

# Government assistance to boarding houses

**ALTHOUGH A RANGE OF STRATEGIES IS AVAILABLE TO GOVERNMENTS TO SUPPORT THE CONTINUED PROVISION OF BOARDING HOUSE ACCOMMODATION, LACK OF EVALUATION AND MONITORING OF THESE INTERVENTIONS MAKES IT DIFFICULT TO ASSESS THEIR EFFECTIVENESS.**

## KEY POINTS

- Boarding houses are an important source of low-cost and crisis accommodation across Australia. There is very little comprehensive data on the quantity of stock and levels of decline. Queensland has collected some information that suggests that this state lost approximately 665 boarding houses (more than 16,000 beds) between 1992 and 2002.
- Pressures leading to sale, demolition and redevelopment of boarding houses have resulted from a number of factors including the introduction of the Goods and Services Tax, tightened fire and safety regulations, improved regulation of accommodation standards, rising insurance costs and increased land values.
- The result of continued decline in the number of boarding house beds is likely to be greater costs for governments through the increased pressure on supported/assisted accommodation and the demand for public housing.
- Interventions aimed at reducing this decline include: demolition/redevelopment controls; financial and other support for achieving minimum fire and safety standards; land tax and rates and charges exemptions or reductions; encouraging new development; and some direct construction of stock. Where participation levels in these programs by boarding house owners can be determined, it is often low.

*This research, by Emma Greenhalgh, Anne Miller and John Minnery of the AHURI Queensland Research Centre, Nicole Gurrán and Peter Phibbs, of the AHURI Sydney Research Centre, and Keith Jacobs (AHURI Southern Research Centre), identified the supply-side interventions Australian state and local governments have used to arrest the decline of boarding houses and the effectiveness of these strategies.*

## CONTEXT

A boarding house gives residents the right to occupy a room but not the whole premises and allows the resident to access a number of shared facilities, such as a bathroom, kitchen or laundry.

In the 1800s, boarding houses provided respectable accommodation in cities for single or married women, tradesmen and rural visitors, as well as holiday accommodation in regional areas.

Boarding houses are now regarded as less desirable than many other forms of housing and are often seen as a transition point between homelessness and low-cost housing. Recently, many boarding houses have been demolished to make way for more expensive housing or turned into low-cost accommodation aimed at students or backpackers.

There have been substantial declines in the number of boarding houses (sometimes called 'rooming houses') in most States and Territories over recent years. Although the decline is clear and documented (for example, Queensland lost approximately 665 boarding houses between 1992 and 2002) the overall figures are difficult to determine due to varying definitions of boarding houses in the different States, shared responsibility for regulating boarding houses in each State across a number of departments as well as local governments and because there have been no national surveys.

The demand for boarding house accommodation is increasing as part of the demand for affordable accommodation across Australia. One estimate is that 6000-7000 people would require boarding house style accommodation in Queensland alone between 1996 and 2011. In addition to providing accommodation that is low-cost and has low entry costs, boarding houses accommodate many people with high and complex needs, people in need of crisis accommodation, people requiring flexible tenancies and people with disabilities.

The key focus of this project was to identify the supply side interventions available to governments to support boarding house providers aimed at reducing the rate of decline.

## METHOD

Queensland, New South Wales and Tasmania were case study states, as they exhibited a documented decline of boarding houses, offered differing legislative contexts, and provided a broad range of policy responses. The first phase of the research was a national literature and research review. The second phase of the research examined State legislation, policy and programs that impact on boarding house supply. Structured interviews were then conducted with 26 State and Local Government representatives, and 21 interviews were undertaken with boarding house operators. Lastly, a discounted cash flow analysis (DCF) was undertaken of four boarding houses; three in Brisbane and one in New South Wales in order to fully understand the financial viability of the boarding house industry, particularly in relation to increased operating costs.

## FINDINGS

### CONTEXT FOR GOVERNMENT SUPPLY-SIDE INTERVENTION

The increased demand for crisis accommodation and public housing, in part caused by the recent decline in the numbers of boarding houses, provides rationale for steps taken by governments to try to retain this type of accommodation. Factors that were found to contribute to the recent decline in boarding house numbers include:

- The introduction of the Goods and Services Tax (GST) resulted in increased accommodation charges. Owners often felt unable to pass the increased rents on to their long-term clients because of the residents' limited financial resources;
- Higher costs, and reduced availability, of public liability and building insurance. Premiums have increased dramatically, substantially decreasing boarding houses' financial viability, and many operators have found it difficult to obtain insurance;
- Increased fire and safety standards, or accelerated enforcement of existing regulations have required costly modifications to stock in a short timeframe;
- Increased property values have led to operators selling properties to realise a substantial capital gain; and

- Tenancy legislation that operators regard as preventing them from evicting dangerous, violent or drug-using tenants.

These factors highlight the tension faced by governments attempting to address the decline of boarding house accommodation. The urgent need to improve service provision to tenants and achieve higher safety standards may deter landlords from continuing to offer boarding house accommodation.

## CURRENT INTERVENTION STRATEGIES

The research found that there was a broad range of strategies currently in place in state and local governments aimed at supporting the continued provision of boarding houses.

## EFFECTIVENESS OF CURRENT STRATEGIES

In both Queensland and NSW, where programs provide financial incentives for buildings to be made compliant with fire and safety standards, the up-take of the programs by boarding house owners has been surprisingly limited. In Queensland, despite publicity and assistance, at the cut-off dates for compliance with recent budget accommodation standards, high proportions of properties fell short of requirements.

Both the State Government and the Brisbane City Council have had to spend considerable time and staff resources on indirect assistance (such as giving advice, and helping people through application procedures). There is still confusion over these requirements and some owners are still unaware of them.

Even with substantial investment in supply-side intervention, it is still difficult to fully assess the impact of most strategies for a number of reasons. Many strategies are relatively new and only recently implemented. In the case of the development of replacement stock it will still be years before this accommodation can make a significant impact in offsetting the demise of existing stock.

It is also the case that the condition of the existing stock is the direct result of the industry being left largely under-regulated, despite some 30 years of investigation and recommendations for greater regulation. The consequence is that more funding than would otherwise be the case is needed for stock that is, in many instances, of poor quality.

As well, policy makers are attempting to engage with an industry that is suspicious of government intervention and that is not well organised. Sectors of the industry have avoided responding to other legislation affecting small businesses. Many operators

Policy 'lever'	Strategy
Cost offset	<ul style="list-style-type: none"> <li>• Grants to support compliance with fire and safety standards</li> <li>• Low interest loans</li> </ul>
Financial incentives	<ul style="list-style-type: none"> <li>• Rate reductions and rebates</li> <li>• Land tax exemptions</li> <li>• Capital funds for construction, acquisition and modification of existing stock</li> </ul>
Give-aways	<ul style="list-style-type: none"> <li>• Installation of water reduction and energy efficiency devices</li> <li>• Access to government-employed contractors to assist with upgrades</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Information sessions on the implications of legislative changes</li> <li>• Cross-agency database to consolidate information on boarding house issues</li> <li>• Good practice and training package to assist with the impact assessment of planning applications on low-cost rental accommodation</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>• Planning restrictions to restrict the demolition or alteration of boarding houses</li> </ul>
Direct provision	<ul style="list-style-type: none"> <li>• Construction of new stock</li> </ul>

still don't regard their premises as professional business concerns.

Coordination and program integration is also an issue, as current intervention programs involve a plethora of departments and agencies. For example, the implementation of the legislative reform package in Queensland requires responses from the Department of Premier and Cabinet, the Office of Fair Trading, Department of Housing, Department of Local Government and Planning, the Fire and Rescue Authority, Residential Tenancies Authority, and local governments. The introduction of a cross-agency database may provide some clarity on these issues.

Despite these misgivings, it would appear, based on the limited evidence available, that government strategies are having some impact by slowing down the level of decline. In NSW, owners appear more positive than in past surveys about the impacts of various concession programs, particularly the land tax exemption program. In Queensland, the expected wholesale closures of boarding houses in July 2003, as a result of electing not to comply with early warning, emergency lighting and a Fire Safety Management Plan, did not occur.

## **POLICY IMPLICATIONS**

Boarding houses provide accommodation for people facing various kinds of short-term crisis. They are low cost (and low entry cost) accommodation for people on very limited means, affordable longer-term accommodation for a growing mixture of people, and accommodation for many people with social, personal and intellectual problems. Without this housing

option, waiting lists for public housing would potentially increase.

Underpinning both new and existing initiatives is the need for a comprehensive auditing and monitoring program for boarding house stock. Poor and incomplete data relating to boarding houses ensures that it is difficult to develop and implement effective policy responses and impossible to determine the effectiveness of any interventions.

## **FURTHER INFORMATION**

This bulletin is based on AHURI project 20180 entitled *Boarding houses and government supply-side regulation*.

Reports from this project can be found on the AHURI website ([www.ahuri.edu.au](http://www.ahuri.edu.au)) by typing the project number into the search function.

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



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