer accommodation. However, at times boarding houses are treated the same as a commercial operation like private hotels or back packers. This has caused greater costs and an increased administration burden on boarding house owners with no benefit to people seeking affordable accommodation. This is evident in insurance, water and council rates.

### **CONCLUSION**

Any consideration of council rate relief or reductions that IPART can recommend or provide would be greatly appreciated and would allow our business to continue to provide what we regard as a vital specialized residential service for low-income people to continue to work close to where they are employed.

Council rates are a significant part of boarding house overheads. Any relief in this or other such costs would assist in making a boarding house financially viable.

Thank you and I hope that you can initiate some positive outcomes.

Don Davison.

Registered Boarding House Owner.

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