

Boarding houses and government supply side intervention

authored by

**Emma Greenhalgh, John Minnery, Anne Miller,
Nicole Gurrán and Keith Jacobs**

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACC	Adelaide City Council
AHURI	Australian Housing and Urban Research Institute
BCC	Brisbane City Council
BHC	Brisbane Housing Company
BOLA	<i>Building and Other Legislation Amendment Act</i>
BHOMA	Boarding House Owners and Mangers Association
CLOG	Community Living Options Group
CSHA	Commonwealth State Housing Agreement
DADHC	Department of Ageing, Disability and Home Care
DHS	Department of Human Services
DOCEP	Department of Consumer Protection and Employment
GST	Goods and Services Tax
HIDU	Hostel Industry Development Unit
IURHP	Inner Urban Rooming House Project
QFRA	Queensland Fire and Rescue Authority
RTA	<i>Residential Tenancies Act</i>
SAAP	Supported Accommodation Assistance Program
SASHP	South Australian State Housing Plan
SEPP	State Environmental Planning Policy
SII	Social Inclusion Initiative
TUT	Tenant's Union of Tasmania
VCAT	Victorian Civil and Administrative Tribunal

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EXECUTIVE SUMMARY

Private-for-profit boarding houses are an important source of low cost housing in most Australian cities. They offer permanent as well as transient accommodation and cater for an expanding cross-section of residents. They also offer crisis accommodation and housing for disadvantaged people on low incomes. Some definitions of 'homelessness' even include those in boarding houses as the 'tertiary homeless'. Yet despite their importance to a substantial component of the Australian housing market there is clear evidence that the number of private boarding houses, and the number of rooms they offer, is in serious decline. The decline is reaching critical dimensions in some inner city locations.

Governments do not have the resources to directly replace private boarding houses, so a number of state and local governments have implemented strategies to support the private industry. In this way they hope to slow the rate of decline. Very little is known about how effective these strategies have been, or about the costs of the strategies to government and to tenants.

This project thus seeks to answer three main questions:

- What are the costs of boarding house decline in metropolitan Australia for residents and government?
- What strategies are available to governments to support boarding house providers (essentially the private market and community housing organisations) and so reduce the level of decline? And
- What are the likely impacts and costs of these government strategies?

A review of the national and international literature on boarding houses found that there are considerable differences in definition (and terminology) across jurisdictions, which makes comparisons difficult as well as creating problems in obtaining basic data. The common definitional elements, however, are that

- The boarding house is the principal place of residence for the resident;
- The resident has the right to occupy a room but not the whole premises; and
- The resident shares some facilities with other residents.

Even with these data and terminological problems the fact that the number of private boarding houses is dropping is irrefutable. Several causes were identified for the decline. Many are converted to other uses, or demolished to make way for other uses, because of:

- Land use and valuation pressures, especially through hallmark events, and the processes of gentrification and urban renewal;
- Financial pressures on owners, including increasing insurance costs and the costs of increasingly onerous regulatory compliance;
- The financial viability of the industry; and/ or
- Problems to do with skills or experience or motivation of the owners or managers.

There seems to be very limited incentive for construction of new boarding houses.

Current public policy responses to decline vary considerably amongst the Australian jurisdictions. They include changes to the regulatory environment, policies limiting demolition, directly targeted grants and subsidies, land tax exemptions, and some supply-side responses. Policy responses in other countries seem largely connected to assistance for supported accommodation for various disadvantaged populations or financial assistance to reach minimum levels of regulatory compliance.

The next stages in this research will focus on the direct and indirect costs (and outcomes) of government intervention through interviews with public sector and private sector stakeholders. It will also try to identify good examples of workable strategies and programs. The aim is to be able to compare intervention strategies and so provide information in likely costs and impacts that will inform policy-makers involved in implementing or formulating intervention strategies.

1 INTRODUCTION

Private-for-profit boarding houses are an important source of low cost accommodation in most Australian cities. In many instances, it can be a housing option of last resort, or only resort, for very disadvantaged people on low incomes in inner city and regional areas including a large number of people with disabilities, many of whom have been de-institutionalised.

Despite their importance, the number of boarding houses is in decline for a range of reasons. To counteract this trend, a number of State and Local Governments have implemented strategies and programs to arrest or slow decline. These strategies range from the provision of financial assistance to boarding house operators for building maintenance to capital works programs to replace lost boarding houses. These strategies include financial assistance for boarding house operators as well as the provision of boarding houses by State Housing Authorities.

It is not known, however, whether these strategies are effective or not. Particularly, whether one strategy is more effective at reducing decline than another, or if a range of strategies is preferable. Very little work has been undertaken to determine the costs of these strategies to not only government, but also residents. This project will not only investigate current strategies, but also recommend alternative strategies to ameliorate boarding house decline.

1.1 Aims

This Positioning Paper forms part of a broader study that is investigating whether it is possible for government to facilitate adequate levels of boarding house provision.

The aim of this study is to provide answers to this broad question by examining three questions:

- (a) What are the costs of boarding house decline in metropolitan Australia for residents and Government?
- (b) What strategies are available to Governments to support boarding house providers (essentially the private market and community housing organisations) and so reduce the level of decline?
- (c) What are the likely impacts and costs of these Government strategies?

The aim of this study is to examine the policy options available to governments to work through private and community sector providers to facilitate improvement in boarding house supply. This approach will be modified from the more formal techniques used by central agencies in assessing whether Governments should intervene directly in markets¹. By providing answers to the three research questions the project will help Governments consider their policy position and the efficiencies of policy action. The focus of this research will be the States of Queensland, New South Wales and Tasmania.

This research and its focus in these three states is timely because of a number of relevant policy issues currently under discussion on boarding houses in a number of State and Local Governments across Australia. Some of these include:

- The reform of the residential services industry, which includes boarding houses, in Queensland. This reform package includes the introduction of tenancy legislation for residents and minimum acceptable accommodation standards for premises;

¹ See, for example, NSW Cabinet Office (1994) *From Red Tape to Results*, Sydney.

- The initiatives announced in the New South Wales 2002-03 Budget, including assistance for boarding house operators to upgrade their properties and undertake fire safety work; and
- The introduction of the Residential Tenancy Amendment (Boarding Premises) Bill 2003 in Tasmania which will give greater tenancy rights to boarding house residents.

1.2 Structure of the Report

This Positioning Paper provides a background to the research project. It first defines a boarding house and considers how this may affect data collection. Chapter Two provides a national overview of the decline of boarding house and the importance of boarding houses as a source of low costs accommodation. It will attempt to quantify boarding house decline in Australia and outline the reasons for the decline. This will be followed by a discussion on why boarding house decline is an important policy issue, focusing on the decline of low cost private rental accommodation. This is supplemented by a profile of boarding house residents to demonstrate why boarding houses are an important form of low cost rental housing.

Chapter Three outlines the current initiatives of State and Territory Governments. The intent of this section is to determine whether the impacts and costs of these programs are known, and identify gaps in responses to boarding house decline. It concludes with an overview of boarding houses in the international arena. Chapter Four outlines the remainder of the research program and the research methods to be employed demonstrating how each of the three questions will be answered. It will also briefly discuss issues that may impinge on the research. Chapter Four outlines the key issues and directions for further investigation.

This chapter now considers the definition of a boarding house.

1.3 What is a Boarding House?

There is not one agreed definition of what constitutes a boarding house. However, there is a common acceptance of some of the attributes of this dwelling type; a multiple occupancy dwelling providing low cost accommodation, usually in the inner city. However, all legislative, research and policy definitions vary and this can impact on the programs and levels of assistance provided to operators. It can also impact on the type and range of data on boarding houses, which will be discussed later.

Historically the term boarding house was used to define a specific housing type within the broader single room market (CURA, 1979). This market contained a number of accommodation types which varied depending on the range of costs, services and facilities provided. A boarding house, traditionally, provided long term single room accommodation and also provided meals and serviced, furnished rooms. This differs to a rooming or apartment house which did not provide meals or serviced rooms, but did provide cooking and laundry facilities. Nowadays the terms boarding and rooming houses are used interchangeably to describe low cost single room accommodation, regardless of whether they are serviced or not. Today it is more likely that distinctions are made between facilities that provide formal support to residents with disabilities and those that do not (See next section).

There are number of definitions of boarding houses in Queensland, New South Wales and Tasmania. These definitions can be found in Local Authorities planning schemes and local policies, State Government policies and programs, as well as legislation and licensing agreements. However, each state has an 'over-arching' definition. These can be found in Table 1. Appendix 1 includes all definition of boarding houses used by each State and Territory.

Table 1: Boarding House Definitions

	Definition
Residential Services (Accreditation) Act, Queensland	<p>The main purpose of the service is to provide accommodation, in return for the payment of rent, in 1 or more rooms; and</p> <p>The room or rooms are occupied, or available for occupation, in the course of the service by at least 4 residents; and</p> <p>In the course of the service, each of the residents—</p> <p>(i) has a right to occupy 1 or more rooms; and</p> <p>(ii) does not have a right to occupy the whole of the premises in which the rooms are situated; and</p> <p>(iii) does not occupy a self-contained unit; and</p> <p>(iv) shares other rooms, or facilities outside of the resident’s room, with 1 or more of the other residents.</p>
State Environmental Planning Policy No. 10 (Retention of Private Low Cost Accommodation), New South Wales	<p>boarding-house means a building:</p> <p>that is</p> <ol style="list-style-type: none"> a. 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 <p>and includes a hotel (not being premises to which a hotelier's licence under the <i>Liquor Act 1982</i> relates).</p>
Residential Tenancy Amendment (Boarding Premises) Bill 2003, Tasmania	<p>A boarding house premises means a room and any other facilities provided with the room where:</p> <p>a) the room is occupied and the principal place of residence any of the bathrooms, toilets or kitchen facilities are shared with other premises.</p> <p>To make sure that University type accommodation arrangements are not embraced in this definition, there will be a clause in the act that excludes ‘tertiary students’.</p>

It can be seen that there are number of commonalities between these definitions. The key attributes of a boarding house are:

- It is the principal place of residence for the resident;
- The resident has the right to occupy a room but not the whole premises; and
- The resident shares facilities, such as bathroom, kitchen and laundry with other residents.

Also, from these definitions, a boarding house does not necessarily mean an entire dwelling. A boarding house can be a dwelling that is either fully or partly let.

There are other definitions that are applicable, including the Building Code of Australia and the definition utilised by the Australian Bureau of Statistics for data collection (See Appendix 1). These definitions will be considered during the course of the research where necessary. There are some notable exemptions including student accommodation, backpacker accommodation and premises licensed under the relevant State Liquor Act.

Boarding houses and disability support

One of the defining features of a boarding house is that it does not provide formal support to residents with disabilities. In both Queensland and New South Wales there are legislative distinctions between boarding houses that do provide formal support and those that do not.

In Queensland, a facility that houses people with disabilities and provides assistance additional to food, board and personal support services, including assistance with medication, financial management, personal hygiene and grooming is known as supported accommodation. The facility also monitors an individual residents' physical and mental health (BCC, 2002; Keating Consultancies, 1998).

In New South Wales if two or more people with a disability requiring supervision² or habitual support reside in a boarding house, the proprietor is required to be licensed to operate under the *Youth and Community Services Act (1973)*. These are technically known as Licensed Residential Centres. In South Australia these types of facilities are known as Supported Residential Facilities (Doyle *et al.*, 2003) and as Supported Residential Services (SRS) in Victoria. For a national comparison on these facilities see Green (2001).

Licensed and Unlicensed Facilities

This issue of licensing can be confusing. In Queensland, boarding houses will be required to be licensed (registered) under the *Residential Services (Accreditation) Act (2002)* by 2004. This is applicable to facilities with at least four residents. In the Brisbane local authority, a boarding house is registered if it has more than seven residents. This local authority definition will be made redundant in 2004 and all premises will be required to be registered under the State legislation. Therefore in Queensland, any facility that is not registered with the State Government by 2004 will be classified as operating 'illegally'.

The existence of multiple definitions can make data collection on boarding houses difficult. Previous studies of boarding houses all discuss the problems inherent in defining boarding houses and how this contributes to problems with data collection (See Jope, 2000; Qld Shelter, 1997; National Shelter, 2000; ABS, 1995). This may result in 'gross distortions in estimates of the size and resident profiles of the sector' (National Shelter, 2000). Alternatively, it may result in an underestimation of the size of the sector and its levels of decline.

1.4 Summary

It can be seen that there are variety of definitions of boarding houses. For the purposes of this research the definition relevant to each State will be used. However, there are some exceptions that need to be noted. Facilities that provide formal support for residents with disabilities will not be included; that is, supported accommodation in Queensland and facilities licensed under DADHC in New South Wales. This accommodation form is considered to be a separate sector with its own particular issues, thus worthy of separate research.

² Supervision is defined as assistance with meals and medication.

The focus of this research is for-profit facilities, both private and community. It is assumed that government strategies are in response to the decline of private-for-profit boarding houses. It is acknowledged that there are boarding houses owned and managed by various government and not-for-profit agencies, but they will only be included in the research for comparative purposes (See Chapter 4). It is assumed that government and community boarding houses are a response to the loss of private-for-profit facilities.

This report will now provide a background to the issue of boarding house decline, including stock losses, reasons for decline and the policy relevance of this issue.

2 THE CHANGING SUPPLY OF BOARDING HOUSES

This chapter provides an introduction to the issue of boarding house decline. It begins by examining the extent of decline in Australia and the reasons for the decline. It concludes by flagging boarding house decline as an important policy issue.

2.1 Background: Boarding House Decline

The importance of private-for-profit boarding houses as long-term housing providers has been recognised for at least thirty years. In the 1970's a large number of studies highlighted the important contribution that this housing stock plays in the provision of low cost, well located housing for those on low incomes (See CURA, 1979; Badcock and Coher, 1978; Comfort, 1978; Wilson, 1981). These studies, even then, also documented the decline of boarding house stock, particularly in the inner city. Some more recent studies have included boarding houses and other forms of low cost accommodation in 'impact assessments' of large events or major government initiatives (See Cox *et al.*, 1994; Allen *et al.*, 1989).

The following discussion provides a national overview of the decline of boarding houses differentiating between the case study States and the remaining States and Territories.

2.1.1 *Boarding House Decline in the Study Area*

Queensland

In Brisbane City there was a loss of 127 premises, or 1500 rooms, during the nine-year period from 1987 – 1996 (BHAG, 1997). Anecdotal evidence suggests that there have been declines in regional areas as well. Unpublished data from a survey undertaken by the AHURI Qld Centre in 2002 found that there were further more recent stock losses of possibly up to 50 dwellings in the inner city suburbs of Brisbane (Greenhalgh, 2002). The introduction of increased regulations for the boarding house industry is expected to result in an increase number of closures in Queensland. This will be discussed later.

New South Wales

There is very little comprehensive information on boarding house decline in New South Wales. South Sydney City Council commenced a dedicated auditing program of the boarding house stock in its jurisdiction in November 2000. The aim of this program was to obtain up-to-date information on the existing stock and in the area.

It was found that supply of boarding houses is decreasing at about 8 per cent per annum there. In South Sydney alone, of 640 properties listed on the council database a decade ago, approximately half no longer exist (SSCC, 2002a). Furthermore, the South Sydney City Council State of the Environment Report (2002) found that in the period of November 2000 to June 2002, 247 boarding houses ceased to trade (SSCC, 2002b).

Tasmania

The boarding house market is much smaller in Tasmania; however, it is no less important. The Tenants' Union of Tasmania reports that as many as 150 beds have been lost in the last decade (TUT, 2002:5). The Tasmanian boarding house sector is already very small, consisting of nine boarding houses (four in Launceston and five in Hobart), four 'pubtops', two backpacker accommodation hostels and three community managed boarding houses. Recent research (TUT: 2002) estimates a total of 160 beds across Tasmania, but as there is no requirement to register it is likely that this figure also includes informal boarding houses.

2.1.2 Boarding House Decline in the Remaining States and Territories

South Australia

In South Australia, most boarding houses are private with 19% of beds being publicly owned by either the state government housing authorities or not-for-profit organizations. The majority of boarding houses are located in the local authorities of Adelaide, Port Adelaide-Enfield, West Torrens and Charles Sturt (Anderson *et al.*, 2003). In common with other cities, most of the stock is older with implications for maintenance costs and improvements. Most properties (68%) are small housing 3-8 residents, 22% accommodate 9-19 and 12% house 20 or more residents. Observations of the stock suggest variable standards and it is reportedly common for outhouses, sheds and garages to be used as bedrooms. In comparison, properties owned by the Housing trust and operated by community groups are observed to be of consistently good standard. The South Australian Housing Trust owns 9 boarding houses (225 beds) through the Special Needs Housing Unit. These are leased to mostly non-government organisations. (SASHP, 2003).

The supply of boarding houses has declined significantly in South Australia in the past two decades, particularly in the city. A recent report by Department of Human Services (DHS) indicates a reduction of 30% since the last comprehensive study was undertaken in 1988 (Anderson *et al.*, 2003). There are heightened concerns about the financial viability of the private-for-profit Supported Residential and Boarding House sectors, and the possible need for government to provide supported accommodation to current residents, many of whom have disabilities'. (SASHP, 2003).

Western Australia

Information to Shelter from the City of Perth Council indicated that the number of boarding houses almost halved from 1955 to 1965 from 531 to 277 (Comfort, 1979). In 1973, the number was 143, however by 1984 the Tenant's Advice Service found that only 82. City Housing emerged in the mid 1980's in response to the decline in lodging houses which saw 75% of stock disappear by the late eighties (City Housing, 2003). City Housing (2003) also advised that the mid-nineties saw a change in ownership profile with private operators leaving the sector and community groups gaining control of the properties. The most recent survey identified some 55 remaining in 1996 (Shelter WA, 2002). There has been no survey since and there is considerable variation between the estimates of stock to date ranging from no change since the early 90's (City Housing) to a steady decline with no more than 20 remaining (Shelter WA, 2002).

Victoria

There have been a number of recent studies that have attempted to quantify boarding house stock and decline in inner urban Melbourne (See Jope, 2000; National Shelter, 1997; AHURI, 1994; Ministry of Consumer Affairs, 1992). These studies were recently collated in a recent research project on rooming houses for the Victorian Department of Human Services and six inner urban Melbourne local authorities (See Greenhalgh *et al.*, 2003). It was found that there is little rigorous documentation of rooming houses in Victoria and the greater Melbourne area. As a result it is difficult to fully quantify the level of stock and the rate at which it is declining.

The most recent state figures are from the Ministry of Consumer Affairs (1992) stated that there were 304 boarding houses providing accommodation for approximately 10,000 residents across the State. It is not certain whether these figures include rooming houses or only focus on boarding houses.

The City of Port Phillip is the only local authority in Melbourne to actively undertake research on its rooming house stock. Between 1954 and 1992, St Kilda had a loss of approximately 563 rooming houses which possibly affected 46,000 persons over the 38 year period (AHURI, 1994). In 2000, the City of Port Phillip had 72 rooming houses

with 1,138 rooms. This was split almost evenly between private rooming houses and public/community rooming houses. This is a loss of eight dwellings since 1997 and 263 rooms since 1997. It has been suggested that the City of Port Phillip is losing eight rooming houses per year, with an expectation that all rooming houses will be lost by 2015.

ACT

National Shelter (1997) also reported that there was very little information about boarding houses in the ACT, except that there were 14 boarding houses located in the ACT. However, there were some problems with this figure as it included guest houses, fitness camps, conference centres and hostels.

Comparisons across jurisdictions are difficult because definitions differ and research has focused on different spatial domains. Thus it is not possible to fully ascertain levels of decline in some areas. However, studies that have been undertaken show that boarding houses may completely disappear in some local authorities within a decade (Davidson *et al.*, 1998; http://www.portphillip.gov.au/rooming_houses.html).

This uncertainty makes it difficult to determine whether strategies to reduce decline are successful. However, while there is some conjecture about the level, it is clear that boarding houses are declining in numbers and that, increasingly, governments are responding to ameliorate this situation.

It is difficult to fully ascertain the levels of decline of boarding houses and this is linked to difficulties locating timely and accurate data on boarding house stock. Table 2 attempts to illustrate the levels of decline and also the problems in determining stock quantity. It can be seen that there are substantial gaps in the knowledge of quantity of boarding house stock, which impacts on knowledge of levels of decline.

Table 2: Boarding House Quantity and Decline, Australia

Location	Previous Data			Most Recent Data		
	Year of data	Number of boarding houses & beds		Year of data	Number of boarding houses & beds	
New South Wales						
Greater Sydney Area	1995	1069	19825			
Queensland	1992	1033	21896			
Brisbane				2003	284	
South Australia				2002*	115	1160
Greater Adelaide area	1988	125	1543	2003**	97	894
Adelaide City				2003	14	133
Victoria	1992	304	10000			
City of Port Phillip*****	1997	80	1401	2000	72	1138
Tasmania	1995	30	500			
Hobart						
Northern Territory	1991	58	2319			
Darwin						
ACT	1991	14	1134			
Western Australia						
City of Perth including Vincent & Victoria Park	1984	82		1996	55***	1923****
City of Perth				1996		1923***
Fremantle				1996	16	344

All data from Shelter 1997, p.15 except where indicated

*SASHP (2003, p.86) – different counting rules and the introduction of the *Supported Facilities Act* affect the numbers

**ACC (2003)

***Community Organisations (2000)

**** Shelter WA (2002)

***** <http://www.portphillip.vic.gov.au>

Demolition or Conversion

There are a number of reasons for boarding house decline. The critical reasons are discussed below. Not all boarding house rooms have vanished because the dwellings are demolished. Davidson *et al.* (1998) found that of the stock loss of 521 dwellings in inner Sydney, the majority were converted to flats (51 per cent) or private residences (23 percent). The remainder were converted to short-term tourist accommodation (backpacker hostels, private hotels). Some have been converted into student accommodation and more upmarket temporary singles accommodation (See Jope, 2000: Davidson *et al.*, 1998). Similar conversions have been found in Brisbane (BHAG, 1997).

2.2 Reasons for Boarding House Decline

There is no single reason for boarding house decline. A number of issues confront the industry. These are discussed below under three headings: land use pressures; financial viability and regulations; and the changing profile of owners.

2.2.1 Land Use Pressures

Boarding houses are often located in highly accessible inner city areas that are subject to rapidly increasing property values. As property values and local government rates and charges escalate owners find alternative uses an increasingly attractive option. Large capital gains can be made from sale for redevelopment. There are continuing pressures on owners to sell, particularly as surrounding land uses change. These pressures have two main effects. First, boarding house stock is lost. Second, new stock is not built to replace or supplement old stock.

In addition to these generalised pressures some specific influences can be identified. They are discussed below.

Hallmark Events

These are large-scale events with national and international impacts. Recent hallmark events include the 2000 Sydney Olympics, Brisbane Expo 1988 and the 1987 Fremantle America's Cup. An imminent hallmark event is the 2006 Melbourne Commonwealth Games.

Hallmark events lead to:

- Conversion of boarding houses to tourist accommodation;
- Accelerating processes of urban change, especially gentrification;
- Event site development resulting in demolition of dwellings;
- Increased dwelling prices; and
- Displacement of residents by 'crowding out' affordable housing investment and harassing of homeless persons.

(See Cox *et al.*, 1994; Allen *et al.*, 1989)

Some of the most rigorous documentation of the impact of a hallmark event was that associated with World Expo 88 in Brisbane (Day, 1998; Allen, Butler and Skeltys, c. 1989; BHAG, 1997). The event contributed to the loss of at least 23 boarding houses, through either demolition and redevelopment or conversion to short term tourist accommodation. This stock loss occurred prior to the event. Since 1988 there has been a further decline in the inner southern suburbs of at least 30 dwellings. As well as stock losses, there were increases in rents in the area. rents increased in the area by 44 per cent to 62 per cent; many people were displaced because of rent rises. The effects of World Expo 88 still pervade the inner southern area of Brisbane. It increased the rate of urban redevelopment and gentrification in the area.

Gentrification and Urban Renewal

Chamberlain and Johnson (2002) consider gentrification to be one of the factors leading to increased risk of homelessness, which by definition includes boarding house residents³. The efforts by all tiers of Government to invest in urban renewal projects in

³ The degrees of homelessness are: **Primary Homelessness**: people without conventional accommodation, such as sleeping rough; **Secondary Homelessness**: people moving between various forms of shelter including friends, emergency accommodation, refuges, hostels and boarding houses; **Tertiary Homelessness**: people living in single rooms in a boarding house without their own bathrooms, kitchen or security of tenure; **Marginally Housed**: people in housing situations close to the minimum community standard (Chamberlain and MacKenzie, 1992).

the inner city increases redevelopment pressures on boarding houses. Disinvestment in the industry follows because substantial profits can be made from sale or redevelopment (Price Waterhouse Coopers, 1998). The Hostel Industry Development Unit (HIDU) (N.D.) found that in the inner city suburb of New Farm in Brisbane, which is part of the redevelopment area affected by the Brisbane City Council's Urban Renewal Program. This area has experienced substantial boarding house decline accompanied by an increase in land valuations between 1997 and 2001 of at least 48 per cent.

Urban renewal initiatives also result in boarding house conversion to other forms of accommodation, such as backpacker hostels. Heffernan (1988) found that premises converted to backpacker accommodation had the potential to double the income received when compared to a boarding house. South Sydney City Council found at least six backpackers hostels that were formerly registered as boarding houses (SSCC, 2002).

2.2.2 Financial Pressures and Regulations

The Impact of the New Tax System (Goods and Services Tax)

There has been much discussion on the impact of the Goods and Services Tax (GST) on the operators of marginal accommodation. Recent research undertaken by Wood (2001) on the impact of the GST on boarding house and caravan park operators found that the GST may have had a greater impact than at first thought.

Under the GST private rental housing is input taxed. This includes boarding houses that offer predominantly long-term accommodation and which elect to be input taxed. These operators are not required to charge the 10 per cent GST on top of the rent. However, they are then not able to claim a credit for the GST they are charged on inputs purchased in the course of operating their business (Wood and Forbes, 2001). Research by the Federal Government predicted that following the abolition of wholesale tax, 'long term accommodation charges may increase slightly, as providers pass charges on to residents' (ACCC, 2000). It was expected that, in the case of caravan parks, fees would increase by 2.1 per cent.

Wood (2001) suggests that the Government's modelling results in an underestimation of the impact, because changes to the capital gains tax system were not included and this would have substantial negative impact. The research found that average increases in rent would be in the vicinity of five to six per cent in a best-case scenario. This is much greater than the two to three per cent predicted by the modelling.

Wood suggests that operators would find it difficult to pass on rent increases to long-term residents, making it 'more economic for them to exit the business' (2001). This is more likely to affect operators in the lower tax brackets. As well as businesses closing, it is anticipated that GST changes will result in some operators switching to provision of short-term accommodation.

Insurance

Recently the boarding house sector has had difficulty in obtaining public liability insurance. West (*pers. comm.*, 2003) provided the example that in an operator in Queensland had insurance premiums for both public liability and building insurance policies increase from \$4,500 pa to \$22,500 pa. Other's have been refused insurance all together, and some premises are operating without insurance (Dilly, 2002).

The connection between insurance and regulations is echoed by Price Waterhouse Coopers (1998) who found that the difficulty with obtaining insurance is a risk within the industry, particularly where the structural integrity of the premises is an issue. The inability of some operators to obtain insurance may be directly linked to poorly maintained and unsafe dwellings.

Little research has been undertaken on this issue; thus the full effect of increased insurance premiums on boarding house operators is uncertain. However, it would be expected that substantial increases in premiums would lead to:

- Increased costs that would be passed on to residents as rent increases, which they may not be able to pay; and
- The businesses becoming un-viable and closing.

This is an issue that warrants further investigation.

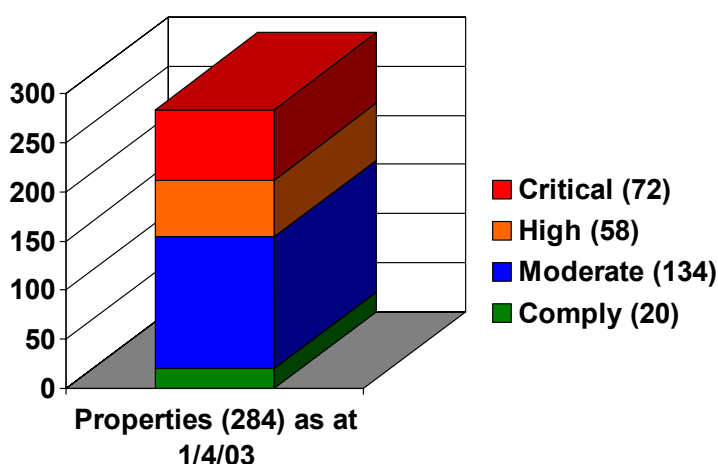
Compliance

The issue of changing legislation and regulations and the decline of boarding houses is a matter of contention. It is suggested that increased regulation forces operators to exit the industry. The issue of compliance arose in Melbourne following the introduction of the *Health Act (1955)* to improve rooming house standards (CURA, 1979).

The issue of compliance is currently a contentious issue in Queensland. The *Building and Other Legislation Amendment Act (BOLA)*, which commenced in July 2002, requires all budget accommodation to be compliant by 30 June 2003. Dwellings are expected comply with a fire safety standard for the safe evacuation of occupants. This includes the preparation and implementation of a Fire Safety Management Plan (DLGP, 2003). The legislation also requires operators to apply for registration (with the Residential Services Accreditation Branch of the Office of Fair Trading) by 23 August 2003.

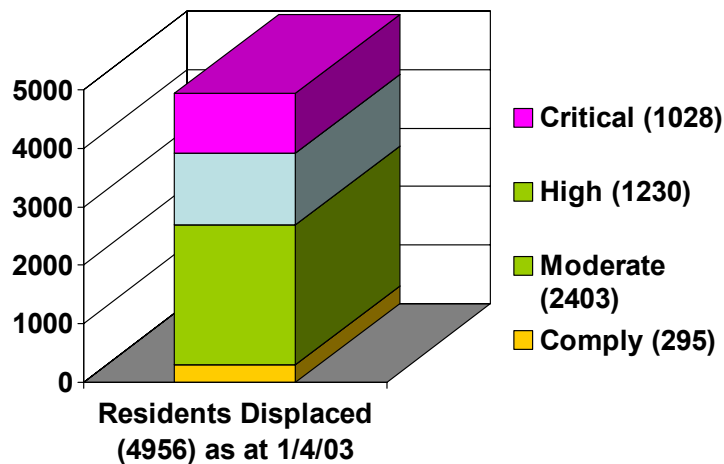
The Brisbane City Council (BCC) is concerned that the increase in regulations and compliance will result in the loss of half of the city's boarding house stock (Spann, 2002). The outcome of this concern is a risk analysis of all boarding house stock in Brisbane City and the possible impacts on residents. Figure 1 shows the potential for closures by risk category and Figure 2 shows the number of residents potentially impacted in each of these categories.

Figure 1: Potential for Boarding House Closures, Brisbane City



(Source: BCC, 2003)

Figure 2: Potential Number of Residents Displaced, Brisbane City



(Source: BCC, 2003)

Table 3 outlines the methodology of the risk assessment. Further discussion on the *Residential Services (Accreditation) Act 2002* and the financial assistance packages are in Chapter 4.

Table 3: Risk Analysis Explanatory Notes

Critical Risk	Substantial non compliance with <i>BOLA</i> and <i>Residential Services (Accreditation) Act 2002</i> (RSA) Not accessed either BCC or Qld Department of Housing financial assistance
High Risk	Substantial non compliance with BOLA and RSA Approved and/or paid BCC grant
Moderate Risk	Premises identified as compliant and/or minor works Not accessed financial assistance or approved and/or paid BCC grant
Limited Risk	Premises identified as compliant with BOLA and RSA May have begun/indicated willingness to proceed to registration

(Source: BCC, 2003)

The threat by boarding house operators to close down in the face of increased regulation is seen by some, however, to be political manoeuvring and an attempt to generate leverage for the industry. It moves any argument for increasing standards away from consideration of tenant outcomes and increased safety to the industry. HIDU (N.D.) suggests that the 'State Government must ask itself what standards and what quality of life does it want to enshrine for its citizen, and how are they best protected?' It may be that the closure of some marginal facilities is an advantage to the industry as only those interested in increasing standards and ensuring the safety of their residents would remain.

In New South Wales the interpretation of fire safety varies from council to council. The Coronial inquiry into the Downunder Backpacker Hostel Fire in 1989 found that two local authorities were not adequately policing fire safety. The result of this was some local authorities becoming overly stringent (Bigsworth, 2003). Thus some council's require both active and passive⁴ upgrading to the letter of the Building Code of Australia. Since then Sydney City Council has worked closely with the NSW Fire

⁴ An active system is concerned with life safety and includes smoke alarms and sprinklers whereas passive systems are concerned with containing the fire and preserving the building and include fire rated doors and ceilings.

Brigades and a fire safety expert from the University of Technology Sydney to develop an innovative approach to ensuring cost effective fire safety in Class 3 buildings. It has been found that in some cases South Sydney Council has been excessive in their fire safety requirements, for example, one owner of a class 1b (less than 10 persons) boarding house being required to hardwire alarms to the NSW Fire Brigades at a recurrent cost of thousands of dollars per annum (Bigsworth, 2003).

Viability

The issue of profit and loss in the boarding house sector is not new. It was documented in studies in the 1970s and 1980s (CURA, 1979; Wilson, 1984). Although there is some conjecture about the real levels of profitability of boarding houses, it is an issue consistently raised by operators. The NSW Office of Housing Policy (cited in National Shelter, 2000) states that boarding houses would be a poor investment, returning as they do a profit of below three per cent. However, in Brisbane recently a boarding house was sold that was advertised as having a 15 per cent return. Objective assessments are difficult without access to 'commercial in confidence' financial data.

There has been little work undertaken on the financial viability of boarding houses nation wide. The Price Waterhouse Coopers report (1998) has been heavily criticised because it relied on such a small proportion of the boarding house industry in Queensland. However, the report does raise some crucial issues about the viability of marginal accommodation. It found that operators were very sensitive to changes in prices or costs, with operators suggesting that a reduction in rent of \$10 per client per week would result in them leaving the industry.

The financial issues will vary from operator to operator and by location but include operating costs, interest rates, occupancy rates, and management costs (Davidson, 1999).

The report found that single operators of smaller dwellings found it more difficult to generate sufficient revenue. The more profitable operators would own a number of properties enabling economies of scale (Price Waterhouse Coopers, 1998). This is supported by Davidson's analysis of boarding house viability in Sydney (1999). Many operators were meeting their costs and were able to draw a wage; however, the low profits did not allow for capital improvements. This means that few facilities would have the financial capacity to meet new regulatory requirements. The report states that 'the decline in the number of businesses is believed to be a natural market adjustment to the poor risk return trade off identified within the industry' (Price Waterhouse Coopers, 1998).

National Shelter (2000) has suggested that decline in the traditional family run business is affecting viability and the decline of stock. Boarding houses were traditionally run by families; they were labour intensive. The viability of the business relied on the unpaid labour of family members. Older businesses were operated in a time when they were rarely made accountable for business standards and industry practices (HIDU, N.D.), unlike today.

Awareness of Rebates and Grants

The discussion in the following chapter will outline a number of schemes that offer boarding house operators in New South Wales and Queensland grants or rebates. Tasmania does not currently offer grants or rebates to boarding house operators. These are designed to alleviate some of the costs of providing and improving low cost accommodation and would appear to be very attractive. For example, in Queensland boarding house operators are eligible for a principal and interest loan of up to \$140,000, fixed at 4 percent for the term of the loan. However, in New South Wales, the take up rate appears to be quite small relative to the number of operators who would be eligible. It is estimated that in 2002 the NSW Department of Planning received 120 enquiries about the scheme but only 32 applications have been received (Greenhalgh

et al, 2003). It would normally be assumed that operators are not aware of the schemes, but research by HIDU (N.D.) suggests that low levels of take-up relate more to ambivalence by operators about remaining in the industry.

The Queensland Government recently introduced the *Residential Services (Accreditation) Act (2002)*. Included in this reform package is a grants and loans scheme to assist operators to conduct works on their dwelling to meet the new building standards. It will be of interest to see whether operators take up this opportunity or consider the new regulations as a chance to exit the industry.

Research undertaken for the Queensland Department of Housing to determine uptake of an affordable loan package to meet minimum standards found that there was support for a loans package by operators, but only in principle (The Wright Consultancy Qld Pty Ltd, 2002). Many operators suggest that they would not take up the loan because:

- they are more concerned with the recurrent costs of running the business; and
- they felt the funds would be better used in providing technical advice, to undertake capital improvements, and providing support for residents' needs.

Thus the issue is not so much the funding itself but whether the assistance is being properly targeted to meet the needs of operators.

2.2.3 *Changing Profile of Owners*

Boarding house stock needs to be considered within the context of the broader private rental market. Generally the Australian market is less sophisticated and less professionalised than the industry in the United States or Europe (Berry, 2000). There is very little large-scale institutional investment in residential property in contrast to, for example, the UK, the Netherlands or Switzerland (Hoesli & Hamelink, 1997). Many residential properties are not managed by professional rental agents but rather by the individual landlords. Paris (1984: 1082-1083) differentiated amongst landlords who were:

- Temporary landlords
- Individual investor landlords
- Corporate investor landlords;
- Owner-manager landlords;
- Institutional landlords; and
- Informal landlords.

In this way he could distinguish amongst the motivations for investing in the private rental market.

A similar differentiation can be applied specifically to boarding house operators. Previous studies of boarding houses in Melbourne (Jope, 2000; Downey, 1984; CURA, 1979) have identified an industry dominated by family businesses. Older proprietors, those who have been in the industry for over thirty years, have often inherited the properties from their parents. In some cases they bought the properties when they migrated to Australia. Those that are relatively new to the industry provide comparatively higher quality accommodation and purchase the dwelling as an investment. The industry overall is mainly comprised of individuals and families with comparatively small numbers of properties (Greenhalgh *et al.*, 2003). Just over half have other property interests in other forms of rental accommodation.

The phenomenon of inheritance and family business ownership is as important in the boarding house industry as it is in the wider private rental market. Recent research has shown that only 30 per cent of people sell an inherited property within one year of inheritance (O'Dwyer, 1999). Inherited properties are a significant proportion of private

rental dwellings. As older operators currently own many boarding houses, the question is what will happen to the stock if it is bequeathed to children.

The Inner Urban Rooming House Project (Beverly Klinger and Associates, 2003) found that there are four types of rooming house operators in Melbourne (See Table 4).

Table 4: Boarding House Operators

Long-term operators	Established boarding house 20 or more years ago The owner is ageing, but it is the only business they know Owner having problems managing current regulations Owner-managed premises
Unintended landlord	Did not set out to be a boarding house operator Facility established and operated by parent Children now operating the business on behalf of aged parent or as an inheriting owner
Professional commercial operator	Bought existing leasehold (some freehold) of a boarding house and upgrading premises and business Does not live on the site Some operate/own more than one boarding house
Professional commercial or social operator	Establish new boarding house Own freehold or leasehold Understand the business, and have both commercial and social commitment

Older operators, and the unintended operators, will have serious difficulties in coming to terms with the changing regulatory environment. But more importantly they may be unable to deal with the implications of the changing tenant profile of boarding houses, particularly where tenants may have high levels of special needs (see following section). The combination may be enough to lead to operators exiting the industry.

The major issue facing boarding house operators is the dilemma of continuing to run a marginal business or to sell the property to realise substantial capital gains. The combination of increasing land values, rising insurance premiums, increased regulation and factors affecting the viability of business make the redevelopment or conversion of boarding houses an attractive option. The factors presented above cannot be considered in isolation. Insurance premiums affect viability, as do the costs of compliance. However, the greatest threat to the boarding house industry is the value of the land on which the premises are situated in relation to the return generated. But this is only part of the story. Problems for the overall viability of the boarding house industry arise from its management and operating structure, particularly when small scale and ageing operators are faced with an increasing complex operating environment and have to deal with increasing numbers of tenants with high levels of special needs.

2.3 Changing Role of Boarding Houses

Boarding houses traditionally provided accommodation for single men who were employed in the nearby inner-city industrial workplaces or for newly arrived migrants who were trying to find their way in their new environment. The premises were respectable family run businesses, and in some instances were businesses passed down through the family. However, over the last thirty years boarding houses have become home for a large group of marginal and vulnerable people and people with high needs, including psychiatric illness and substance abuse (Burdekin 1994). The changing role of boarding houses is one issue that is thought to significantly impact on operators of boarding houses and influence their decision to leave the industry. It is an issue worth examining on its own.

2.3.1 *Boarding Houses and Homelessness*

Boarding houses form one component of low cost housing stock. They are also included within the spectrum of homelessness. Boarding houses represent the interface between homelessness and low cost housing, as boarding house residents are said to be experiencing secondary or tertiary homelessness (Chamberlain, 1999). This is because boarding houses have precarious tenure and they are viewed as falling below the minimum community housing standard. However, some residents of boarding houses may not consider themselves 'homeless' and consider the boarding house to be their 'home'. To gain a greater understanding of the role of boarding houses it is worth briefly examining the profile of the residents who live in them.

In 1996, there were 23, 300 boarding house residents in Australia on census night. Of these residents 81 per cent reported that they were 'at home' (Chamberlain, 1999: 19). Further analysis of these statistics by Chamberlain estimates the number of households in boarding houses on census night as 21,157 (1999)⁵. It is expected that this is an underestimation of the number of residents and households.

Boarding house residents comprise 22 per cent of the total 'homeless' population nationally. They are also the second largest 'homeless' group, with the majority of homeless people staying temporarily with other families (46 per cent). Table 5 shows the proportion of boarding house residents as proportion of total homeless people in each of the States included in the study.

⁵ This estimate is derived from the data on boarding house residents marital status (2 548 stated that they were married) and the number of children aged 14 or younger (868). It is then assumed that these people were either with their spouse, and the children were with accompanying parent(s). For further explanation see Chamberlain (2000: 27-28).

Table 5: Percentage of Homeless People in Different Sectors of the Population

	Boarding house	SAAP	Friends/ relatives	Improvised dwelling	
QLD (n=25 649)	23	9	49	19	100
NSW (n=29 608)	29	11	47	13	100
TAS (n=2 014)	16	19	53	12	100
SA (n=6 837)	19	22	48	11	100
VIC (n=17 840)	26	19	48	7	100
WA (n=12 252)	16	11	53	20	100
ACT (n=1 198)	6	40	54	*	100
NT (n=9 906)	9	2	18	71	100

*Less than 0.5 percent

Source: Chamberlain, 1999

It can be seen that in the case of Queensland and New South Wales that boarding houses accommodate a significant proportion of homeless people, but less so in Tasmania. While the boarding house sector is much smaller in Tasmania than the other states it does not mean that the industry is any less an important; it still accommodates approximately 322 people who may otherwise be 'sleeping rough'.

2.3.2 Boarding House Residents

What is also of importance is whom the boarding house sector is accommodating. Boarding houses are traditionally thought to accommodate older single men. While the residential profile is still overwhelmingly single males, there are growing proportions of women, younger people and people from non-English speaking backgrounds in boarding houses (Chamberlain, 1999; Davidson *et al.*, 1998). Recent research undertaken in South Australia found that residents were predominantly male (92%), single (or divorced 80%), aged between 35-44 years (40%) and on benefits (74%) (Anderson *et al.*, 2003).

Perth Inner City Housing Association (City Housing) manages six premises (84 beds). City Housing collects data on lodgers that shows an emerging trend of younger residents (52% are in 30-49 age bracket) staying longer (48% staying more than six months) (Shelter WA, 2000). This contrasts with the traditional profile of older men in transitory accommodation (Shelter, 2000). There are no lodging houses for single women (Community Organisations, 2000).

This changing profile is also reflected in the 1994 ABS profile of boarding house residents in Sydney and Melbourne. This survey of 287 residents represents the largest survey of boarding house residents⁶. While there are some concerns about the quality of the data⁷, it does provide an estimate of characteristics of boarders.⁸ Table 6 outlines selected characteristics of boarding house residents.

⁶ A boarding house was restricted to those that accommodate 15 or more occupants. Only residents aged 15 years or over were included.

⁷ Some of the problems include a lack of sound framework for the collection of data because there are no comprehensive lists of boarding houses and many establishments having closed. Secondly, there was a poor response rate (ABS, 1995).

Table 6: Selected Characteristics of Boarding House Residents, Sydney and Melbourne, 1994

	Sydney (%)	Melbourne (%)
Age		
15-44 years	48.2	45.1
45 years and older	51.8	54.9
Sex		
Male	74.2	85.9
Female	25.8	14.1
Country of birth		
Australia	61.8	63.7
Other	38.2	36.3
Type of last dwelling		
Another boarding house	22.0	22.1
A private dwelling	49.3	46.1
Other	10.4	5.3
Lived in current boarding house for more than 5 years	18.2	26.5
Total weekly income		
Less than \$180	44.1	38.1
\$180 or over	55.9	61.9
Weekly housing costs		
Less than \$80	26.3	72.9
\$80 or more	67.2	21.9
Not known	6.5	5.3
Time in current boarding house		
Less than one year	43.8	45.1
One year or more	55.5	52.2
Not known	0.6	2.6

Source: ABS, 1995.

These figures present an interesting profile of boarding house residents. It can be seen that there are significant proportions of people born outside of Australia, large proportions of younger residents (under the age of 45) and, in the case of Sydney, almost a quarter of the residents are women.

From these figures, boarding houses are not only housing for transient people. Boarding houses provide long term accommodation, either within a specific boarding house or within the sector. Almost half the residents have lived in their dwelling for more than five years, or residents have moved from another boarding house. Mobility is aligned with age, with older residents more likely to have lived for longer periods in the dwelling or sector. Thus the decline of boarding houses should be seen in terms of loss of 'home' for some residents. There are, however, significant proportions of residents who were previously in a private dwelling, and have lived in a boarding house for less than one year. These are usually younger residents. Thus, boarding houses provide accommodation for a range of residents with varying needs. Davis (2002a) reports that the of the 458 tenancies managed by the Yarra Community Housing organisation over 56 percent have been in the boarding house for more than a year. However, this does mean that 44 percent have been living in the facility for less than 12 months. In fact, one-fifth of their total residents have been in the boarding house for less than three months.

⁸ As this discussion is derived from the ABS outputs, it relies on the ABS analysis which is only available as percentages.

The ABS survey found that just over half of the residents receive rent assistance (55 per cent), and for 65 per cent of residents their main source of income is government payments. The dominant government payment is Newstart/Unemployment, followed by the Disability Support Pension. This is reflected in the lower incomes of the residents.

The Queensland Department of Housing's analysis of Centrelink benefits and boarding house residents found that the average income of residents was \$191 per week. These low incomes are because of reliance on government benefits, particularly unemployment and disability benefits. In Queensland, 40 per cent of residents received unemployment benefits, another 40 per cent disability benefits, 16 per cent aged benefits and 4 per cent youth allowance (Waite, 2002).

The boarding house residents in Queensland were found to have been in receipt of benefits for much longer periods than the general population, particularly for disability and age pension recipients. The average duration for those on disability benefits is 7.9 years, and 9.3 years for those on the aged pension. It was found that 82 per cent of these residents were paying less than 30 per cent of their income in rent, which would be 'affordable'. According to Queensland Housing '[t]his compares favourably with overall single Centrelink recipients without children and renting in the private sector, with only 51% finding their accommodation affordable' (2002).

A profile of boarding house residents needs to extend beyond a typical socio-economic profile. It is well documented that boarding house residents have greater proportions of disabilities. The role of boarding houses as providers of housing for those with psychiatric illness was a particular focus of the Burdekin Inquiry into Human Rights and Mental Illness (HREOC, 1993). This reflects the higher incidence of mental disorders amongst homeless people generally. A study undertaken of homeless people⁹ in 1998 in the Sydney inner city found that 75 per cent of homeless people have at least one mental disorder in the last twelve months¹⁰. Homeless people have high incidences of these disorders compared to the general population. For example, 29 per cent of all homeless people have schizophrenia compared with 1 per cent in the general community (Hodder, Teesson, & Buhrich, 1998). As well as higher incidences of mental disorders, homeless people have also experienced at least one major trauma event in their life. This includes severe physical assault, indecent assault or rape. There are high levels of chronic illness amongst the homeless and many people with problems of cognitive impairment.

Boarding house operators are faced with the burden of meeting the high needs of their residents. In many cases, operators were and still are ill equipped to do so, and are often criticised for failing to meet obligations of care. It is believed that some operators are exiting the industry because of this issue.

2.4 Policy Relevance

The loss of private-for-profit boarding house stock is an important policy issue. It is also, obviously, important to the residents who live in them.

2.4.1 *Loss of Boarding Houses and the Low Cost Private Rental Market*

The decline of boarding houses needs to be viewed within the broader context of the loss of lower cost private rental accommodation. Research by Wulff and Yates (2000) found that between 1986 and 1996 there were significant trends in the nation's private rental sector. In this period, the national private rental stock increased by 34 per cent. However, this growth was found to have occurred in the higher end of the market. The proportion of housing stock in the low end of the market declined 28 per cent between 1986 and 1996 (Yates and Wulff, 2000). This decline is occurring in both relative and

⁹ The study included 160 men and 50 women, and included people sleeping rough, residents of hostels and boarding houses.

¹⁰ A mental disorder is defined as including schizophrenia, alcohol use disorders, drug disorders and mood and anxiety disorders.

absolute terms. The result of the decline is the mismatch of housing to income, particularly as during this period there was a 70 per cent growth of those with low incomes¹¹ in the private rental sector between 1986 and 1996, and a 73 per cent increase in those with low-moderate incomes.

The national statistics mask some alarming State based trends. Specifically, Sydney has had a decline of low cost housing of 61 per cent. Brisbane and Hobart's decline are less than the national average, at 17 and 21 per cent respectively. There are also significant declines in the non-metropolitan areas of each State. Brisbane and Hobart have experienced substantial increases of low income households of 84 and 89 per cent, and Sydney of almost 30 percent.

Further research in Brisbane has found that between 1996 and 1999 there has been a tendency towards a further loss of lower cost stock (Seelig, 1999). This trend was found to be more pronounced within the inner suburbs of Brisbane, where large proportions of boarding house stock are located. Cameron (2002) found that in Hobart the occupancy rate in the private rental market has increased from 91% in October 1999 to 97.5% in August 2002 – the highest rate in Australia. The demand for public housing has also increased dramatically and Cameron reports a 74% increase in the number of households on the waiting list between June 1999 and June 2002.

Similar trends are being exhibited in the boarding house industry. Despite stock losses, demand for boarding house style accommodation has increased. Both Davidson *et al.* (1998) and the ABS (1995) found that the demand for boarding houses is coming from residents displaced by boarding house closure and from residents who had previously rented in the private rental market. Modelling by Price Waterhouse Coopers for HIDU in Queensland indicates that demand for boarding house accommodation will exist for many years (1998). It is expected that with current population and housing trends, as well as de-institutionalisation as many as 6000-7000 people could require boarding house style accommodation in Queensland alone between 1996 and 2011. A recent AHURI project on deinstitutionalisation found it 100 percent of all residents in institutional care in New South Wales could be expected to leave care (See Bostock *et al.*, 2001). This is an increase occurring in the face of a decline in the supply of marginal and low cost accommodation.

2.4.2 *Crisis Accommodation*

Boarding houses are also used as crisis accommodation. Agencies that rely on boarding houses to immediately house people are finding that options are limited and vacancies are difficult to obtain (Proudley and Wylie, 2001). The loss of boarding houses creates two problems for the crisis sector. First, there are fewer options available for crisis housing. Second, the decline of boarding houses creates further demand for crisis accommodation. It is suggested that the decline of boarding house accommodation has resulted in families seeking accommodation in caravan parks (Proudley and Wylie, 2001). Caravan parks are seen to be less favourable as an emergency housing than boarding houses, as they are normally located outside the city centres, so households have to move out of the area and find it difficult to re-engage with their support services and networks. Regardless of whether a boarding house is considered an appropriate form of accommodation for people presenting as homeless, it has to be acknowledged that boarding houses fulfil a vital role in the housing system for low income people, both in the long term and crisis sectors.

¹¹ Low is considered to be a 1996 weekly income between \$0-299 and a low-moderate income is a weekly income between \$300-499 (Yates and Wulff, 2000).

The decline of boarding houses is creating greater demand for some services. Adkins *et al.* found that long term residents of boarding houses are becoming displaced and reliant on services. For example:

‘And there used to be quite a lot of rooming houses in the city so that was an option for our client group that some of them provided meals and the utilities were included in the cost. So if you weren’t great with budgeting and paying bills and things [you just paid your rent]. But because of prime locations of those rooming houses...now those place are all being brought up by developers and being turned into swanky apartments...All of a sudden these people who may have been living in these rooming houses for years and they had actually been quite stable in their accommodation [are presenting at the service].’

(Adkins *et al.*, 2003)

2.4.3 *Exiting SAAP*

Boarding houses are also used by some clients exiting the Supported Accommodation Assistance Program (SAAP). Approximately four per cent of SAAP clients exit the service into a boarding house (Chamberlain, 1999). While these clients essentially remain ‘homeless’, it demonstrates that boarding houses fulfil an important role for not only individuals but also for some services.

The result of this is low cost stock, particularly boarding houses, and this is of fundamental significance to any State housing authority and any agency involved in human service delivery and support. The loss of boarding houses impacts on a private rental sector which struggles to house low income households, and creates greater strain on already stretched crisis services. This impact is recognised by government.

For example, the impetus by a number of government agencies for the Inner Urban Rooming House Strategy in Melbourne was the recognition of the important contribution of this (i.e. rooming house) sector. A specific concern was that a continued decline of rooming houses in the inner suburbs of Melbourne would create further demand for crisis, transitional and public housing, and increase pressure on health and other homeless services. This is also recognised by the Queensland State Housing Minister who stated during the Second Reading of the Residential Services (Accommodation) Bill that it was ‘...vital to the housing of vulnerable people...’ and that the ‘...government cannot afford to replace ...the for profit industry’ (Schwarten, 2001).

2.5 **International Perspectives on Boarding Houses**

A serious issue in identifying government policy in relation to boarding houses in other countries is the plethora of names used to label this kind of accommodation.

Fundamentally the kind of accommodation being explored is that which provides low-cost, single room, rented accommodation for a number of people, and which has some shared facilities. Various names are used for these, including flophouses, fleabag hotels, slum hotels, welfare hotels, single-room-occupancies, single-room-occupancy tenements, single-room-occupancy hotels (which may include a pub or lounge in the building), hostels, bed and breakfasts, bedsits, houses in multiple occupancy, rooming houses, board and care home, as well as boarding houses. Each of these terms describes a slightly different physical and institutional housing situation; but more importantly each can have a different set of social implications attached to it.

In addition, the policy structures in different countries deal with boarding houses in different ways. The common element is that they are seen to provide a critical housing choice for (normally single) people on very low incomes, or who rely on government or other welfare payments. Often this is linked to mental illness, or to physical disability, or to both (Shepard, 1997). However, responses differ because they may be through national or federal government initiatives (such as funding programs and tax

concessions in the United States), through local state or regional government (such as tax-exempt bonds), through joint initiatives with community organisations, or through special agencies that deal with housing issues of some kind (such as the Canada Mortgage and Housing Corporation).

This section does not pretend to provide a comprehensive analysis of public policy in relation to boarding houses around the world. It identifies several examples that seem to represent good practice and which can therefore provide lessons for policy-makers in Australia. Most of the policies we were able to identify were focused on ways of adding to the existing boarding house stock rather than supporting current owners and managers. They were often associated with policies intended to move people out of homelessness rather than being about keeping existing residents out of homelessness.

An example of a policy intended to move people away from homelessness is that in the UK. There the national government has a Bed and Breakfast Unit within the Social Exclusion Unit of the Office of the Deputy Prime Minister. Its focus is on trying to reduce the use of bed and breakfast hotels by homeless families with children. The pressure to use them for temporary accommodation is most prevalent in London, but is increasing wherever there is a high housing demand and shortages of social housing (Jerome et al, 2003: 11). Under the *Homelessness Act 2002* local authorities are required to provide temporary accommodation for as long as it takes a homeless household to find a home, so there is likely to be a continuing need for bed and breakfast accommodation for low-income households.

In the United States the loss of single room occupancies (SROs) is well documented (eg Rollinson, 1991). There is some support for provision of private low-income housing such as single-room occupancies through the use of tax credits. Bennett and Bible (1988) worked through a case study that showed rehabilitation and conversion of an old hotel into SRO provided 'attractive' net present value and internal rate of return, with or without tax credits. The SRO in the case study provided shared kitchen and bathroom facilities, but individual sleeping units and lavatory facilities. At that time the Department of Housing and Urban Development's Moderate Rehabilitation SRO Dwellings (Continuum of Care) program provided funds for developers who met certain maximum income requirements and recertified annually. The funds, made available through the *Federal Homeless Assistance Act 1987* provide rental subsidy payments directly to the building owner.

It is interesting that some localities have, in the past, actively discouraged SROs. Crystal and Beck (1992: 684) cite a New York Deputy Mayor in 1965 saying that 'The SRO should not be accepted as lawful housing for any segment of our citizenry'. This was accompanied by public policies that effectively prevented the subdivision of apartments into SROs. SROs were then lost by conversion to apartments. The reversal or abandonment of such policies came only after the impacts of displacement of the population became serious and visible. New York City then changed its policy to provide loans to non-profit agencies to create new SROs (Anonymous, 1996). The city in 1996 had 10,500 beds in 'supported SROs' and around 35,000 private rooms. Many of these are provided in buildings that include space for local low-income working people as well as the needy (Anonymous, 1996).

The main activity in provision of new SROs is at the city and state levels. An example is the recent construction of a new SRO hotel in Las Vegas targeted at service workers making less than \$US22, 000 a year (Pearson, 2002: 150). This project took 'advantage of a city/state program that uses tax-exempt bonds to provide low-interest financing and federal low-income housing tax credits'. The Downtown Housing Preservation Partnership, established in 1989 in Portland, Oregon, also has used innovative partnership and financing arrangements to reclaim and rehabilitate SRO hotels (Lenhart, 1994). Similar projects can be found in Boston and Chicago (Davis, 2002b).

The Canada Mortgage and Housing Corporation has a Residential Rehabilitation Assistance Program (RRAP) that offers repair assistance to owners of various forms of housing that rent to low-income individuals, including conversion of non-residential buildings and including boarding houses. The assistance is 'a fully forgivable loan of up to 100 percent of the cost of mandatory repairs up to the maximum loan available'. The maximum varies according to the area of the country concerned. In the southern, main urban areas it is up to \$C12, 000. The mandatory repairs are those needed to bring the boarding house up to minimum levels of health and safety (CMHC 2003). Similar programs are provided jointly by the Canadian and provincial governments in some areas of the country. The various RRAPs had an annual budget of \$C50 million; in 1999 the Canadian government provided enhanced funding of almost \$C90 million extra for three years as part of its homelessness initiatives. Most RRAP programs are administered at the municipal level. For example, the City of Toronto, in June 1999, anticipated approving funds for 39 projects containing 693 rooms and 273 self-contained apartments (Davis, 2002b).

Vancouver also has a number of projects where the City and the province are working to develop or rehabilitate SRO units (Davis, 2002b).

Some important general issues emerge even from this brief overview. The first is that there are few programs that actively support the owners and managers of existing boarding houses. Programs tend to focus on ways of building or converting new boarding houses or SRO stock. An exception is the Canadian program helping existing owners bring their buildings up to minimum health and safety requirements.

In both the United States and Canada there is concern about the impacts of local building and safety regulations on the ability of private developers to provide boarding house accommodation. Some cities, such as San Diego, have experimented with modifying zoning and building requirements to allow parking reductions, classifying buildings as commercial rather than residential, reducing sewerage and water connection fees, and finding innovative ways of achieving safety standards with new construction techniques (Davis, 2002b).

Normally programs supporting boarding house provision are a component of wider programs dealing with low-cost housing of a range of types, or are associated with programs to assist the aged or people with disabilities or as a component of mental health support programs. This reinforces the fact that boarding houses often provide accommodation for people with special needs.

As is the case with many other programs supporting housing for low-income people, boarding house support programs tend to rely on partnerships with community and not-for-profit. Special arrangements, including forgivable loans, tax credits and the like, have to be put in place to support private sector development of boarding house-type facilities.

2.6 Summary

This review of previous research on boarding houses has pointed to some important issues that will shape this research project. It can be seen that there are number of gaps in current knowledge of boarding houses. In particular, there is very little accurate information about stock quantity and the true nature of the levels of decline. Alternatively, there is little knowledge about whether there have been increases in stock. There is also a number of broad assumptions about the boarding house industry including the impact of increased regulations on supply, the viability of the industry and the true nature of increased insurance premiums and the impact this may have on the industry.

Secondly, there are many reasons for decline, ranging from urban land use pressure to taxation. However, many of these issues are not based on rigorous research rather assumptions and speculation. Third, the boarding house sector is experiencing immense changes. Proprietors who were running a family business are now becoming too old to continue and it remains to be seen whether their children will continue. Also, the resident profile of boarding houses is changing immensely from single, older men to including more women, younger people and people from non-English speaking backgrounds.

The decline of boarding houses is a critical issue for government. The low cost end of the private rental market is already contracting and questions are being asked about the capacity of the private market to house vulnerable residents. A continued decline of boarding houses has the potential to increase demand on housing programs and homelessness services.

To counteract this, a number of governments have introduced strategies to reduce the decline of boarding houses. These are examined further in Chapter 3.

3 CURRENT RESPONSES TO BOARDING HOUSE DECLINE

This chapter will provide an overview of the current programs to retain boarding house stock in Queensland, New South Wales and Tasmania. This review of the programs will go some way in answering the key research questions. It will also identify gaps in current knowledge of these programs and provide the framework for further investigation. An outline of each program will be given, beginning with its description and purpose, target groups and history. Where possible the uptake, costs and impacts of these programs will be discussed.

The programs and policies that are discussed here are those explicitly targeted towards boarding house retention. It is acknowledged that there are broader planning based strategies that aim to retain affordable housing. For information about these systems, specifically Queensland and New South Wales, see Gurrans (2003: 33-41). Gurrans's final report outlines the broader planning system in relating to housing and local governments in these states, specifically the planning framework which impacts on affordable housing provision. This includes State Planning Policies and metropolitan planning strategies.

The Chapter will commence with the three States to be studied further, followed by the remaining States and Territories. In some instances it has been very difficult to obtain current information on boarding houses strategies across the nation.

3.1 Queensland

3.1.1 *State Government Initiatives.*

Proposed State Planning Policy (Affordable Housing and Residential Development)

The Queensland Department of Housing is currently formulating a State Planning Policy for Housing and Residential Development. The Department of Housing has recognised that the promotion of planning policy based on an assessment of the community's housing needs will support housing diversity and thereby housing affordability. The Department is not proposing to act as a 'concurrence agency' under this State Planning Policy; this means that the Department will not take on a development assessment role that would directly influence local government decision making on boarding houses.

A State Planning Policy on housing and residential development has been identified by the Queensland Department of Housing as a vehicle for promoting housing diversity and, to the extent that it able, for addressing the significant reduction in the levels of low cost private rental stock experienced in many areas (See Wulff and Yates, 1998). The Department also recognises that the private sector is finding it difficult to the meet the housing needs of low-income households. As mentioned in Chapter 2, boarding houses are included within the equation of loss of low rental stock.

If adopted this policy will be given effect through local government planning schemes and decisions on development applications. While this policy does not explicitly address boarding house decline, it recognises that the planning system can play a part in influencing decline (and in promoting and encouraging new supply of affordable housing generally). Ways in which it may address decline are through impact mitigation measures, strategies that have been used by other local governments in Australia.

Residential Services (Accreditation) Act (2002)

Queensland has recently undergone a major reform of the policies and programs in relation to boarding houses. These reforms are the result of long running research and consultation by the previous Hostel Industry Development Unit (HIDU). HIDU was developed to facilitate an industry development strategy in collaboration with industry and consumer groups as a result of an Interdepartmental Working Party on Boarding Houses.

In August 2002 two important pieces of legislation were enacted; the *Residential Services (Accreditation) Act 2002* and the *Residential Services (Accommodation) Act 2002*. Put simply, the '*Accreditation Act*' is concerned with the standards of the dwelling, and the '*Accommodation Act*' with tenancy rights and responsibilities. The tenancy component of the reform package is important as it, for the first time, provides rules for renting in boarding houses for both operators and residents. However, it is not applicable to the discussion here, as it does not contribute to the retention of boarding houses. However, it may arise as an issue later in the research.

Under the Act there are three levels of residential services (See Table 7).

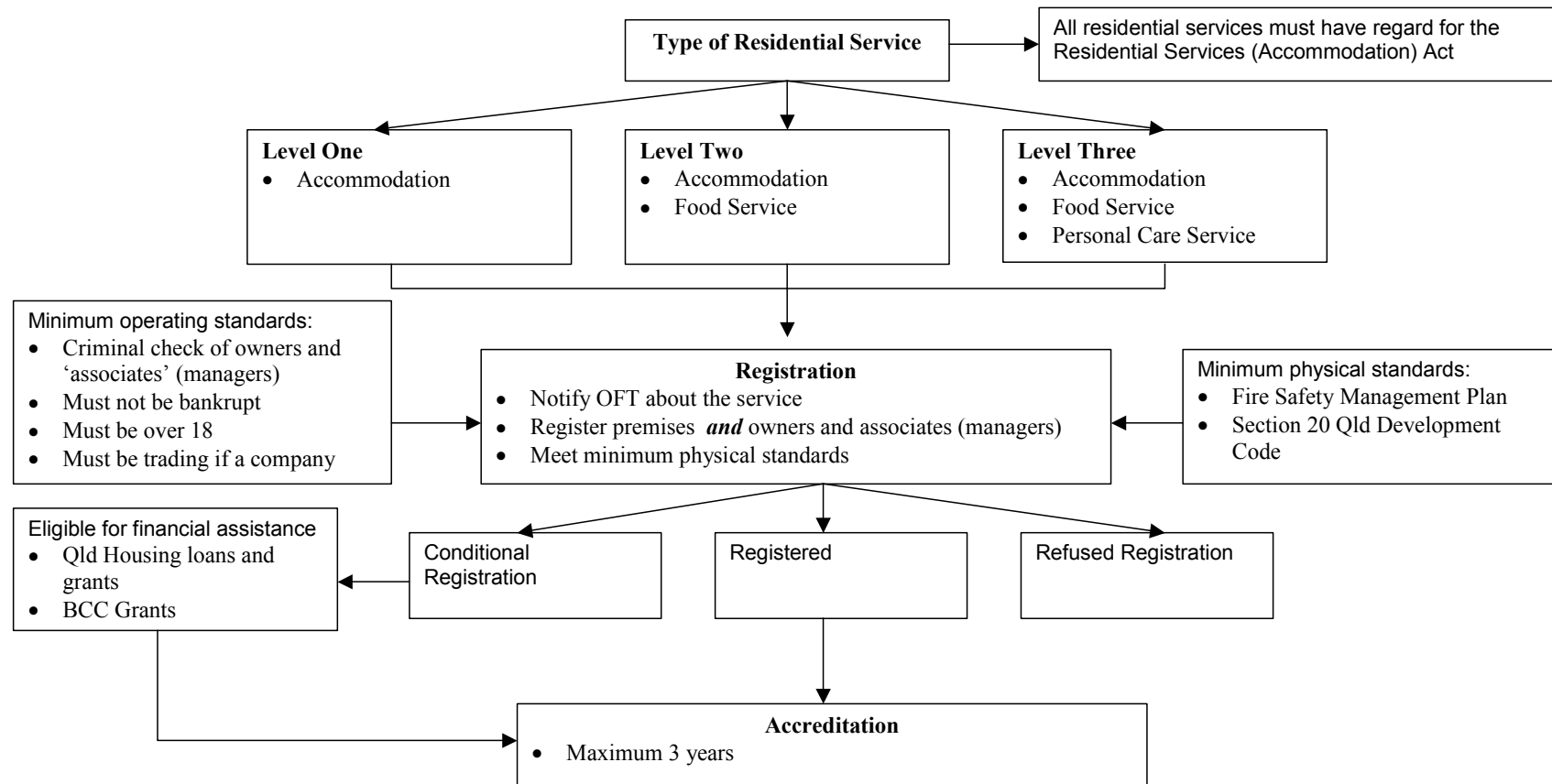
Table 7: Levels of Residential Services in Queensland

Level One Accommodation Service	All service providers will require this level of accreditation. Accreditation will include standards relating to tenancy law (<i>Residential Services (Accommodation) Act</i>), standards relating to building and amenities, and standing relating to management and staffing. A typical example is a boarding house, which usually provides accommodation only.
Level Two Food Service	This level will apply to services that provide meals to residents. A typical example is an private rental facility for the aged that provides both accommodation and meal for residents, but no personal support.
Level Three Personal Care Services	The level will apply to providers of personal support services. A typical example is supported accommodation that provides accommodation, meals and assists residents with medication, clothing and hygiene management and financial support.

(Source: *Residential Services (Accreditation) Act, 2002*)

There are a number of other pieces of legislation and regulations that are attached to the *Residential Services (Accreditation) Act 2000*. These additional components go some way to retaining boarding house stock, albeit in the form of providing 'compensation' or 'incentives' for operators to upgrade their facilities. Figure 3 demonstrates the connectivity between the regulations and legislation.

Figure 3: Residential Services (Accreditation) Act 2003 and Boarding House Strategies



There is a four-year rolling implementation of the *Residential Standards (Accreditation) Act (2002)*. Existing boarding house style accommodation will need to be registered by August 2004 and accredited by August 2006. Premises that begin operating after the 23rd August 2002 have to register immediately and be accredited within six months of registration.

The rationale behind this type of implementation process is that those who live in supported accommodation are more vulnerable and require immediate protection, thus the *Residential Services (Accommodation) Act (2002)* is effective immediately.

Another important legislative change relates to the *Building and Other Legislative Amendments Act 2002* which took effect in July 2002, to ensure the safe evacuation of occupants if a fire occurs in a budget accommodation building. The new legislation requires all budget accommodation buildings (including boarding houses with six or more occupants) built, approved or for which an application was made prior to 1 January 1992, to comply with the prescribed Fire Safety Standard. The legislation requires the installation of early warning and emergency lighting by 30 June 2003 and a further two years is available to achieve compliance with the other provisions of the Standard. Owners and occupiers of all existing budget accommodation buildings are also required to prepare and implement a Fire Safety Management Plan by 30 June 2003.

There are many elements to the legislation; however, it is only pertinent to cover the aspects of legislation that relate to ameliorating boarding house decline. Thus the following discussion will focus on the financial assistance packages available to operators and also the protocol for closure of boarding houses.

Conditional Registration¹²

If premises do not meet all the requirements of registration they may be conditionally registered. However, this will only occur if the premises are safe, that is, they may require some building work but no fire safety work. Financial assistance is available to operators who have been given conditional registration.

Financial Assistance

There are currently two forms of financial assistance available to operators. These are the Department of Housing's Residential Services Industry Building and Fire Safety Improvements Conditional Grant Scheme, and Brisbane City Council's Private Boarding House Support Program. The grants administered by BCC will be discussed later in this chapter.

The financial assistance available from the Queensland Department of Housing is outlined below. It is to assist eligible applicants with costs associated with the capital works and improvements needed to comply with the new standards. There are two schemes; a conditional grant, and a principal and interest loan. The main criteria to be eligible are that applicants must be an existing operator and must have been given conditional approval by the Office of Fair Trading. Table 8 below sets out the terms and conditions for assistance.

¹² Registration is not limited to the physical dwelling. The owners and 'associates', such as managers, of the premises must also be registered. This is to determine if they are 'suitable'; they must be over 18, not bankrupt and have a criminal history check. If the operator is a company, then it must be solvent with no deeds of arrangement.

Table 8. Queensland Department of Housing Financial Assistance Terms and Conditions

Terms and Conditions		
	Conditional Grant	Principal and Interest Loan
Minimum and maximum amounts	<p>Up to \$350 per resident, based on the maximum number of residents who can be accommodated in the residential service (capped at the cost of any building and/or fire safety work required).</p> <p>If the grant funding is insufficient to complete the capital repairs and improvements required, then no grant funding will be provided unless there is a demonstrated ability to fund the balance of the costs from other sources.</p>	<p>Minimum loan is \$10,000.</p> <p>Maximum loan is \$140,000. The Department may consider variations to the maximum limit in certain circumstances.</p>
Application fees	Nil	Application fee (approximately \$468 per application)
Terms of repayment	<p>Applicants for the conditional grant must be willing to enter into a legal agreement with the Department of Housing that they will maintain the premises as registered premises for the registered service for three years following the receipt of the first advance of grant funds. The grant will be repayable on a pro-rata basis if the premises are sold or change use within this three year period where the changed use results in the premises no longer being registered under the <i>Residential Services (Accreditation) Act 2002</i>.</p>	<p>Monthly repayments of principal and interest to a maximum term of 10 years. The Loan must immediately be repaid if the premises are sold or change use, where the changed use results in the premises no longer being registered under the <i>Residential Services (Accreditation) Act 2002</i>.</p>
Interest rate	Interest free	Interest is fixed at 4% per annum for the term of the loan providing the premises continue to be used as premises registered under the <i>Residential Services (Accreditation) Act 2002</i> , and while all terms of the loan continue to be met
Security	No security required	Mortgage over appropriate land and/or other assets. Additional security may be required if necessary.

Co-ordinated Response to Closure

Several State Government departments have been involved with implementing the Residential Services and Building and Other Legislative Amendments legislation, monitoring the impacts of the regulation and responding to industry closures. The Office of Fair Trading has primary responsibility for the registration and accreditation processes, while the Department of the Premier and Cabinet has carriage of coordinating a whole of government response to residential services closures. The Queensland Government Interagency Protocol has been developed to provide guidelines for government departments in addressing the relocation and support needs of residents displaced by facility closures. The four primary agencies involved in providing a closure response are the Department of Housing (the lead agency for closure responses), Department of Health, Disability Services Queensland and the Department of Families. Implementation of the protocol may also involve local

governments, Commonwealth Government agencies (eg Centrelink), industry and community stakeholders. The protocol requires the lead agency, the Department of Housing, upon learning of a closure, to activate a Central Officers Network, advising them of the closure and ensuring that liaison across departments occurs. A Local Response Team is convened, which works with local networks and contacts to ensure that a collaborative approach is taken, needs assessments of residents are undertaken if required, and residents rehousing and support needs are met (including transition support after re-housing if required). The protocol provides for a crisis or after hours response.

Under the *Residential Services (Accreditation) Act 2002*, all registered services must give the Office of Fair Trading 30 days notice of closure of the premises. The Office of Fair Trading will notify the Queensland Department of Housing who enact the protocol for closure of the facility¹³.

The legislation is currently going through transition and as a result, facilities are not yet required to give notice. Boarding houses operators will not be required to give notice until they are registered (August 2004).

The legislation does have the capacity to close facilities, however, this is only likely in circumstances where the health and/or safety of residents are at serious risk.

The Interagency Protocol has been enacted on several occasions already, for example to manage closures of facilities on fire safety grounds.

One of the concerns about the Residential Services package and the *Building and Other Legislative Amendments Act 2002* is that it may put some operators out of business. Some operators may find the process too onerous, despite the financial incentives, and prefer to realise capital gain. The agencies concerned have put considerable effort into publishing the changes and grants, as well as educating owners and managers. There is expected to be some closures, however, there is little empirical relationship between the introduction of regulations and loss of accommodation. This will be investigated further in the research.

Boarding House Program

The Queensland Boarding House Program is administered by Community Housing within the Queensland Department of Housing. The program was established in 1992/93 with the aim of assisting people on low incomes by providing community-managed boarding house accommodation. The program is targeted towards single, low-income people who are homeless or at risk of homelessness. Of specific concern are people who find it difficult to access the private rental market.

The program provides capital funds to construct, acquire and modify boarding houses. Funds are also used for furnishing the units and one off costs, such as disability modifications.

The facility is managed by a community housing organisation but the title to the property remains with the Department. The organisation is not directly funded by the Department, but can retain rent revenue to finance the management, operations and maintenance costs of the dwelling.

Since its inception the program's budget has changed from \$3m in 1992/93 to \$5.118m in 2002/03. However Table 9 demonstrates that this varied greatly with each financial year.

¹³ At the time of writing, the protocol has not been publicly available.

Table 9: Boarding House Program Funding Levels

Financial Year	Program Funding (\$M)
1992/93	3
1995/96	3.414
1996/97	11.6
1997/98	11.9
1998/99	8.105
1999/00	5
2000/01	8.007
2001/02	7.370
2002/03	5.118

(Source: Hill, 2003).

The program currently has 431 dwelling units that have either been purchased or purpose built. These are managed by eight organisations throughout the State (See Table 10).

Table 10: Management and Location of Boarding House Program Facilities

Organisation	Location	No. of Units
Access Community Housing	Cairns	40 units
Anglicare Central Queensland	Rockhampton	32 units
Boarding House Project Assoc.	Brisbane	176 units
Brisbane Boarders Assoc.	Brisbane	97 units
Bundaberg Housing Action Group	Bundaberg	24 units
Churches of Christ Care – Seachange	Gold Coast	18 units
Community Rent Scheme of Townsville	Townsville	14 units
Sunshine Coast Regional Housing Council	Nambour	30 units

(Source: Hill, 2003)

The location of boarding houses is determined through consultation with local communities and a needs analysis. It can be seen from Table 8 that there are currently boarding houses in the inner Brisbane suburbs, Cairns, Gold Coast, Townsville, Bundaberg, Nambour and Rockhampton. There are currently 25 units under construction at Ipswich and four projects planned in Sandgate, inner-Brisbane, Hervey Bay and Gladstone. This demonstrates that boarding house decline is not an issue only for metropolitan areas, but an issue for coastal and regional areas.

While being called a ‘boarding house program’ it is not only boarding house accommodation that is provided. The types of accommodation provided include one-bedroom self-contained units; self-contained bedsits and traditional bedrooms with shared facilities. Also, it is not a program that assists in reducing decline, but instead replaces boarding houses and makes this style of accommodation more available.

3.1.2 Qld Local Government Initiatives

Since the mid-1990’s, Brisbane City Council has actively worked to retain the city’s supply of boarding house accommodation as well as improve the living conditions of residents. This response is a result to the steady loss of boarding house rooms in the local authority over the last fifteen years.

BCC has historically used its Local Laws to set and enforce health and safety standards in certain forms of affordable housing, including multiple dwellings (flats, boarding houses, etc) and caravan parks. However, the introduction of State legislation (see previous discussion) has modified this role to one of auditing and compliance. The enforcement of these standards is crucial to ensuring a decent minimum standard of housing for people on low incomes. At the same time, it can have significant impacts on the viability of economically marginal housing. BCC strongly recognises the need to balance the safety and health needs of residents with the financial impacts, and find ways to ensure safety without causing greater housing stress through closures or substantial rent increases.

BCC has introduced a number of measures to address the loss of boarding house rooms, increase safety and quality of accommodation available to people on low incomes and to address reports of reduced industry viability. Some of these include:

- Funding of community housing sector to investigate issues and trends impacting upon boarding house sector in Brisbane (Seelig and Weddell 1996, Boarding House Action Group 1997);
- Reduction in local government rates payable by 40% (introduced in 1994);
- Grants to improve fire safety standards (discussed in detail below);
- Joint funding of a industry support position with Department of Housing to provide a one-stop-shop for financial assistance for boarding house and supported accommodation owners and operators;
- Advocating to the State Government on issues relating to industry viability such as access to insurance, impacts of registration and accreditation requirements;
- Provision of Fire Safety Management Plans (free of charge) to operators;
- Review and development of a new Planning Policy for Affordable Housing (inc. boarding houses);
- Support for community housing sector to explore new housing/management options;
- Piloting installation of water reduction and energy efficiency devices in boarding houses (impacting on operating costs);
- Development of a cross-agency database for Brisbane boarding houses and supported accommodation containing both State and local government information on closures, registration and compliance status, access to financial assistance etc; and
- Working with the private boarding house sector to develop a package of incentives for developers and operators of affordable housing.

Private Boarding House Support Program

Established by Council in 1999, the Private Boarding House Support Program provides financial assistance, which directly assist in meeting costs of upgrading fire safety in registered boarding houses and supported accommodation facilities in Brisbane.

This program provided for a maximum grant of up to \$200 per registered room to assist owners to carry out works in accordance with fire safety regulations and supported by a Fire Safety Management Plan. Grant amounts are calculated upon the number of registered rooms per premises, Council will reimburse applicants three quarters of the cost of completed works up to the maximum allocated. Operators can apply for both Queensland Government and Brisbane City Council assistance.

A maximum grant of \$10 000 per premises is available, with Council considering allocations of an amount above \$10,000 in exceptional circumstances. As a condition of the grants, owners are required to operate for a period of three years or are required to repay the grant in full.

Since the program opened in 1999, a total of 174 premises have applied for a Council grant, with \$755,800 being approved for fire safety improvements. Total amount claimed between 1999-2003 is \$302,503. (Council data as at 28 July 2003).

After an initial strong take-up rate in the grants, the industry was slow to apply. Strategies used to improve take-up rates included:

- Direct mail-out to owners/operators, work with industry rep. Bodies, newspaper advertisements
- Move away from a opening/closing dates to a program of rolling funding
- Simplification of eligibility criteria, application forms and other supporting documentation (response to industry sector)
- Individual support for applicants – from filling in forms, to reviewing 'potential' claim material, looking for flexibility in the program
- Consideration of exceptional circumstances
- Short-turn around times for assessment and payment

In 2003/2004 financial year, Brisbane City Council has committed \$295,000 for the continued support of the boarding house and supported accommodation sector. Brisbane City Council was the first and remains the only Council in Australia to provide direct grants to private boarding houses to keep them open.

3.1.3 Joint Initiatives

The Brisbane Housing Company

The Brisbane Housing Company is an independent, not-for-profit organisation that provides affordable housing in Brisbane. The BHC is jointly funded by the Queensland Government (through the Department of Housing) and the Brisbane City Council. Total funding is \$60m for the next four year; \$50m from the State Government and \$10m from BCC.

Its aim is to provide rental accommodation for low-income households in inner-city and near city areas. The BHC intends providing about one quarter of its housing as boarding houses, targeted at very low-income lone households. The company works in partnership with community groups and the private sector expects to establish up to 600 new dwellings over four years.

Although the BHC's initial funding came from the State government and the Brisbane City Council its structure is designed to maximise tenants' access to Commonwealth Rent Assistance payments, and its charitable status will enable it to receive charitable donations and private contributions, as well as minimising its GST liability. It is intended that the Company will develop a self-sustaining housing portfolio within four or so years. Its main sources of funds will be from market based rents (set at 25.1% discount market) or cash grants from the State and the BCC, from charitable contributions and voluntary developer contributions, and from borrowed funds leveraged against equity.

The BHC is overseen by a Board of Directors, the majority of whom are elected by 'community shareholders' (community organisations with an interest in affordable housing). The remaining members (and the independent Chair) are appointed by the 'ordinary shareholders', consisting of the Queensland Department of Housing and the Brisbane City Council. The company reports back to its shareholders regularly. Shareholders have an influence on tenancy policies, the business plan and so on. It is

likely that management of many of the BHC's boarding houses will be contracted out to suitable community organisations.

State Government-BCC Partnership

BCC has also worked proactively to secure a whole of government response to industry assistance for the boarding house sector. Together with the Queensland Department of Housing, BCC has established the Residential Services Industry Project. The objectives of the project are to:

1. To help sustain the supply and standards of boarding house and hostel accommodation in Brisbane; and,
2. To minimise the closures of these facilities and the potential for resident homelessness.

Initially funded for a twelve-month period until 31 December 2003, the project is focused upon:

- Provision of assistance and advice to individual owners/operators/managers of premises within Brisbane to successfully make the transition under new regulatory standards implemented by State Government, within legislated timeframes;
- Improve the awareness and take-up of available Council and State Government financial assistance; and
- Promoting the sector's understanding of Council and State Government regulations and accreditation systems.

In effect, through this project Council and the Queensland Government have created a one-stop-shop for financial assistance for Brisbane's residential services sector.

The project is supported by a project worker (Community Engagement Officer – Residential Services) whose brief is to provide hands-on support for owners seeking to remain in the industry for the long-term and to encourage those owners who are contemplating closure to re-consider.

3.2 New South Wales

3.2.1 State Government Initiatives

In NSW, state government initiatives relating to boarding houses fall into four main categories:

- Financial assistance to enable boarding house operators to upgrade their properties, and to comply with fire safety requirements;
- Land tax exemptions; and,
- Planning mechanisms.

Planning Mechanisms

In NSW a specific planning policy aims to protect low cost rental accommodation, including boarding houses, in all local government areas in the Greater Metropolitan Region of Sydney¹⁴. State Planning Policy No. 10 – Retention of Low-Cost Rental Accommodation (SEPP 10) was first gazetted in 1984 in response to the decline of affordable private rental housing. Boarding houses were included in the policy in 1988. This extension covered the demolition, alterations and additions or change of use of boarding houses (DUAP, 2000).

¹⁴ When the policy was initially gazetted it only applied to 15 local government areas but was subsequently extended in the year 2000 to apply to the entire Greater Metropolitan Region, as part of a broader package of changes.

The SEPP 10 assessment process requires the local authority and the Director General of Planning (within Planning NSW¹⁵) concurrence to demolish, subdivide, alter the structure or change the use of a boarding house. Matters to be considered include the availability of comparable accommodation, structural soundness and fire safety, cost of necessary improvements and financial viability. However, it is not mandatory for an application to be refused if comparable accommodation is not available.

There has been some concern about whether the policy is fulfilling its intention. Davidson, Phibbs and Cox (1998) state that SEPP 10 'encourages owners to let properties become 'run down'.¹⁶

Ryan (2002) states that the South Sydney City Council has processed approximately twelve applications for changes of use of boarding houses and these applications are generally approved, particularly when the property is showing low or negative returns. These approvals occur despite the local authority having suffered a 66 per cent loss of boarding house stock in the last 12 years. Ryan (2002) has noticed a trend among owners to provide notice to tenants to vacate resulting in a dilapidated, vacant building set amidst rising property values, insurance and public liability costs. In this environment, applications are expected to increase.

Other criticisms of the policy are that its effectiveness is somewhat limited as it relies on a development application being lodged (Davidson, 1998). There is also an issue about conversions taking place 'covertly', and that some local governments have difficulties policing the policy.

In addition to SEPP 10, the NSW planning framework contains a broader requirement for local councils to consider the social impacts of proposed developments, under the *NSW Environmental Planning and Assessment Act 1979* (s 79(c)). As the objectives of this Act include a commitment to promoting and retaining affordable housing (s 5 (a) (viii)), some councils have begun to consider the impacts of development proposals on opportunities for low cost housing (Gurran, 2003).

Boarding House Financial Assistance Program

The Boarding House Financial Assistance Program provides grants to help owners and operators of boarding houses to undertake essential fire safety work in existing boarding houses. The aim of the program is to improve fire safety in boarding houses and help retain boarding houses to provide long term, low cost accommodation. Grants are also available for owners who are extending existing boarding houses and constructing new boarding houses. The program is now administered by the NSW Department of Housing. The 2002-03 State Budget allocated \$200,000 for fire safety works under this program.

Expenditure limits per room apply depending on whether the boarding house is deemed to be small (BCA Class1b - accommodating 12 people or less,) or large (BCA Class 3 - more than 12 people,). Small boarding houses must spend at least \$500 per room, and large boarding houses, \$1500 per room. The grant limit is usually \$50,000 per boarding house. Works that may be funded under this Scheme, include automatic sprinkler systems, emergency warning systems, hose reels and the associated building application and professional services fees. To be eligible for the grants the premises must also be eligible for exemption from Land Tax and new premises must be retained for long-term low-cost accommodation for the following 12 months.

The grant is paid over five years, with one fifth of the grant payable on final inspection and approval of the building works. The remainder of the grant is paid in four equal instalments, with the operator having to demonstrate the premises have continually

¹⁵ PlanningNSW is responsible for land use planning within the larger Department of Infrastructure, Planning and Natural Resources.

¹⁶ However, the subsequent amendments in 2000 did aim to address some of the issues associated with its operation.

provided long-term low cost housing. There appears to be a lack of knowledge of this form of assistance. Davidson, Phibbs and Cox (1998) found that in 1998 only 38 per cent of operators were aware of State Government assistance for fire-safety upgrading.

Since the Davidson, Phibbs and Cox study (1998) there has been no published information about enquiries and take up rates of the scheme. However, even if awareness of the scheme has improved since 1998, take up rates are likely to be low due to two key disincentives associated with the scheme. Firstly, the grant is taxable by the Commonwealth. Secondly, benefits of the assistance for fire upgrades is frequently outweighed by the additional costs of fabric upgrades to comply with health and amenity requirements (Ryan, 2002). Ryan states that the majority of residences are over 100 years of age, and have been running on minimal maintenance and marginal returns. The combination of these upgrades frequently renders the property financially unviable as a boarding house (Ryan, 2002).

A further issue may be that owners receive the payment over a five-year period following full payment of the works. While this is to ensure that the accommodation remains as low cost rental housing over the funded period, when a maximum amount of \$10,000 per year is compared with the growth of land values and capital gain in inner-Sydney, the grant may be 'irrelevant'.

Land Tax Exemptions

Boarding houses in New South Wales are afforded land tax exemptions under the *Land Tax Management Act (1956)*. This program commenced in 1990, and is administered by the Office of State Revenue, NSW Treasury.

The requirements for exemption include:

1. The boarding house must be occupied by long term residents; and
2. At least 80 per cent of the total accommodation available to resident must have been occupied or available for occupation in the taxation year and let within specified tariff limits;

Other low cost accommodation is also exempted from land tax.

Boarding house operators must apply for the exemption each financial year, and the Office of State Revenue provides application forms to all owners on their database each tax year. It has not been possible to obtain full figures about the take up rate of this program from the relevant department. However, South Sydney City Council has indicated that a significant number of operators are not aware of the exemptions and have been paying land tax for quite some time (Ryan, 2002).

3.2.2 NSW Local Government Initiatives

Local government initiatives and responsibilities relating to boarding houses include:

- Legislative requirements (such as those under the *Local Government Act 1993*)
- Planning mechanisms and rating concessions
- Auditing and monitoring boarding house stock

Legislative requirements

Historically there was a requirement under the old *NSW Local Government Act 1919*, for local councils to maintain records of boarding houses within their areas. The new *Local Government Act 1993* contains no such requirement, and, as a result, the majority of councils in NSW no longer maintain systematic records. This has created several problems. For example, it is now difficult to obtain an accurate assessment of the numbers of unlicensed boarding houses in NSW, let alone rates of boarding house decline. Another issue is that the implementation of SEPP 10 depends on council planners adequately identifying applications involving boarding houses (in order to

avoid having to comply with SEPP 10, developers do not always identify their properties as boarding houses when making an application).

However, the *Local Government Act 1993* contains some new provisions relating to boarding houses and to boarders and lodgers. When serving orders that might make low income residents (including boarders and lodgers) homeless, councils are required to defer enforcement of the orders until they have ensured that satisfactory alternative accommodation arrangements can be found within the locality (s 131 A). The Act was also amended in 1997 to enable boarding houses to be classified “residential”, and rated accordingly, thus avoiding the higher rating applicable to business premises.

Planning mechanisms and rating concessions

Local government is critical to implementing State planning mechanisms to retain low cost rental accommodation, such as SEPP 10. As noted above, the implementation of this policy depends on council planners being able to identify applications involving boarding houses, to assess the potential impact of the proposal on the loss of low cost rental accommodation within the local area, and, if the application is to be approved, to develop strategies to mitigate this impact. Recognising these issues, the inner city council of South Sydney has developed a “good practice model” and a training package for assisting town planners assess SEPP 10 applications.

In some cases, the issue facing councils is not only the loss of existing boarding houses, but also the need to ensure that new boarding houses are able to be established. Many of the boarding houses in NSW were established prior to the introduction of local planning instruments and would no longer be permissible under these schemes. They continue to operate under “existing use rights”, but when this use ceases, there are no provisions to enable replacement stock, as many councils do not permit the development of new boarding houses in lower density residential zones. Marrickville and Leichhardt Councils, both inner city local government areas with significant demand for low cost accommodation, have addressed this issue by explicitly making boarding houses permissible within all residential zones (Gurran 2003, Leichhardt Local Environmental Plan 2002).

A few councils, such as Waverley and South Sydney, have developed or are preparing specific development control plans for boarding houses. Waverley council has also introduced a grant of up to 70% rate rebate for boarding house operators providing affordable, long term rental accommodation.

Auditing and monitoring boarding house stock

In addition to the residential rating provision described above, some councils in NSW also actively monitor existing boarding house stock. In November 2000, South Sydney commenced a dedicated auditing program of boarding house stock to assist council monitor health and fire safety requirements, and to provide information about affordable housing trends. The data base contains information about boarding house operators and managers, numbers of bedrooms and the quality of facilities, as well as profiles of residents. With the recent local government boundary changes, approximately 120 boarding houses previously located in South Sydney are now within the jurisdiction of Sydney City Council, which is now embarking on its own auditing project.

Marrickville Council also maintains a record of key residential indicators based on dwelling approvals. In 2000-2001, the council recorded a net increase of 53 boarding house bedrooms (Gurran, 2003).

3.3 Tasmania

In Tasmania, policy-makers, peak bodies and government agencies recognise the importance of the sector and the implications of its decline. A working party, ‘*The Community Living Options Group*’ (CLOG), was established in 2000 and comprises staff working for peak body organizations, representing the homeless, the voluntary

sector and the Department of Health and Human Services (DHHS). The primary role of the CLOG is to: develop a shared understanding of the issues that impact on people residing in boarding/rooming houses; and research accommodation and support options that respond to the needs of people requiring access to forms of boarding house accommodation. CLOG has published a report that sets out a strategic framework that outlines a number of key focus areas for boarding houses and community living options (CLOG: 2001). These include: providing a range of sustainable community living options, improving linkages and access to specialist support, promoting client rights and responsibilities, service management, and management of the plan.

Considerable progress has been made by CLOG especially in relation to their aim of putting in place measures to regulate boarding house landlord responsibilities. Legislation is expected this parliamentary session (2003) to extend the scope of the *Residential Tenancy Act (RTA) 1997* to cover all boarding house agreements. The intent of the Bill before parliament is to afford comparable rights to boarding house residents as to other residential tenancies. Where appropriate, the RTA will apply to boarding house arrangements however some variations are included to better reflect the nature of boarding house arrangements such as greater flexibility of tenure and house rules.

Considerable work has also been undertaken by CLOG to explore the scope of community managed boarding and rooming houses organizations to run boarding house type provision. Housing Tasmania conducted an environmental scan of community managed models in other jurisdictions in order to develop specifications for a community managed communal accommodation model in Tasmania. Funding has been earmarked to pilot a communal accommodation model of a minimum of 20 beds. The proposed model will seek to be self-sustainable and Housing Tasmania will conduct an expression of interest to evaluate capacity in the provision of such a service. Organizations will be required to demonstrate their competence to provide a viable model prior to awarding a service model contract.

In short, the conundrum for government agencies seeking to arrest the decline in boarding house accommodation is that additional pressure to enhance service provision to tenants and achieve higher standards may actually deter landlords from continuing to offer boarding house accommodation. Anecdotal information collected by CLOG and the Tenants' Union indicates that some landlords are concerned about how profitability can be maintained if additional regulations are imposed. On the other hand, much of the accommodation that is available in Tasmania is of a poor quality and legal protection is rarely enforced either to improve conditions or uphold resident's rights.

3.4 South Australia

3.4.1 State Government Initiatives

Review of the boarding house sector

South Australia is about to release a review on the state and future of boarding houses, which shows a significant decline, and the State Government is working out how it will respond (ACC, 2003). In that context, the government called for a National Boarding House Audit at the Housing Ministers meeting in April 2003. (DHS, 2003).

Other reviews taking place or about to begin in South Australia include the Residential Tenancies Review and a review of the *Local Government Act*. DHS is formulating a State Housing Plan and released a number of discussion papers in late 2002 listing a number of Policy/Program Options for consideration. These include:

- Allocating more CSHA funding to new 'boarding house type accommodation' consistent with the needs of target groups.
- Assess the results of a financial feasibility study (when completed).

These reviews are in response to the decline in private boarding house, recognition of the need for longer-term accommodation being provided by this sector and concerns about financial viability of the private-for-profit SRF and Boarding House sectors (SASHP, Issues and Options).

3.4.2 SA Local Government Initiatives

City of Adelaide

In 2001, the City of Adelaide had 20 boarding houses and three low cost motels/hotels housing 380 boarders and lodgers. Thirteen of the boarding houses are privately owned and seven are owned by the South Australian Housing Trust (out of their total of nine). This compares with 416 establishments in 1947 and 88 in 1977 (Anderson quoted in DHS, 2000). According to an Adelaide City Council (ACC) discussion paper (2002), DHS identifies the lack of affordable housing as a key issue in its Service Coordination Framework for Vulnerable Adults and Strategy 4 of this document states the objective is to develop a three year Inner Adelaide Low Cost Accommodation Plan. This Framework is presently being rewritten and the Plan is yet to be commenced. When it is, specific considerations of the Plan include developing high quality rooming houses/furnished apartments.

3.5 Victoria

3.5.1 State Government Initiatives

Rooming House Program

The Victorian State Government initiated the Rooming House Program in 1980. The program is administered by the Office of Housing within the Department of Human Services. It was initiated in response to the declining number of private for profit rooming house in inner urban Melbourne (Davis, 2002a). The project provides long term accommodation for low-income singles and couples without children generally in a shared environment. Most rooming houses are located in inner Melbourne and at 30 June 2001, there were 98 Rooming Houses providing 1376 rooms (www.dhs.vic.gov.au). A total of 19 rooming houses have been acquired since October 2000 (Davis, 2000a). The stock is managed by 27 different housing providers. Some have one or two properties and others may have as many as 32.

In addition the Joint Venture Program and Social Housing Innovation Project provide opportunities for community based and charitable organisations to enter into joint ventures with the OOH to develop housing projects, including rooming houses. Capital grants from the DOH are provided to purchase properties and are secured under a capital agreement and registered mortgage. Rent collected from tenants is retained by the agency which also owns the property (Davis, 2000a). Under the Rooming House Program the Office of Housing head leases properties to the housing providers. The housing providers are responsible for managing tenancies and reporting all maintenance and the Office of Housing is responsible for funding and carrying out all maintenance. Under the Joint Venture Program the housing providers are responsible for maintenance as well as tenancy management (Davis, 2002a).

In the 2001-02 financial year \$7.4m was spent on the acquisition of stock. In 2002-03 maintenance funding for all community housing including the Rooming House Program is \$6.482m. There is also a budget of \$1m for upgrading in 2002 – 03 for the Program, based on upgrading 10% of the properties per annum (Davis, 2000a). In 1983/84 the program received one per cent (or three million dollars) of the public housing budget (Downey, 1984).

Inner Urban Rooming House Project

The most recent initiative is the Inner Urban Rooming House Project (IURHP). This project is funded by the Department of Human Services and the Cities of Yarra, Melbourne, Darebin, Stonnington and Boroondara. This project is focusing on management and ownership in order to fully explore the potential for the sector, services and the local government and state government to develop strategies and policies (Fair, 2003). It is particularly concerned with focusing on the supply side in an attempt to obtain favourable impacts on those who live in the sector.

One of the outcomes of the project is the development of a strategic action plan to stimulate the retention and expansion of appropriate and responsive private rooming houses for low-income people (Bev Kliger and Associates, 2003). Another outcome is a practical guide for rooming house owners and managers (IURHP, 2003).

3.5.2 Local Government Initiatives

City of Port Phillip

The local authority with a history of the most comprehensive policies and programs is the City of Port Phillip.

Since 1983 the City of St Kilda (now amalgamated - City of Port Phillip) has actively researched rooming houses in the local area including the development of a Rooming House Study (Downey, 1984). One of the outcomes of the study and associated recommendations were strategies in the local housing strategy specifically the inspection and upgrading of rooming house fire safety standards, which become the Rooming House Fire Safety Program (Spivak, 1998).

This program was quite innovative and included inspections of all rooming houses by a fire safety officer, determining a schedule of upgrading works that were affordable to owners and brought premises up to minimum standards (Spivak, 1998). By 1987 the program was thought to have saved 56 rooming houses from closure. The program was wound up in the 1990s following a number of fires in the local area and review of fire safety standards by the State Government, including amendments to building regulation which made it difficult to set minimum fire safety standards.

The City of Port Phillip has a program of direct provision of rooming houses and this includes the purchase of existing rooming houses and the development of new facilities under its community housing program. While policy does not involve the provision of grants or secondary taxation relief, it is worth noting that of the rooming houses in the City of Port Phillip about half are community managed. The remainder are private-for-profit. It is expected that the growth in social rooming houses will result in private-for-profit rooming houses becoming the minority.

As well as direct provision, the Council has a number of policies including;

- Investigating affordable insurance;
- The establishment of a register of investors to acquire vulnerable rooming houses;
- Devising a methodology to determine the viability of rooming houses so that strategies can be appropriately targeted;
- Exploring appropriate, community-based management options;
- Adopting protocols to assist with displaced residents of rooming houses through the planning permit process;
- Ensuring that all applications not be considered under delegation but by Council;
- Reviewing controls against conversion of rooming houses to backpacker hostels;

- Undertaking exit studies into the displacement of rooming house residents;
- Providing incentives to developers providing new rooming houses; and
- Purchasing the Regal Hotel rooming house to encourage State acquisition of rooming houses.

(Spivak, 1998)

It can be seen that the support for rooming houses in the City of Port Phillip is not contained to private-for-profit rooming houses. It can also be seen that the Council has recognised that a range of strategies are needed for the retention of rooming houses, including broader planning scheme mechanisms such as developer incentives, as well as considering issues of enhancing viability through affordable insurance.

Regional Planning

At the broader planning level an emerging ‘tool’ for the retention and development of rooming houses is the Melbourne 2030 strategy. While still in the development and consultation phase, the draft strategy includes initiatives to increase the supply of well-located affordable housing (Policy 6.1). While not specifically relating to rooming houses, this type of low cost housing would be included within this component of the strategy which will become an enforceable document in the planning process.

3.6 Western Australia

The Perth Inner City Housing Association (PICAH or City Housing) is a not-for-profit community housing association that develops and manages affordable rental housing. It was established in response to the squeeze on affordable housing in inner-city Perth in 1986. Most of PICAH’s income is derived from rents, with additional income from a social service contract with the Department of Community Development and capital funding from the Department of Housing and Works and commercial loans. Special purpose grants come from Lotteries WA. It currently manages six lodging houses (84 beds).

There was no other information available about PICAH, it’s programs or support at the time of writing.

3.7 Australian Capital Territory

The ACT Government recently approved the acquisition of three new boarding houses. These are to be owned by the Government and managed by community housing organisations. The facilities are targeted towards youth, older women and the general population. All are long term accommodation and support will be provided if necessary (ACT Shelter, 2003). The youth house is operational and the older women’s accommodation is about to be tendered. At the time of writing no further information was forthcoming from the ACT Government about this program.

3.8 Northern Territory

The report by National Shelter (1997) reported that little information was available on this small sector. At the time of writing there was still very little information available about boarding houses in the Northern Territory.

3.9 Summary

It can be seen that there are a range of strategies in place to address boarding house issues. Only some of these directly target boarding house decline. The approaches can be grouped into several categories.

First, there are strategies designed directly to slow or reduce the decline of boarding house stock, mainly as part of a strategy to reduce the decline in low cost housing. Land tax exemption in NSW, for example, is available to boarding house owners as

well as the owners of other low rental housing. Queensland's proposed State Planning Policy is aimed at enhancing the supply of all kinds of affordable housing; reduction in the decline of boarding house stock is but a component of that Policy. The NSW and Queensland approaches do illustrate, however, how affordable housing and the land use planning system are intimately connected. The connection is not perfect, however, and as NSW shows it is possible for owners to circumvent the requirements of SEPP 10.

Second there are strategies designed to improve the standard and safety of boarding houses (and of other low rental accommodation). The debate in Tasmania and Queensland over amendments to regulations exemplifies the dilemma of increasing standards in a marginally profitable industry. There is a need to carefully balance the fire and safety requirements, and the cost of improving them, against the availability of low rental accommodation.

The third group of strategies specifically addresses this dilemma by attempting to support private landlords to upgrade their buildings through grants and loans. The financial support is normally tied to continued provision of accommodation for a period after the support been made available.

Recognition of the changing nature of boarding house tenants is implicit in many of the strategies. NSW requirements for licensing of premises offering services for tenants with special needs, and Queensland's recognition of three levels of accommodation accreditation both address the issue, but by exclusion rather than support.

Queensland appears to be the only one of the three States to have strategies in place to increase the stock of boarding house accommodation, although provision through the Boarding House Program is really replacement stock that may or may not actually be boarding houses. The Brisbane Housing Company will provide additional boarding house stock in inner Brisbane.

The impact of closure of boarding houses also requires a policy response. Queensland is developing a protocol under its new legislation in recognition of the impact that closure will have on other boarding houses and on public housing.

Three general issues arise from this overview of strategies. The first is that take-up of financial and other incentives is somewhat uncertain. Specifically in the case of NSW rates of take-up, and even of knowledge of the financial assistance packages available, are low. Second, although people have been aware of the decline in boarding house accommodation for many years, major public strategies are relatively recent. In Queensland changes are still in the process of being implemented; in Tasmania strategies are still being put in place. NSW's SEPP 10 has been in place for some time but was extended to boarding houses only in 1988. Third, there appears to be considerable scope for the community sector to be involved in boarding house provision and so in reducing the rate of decline. Tasmania's developing policy identifies a strong role of the community sector, for example.

This brief overview has identified the range of policy responses to the decline of boarding house stock, and other affordable housing, in the three States. Chapter 4 seeks to provide a framework for identifying the costs of government supply side intervention.

4 DETERMINING THE COSTS OF GOVERNMENT SUPPLY SIDE INTERVENTION

The research will be conducted in Queensland, New South Wales and Tasmania. These three states have been selected because of documented decline of boarding houses, and so as to provide a broad coverage in the Australian housing system, to provide differing legislative contexts, and to include a range of current policy responses.

The approach to be taken in this research is shaped by the research questions to be answered and the potential sources of data. The fundamental overarching question for the project is:

How can governments facilitate adequate levels of boarding house provision?

The research questions that direct the research are derived from that overarching question. They are:

1. What are the costs of boarding house decline in metropolitan Australia for residents and Government?
2. What strategies are available to Governments to support boarding house providers (essentially the private market and community housing organisations) and so reduce the level of decline?
3. What are the likely impacts of any Government strategy to reduce decline?

A summary of the research strategy is outlined in Table 11 below.

Table 11: Summary Research Strategy

Research Question	Approach
[Preliminary work]	Set up electronic reference group of representatives in all three states
What are the costs of boarding house decline in metropolitan Australia for residents and Government?	Literature review, including of general housing/ low-rental accommodation research and of government programs and policies
What strategies are available to Governments to support boarding house providers (essentially the private market and community housing organisations) and so reduce the level of decline?	National review of existing policies and. Comparison of policy approaches. Identify suitable boarding house owners and managers for interview. Semi-structured interviews to identify market, government and other pressures facing owners and managers
What are the likely impacts of any Government strategy to reduce decline?	Identification of existing supply-side strategies and review of their up-take, costs, etc Semi-structured interviews with major Government and industry stakeholders, based on identification and comparison of current strategies.
What are the likely costs of such Government strategies?	Semi-structured interviews with major Government and industry stakeholders to identify real and perceived costs of current and possible strategies. Comparison using financial model of boarding house operation.
How efficient have the existing policies been and how efficient are proposed policies likely to be?	Comparison of costs and impacts, as far as these can be assessed.

4.1.1 Locating and involving boarding house operators

A number of issues have arisen during the course of this research and will influence later stages. These relate to problems of data and/or accessing the field. Chapter 2 briefly discussed the problems with data on boarding houses, specifically that no comprehensive lists of boarding houses exist. This includes information about the dwelling itself or the operators. This will make it difficult to locate boarding house owners. All efforts will be made to locate a range of boarding house operators.

4.1.2 Interviews

The next stage of the research will involve primary data collection through semi-structured interviews with government agencies, community groups and private sector operators.

Formal Stakeholders

The interviews with formal stakeholders will contribute to one of two aims; completing the review of government supply side strategies relating to boarding houses and determining the costs of these strategies to Government. Interviews will be undertaken with government representatives. These will expand on the review of strategies undertaken in Chapter 4 filling in the gaps of information. The proposed context of the semi-structured interviews in outline below in Table 12.

Table 12: Key Research Questions

<p>Uptake</p>	<p>How many boarding house operators have participated in the programs (absolute and proportionate)?</p> <p>Is this under or above expectation?</p> <p>What could be done to increase the uptake of these programs or why have they been so successful?</p>
<p>Costs</p>	<p>What are the costs of boarding house closure?</p> <ul style="list-style-type: none"> • Staff time; • Administration; • Impact on existing programs? <p>What are the costs of the program;</p> <ul style="list-style-type: none"> • Costs of program development; • Costs of program administration and compliance; and • Costs of the subsidies. <p>Would it be possible to implement strategies utilised in other states? Why or why not? What would be the costs of these strategies?</p>
<p>Impacts (as perceived by State officials and boarding house operators)</p>	<p>Are these programs successful?</p> <p>Were formal evaluations conducted?</p> <p>Why or why not?</p> <p>How is this success or otherwise measured by Government?</p> <p>If these programs are not successful, what would be done by government to make them more so?</p>

The discussions about these programs will not be limited to the State Housing Authorities. In the case of Queensland it will include the section of the Premiers Department that is responsible for the co-ordination of the *Residential Services (Accreditation) Act*. Other possibilities include planning authorities, relevant local governments and community boarding house operators. The relevant Departments will vary by State.

One crucial component of determining the costs will be comparing the costs of these strategies to the costs of 'doing nothing', although 'doing nothing' means responding in an ad hoc way to crisis brought about by closure. The State Housing Authorities in Queensland, Tasmania and NSW will be asked to identify a recent boarding house closure and to document their costs in dealing with closure. These costs will include both staff time and, where residents have been relocated into public housing, the costs of the future subsidy stream. Housing organisations will be asked to identify the outcomes for residents of recent boarding house closures.

Boarding House Operators

Further interviews will be undertaken with boarding house operators. The aim of these interviews is to determine the likely impacts of any government strategy to reduce the level of decline of boarding houses. A range of boarding house operators will be included in the study, such as from the formal and 'informal' sectors and in a variety of locations.

An existing research project has identified a population of boarding house owners in Brisbane. A sample of owners will be drawn from this list. The Sydney field work will use the lists of boarding house owners from a 1998 study to draw a sample. The peak group representing Boarding House Owners (BHOMA) will be used to help identify appropriate owners. The Tasmanian sample will be drawn from contacts with the State Housing Department and telephone directories. The interviews will include community housing organisations that operate boarding houses, and if possible, those who operate at the fringes.

Interviews will be conducted with boarding house operators that not only operate in the inner-city areas, but also those in outer suburban areas; for example, the Bayside suburbs of Brisbane or the Gold Coast. This would provide for a greater range and depth of information from boarding house operators. It is expected that 55 interviews in total will be conducted with boarding house operators; 15 in Brisbane, possibly 15 in Tasmania and 25 in Sydney.

The interviews will be based on the issues identified during through the literature review (See Chapter 3) and will be connected to the issues identified by the other formal stakeholders (Table 8). These issues include:

- The impacts of existing legislation and regulations;
- Changes to the legislation covering fire and safety in low-rental accommodation;
- The cost implications of the changes necessitated by the new legislation;
- The cost implications of changing insurance regimes;
- The land value pressures on boarding house that are located in accessible inner-city and coastal locations;
- Changes in the clientele of the boarding house sector. On the one hand, there are increasing numbers of tenants with special and high level needs; but on the other hand some owners are moving to provide only backpacker or student accommodation; and
- Strategies to assist operators of boarding houses remain in the sector and to encourage the development of new boarding houses.

Financial Viability

It is often said that boarding houses are operating marginal businesses and that regulatory reform may impact on their cost structure. It is hoped that the operators will provide financial information which may support these claims which can then be validated against a financial model of boarding house operation constructed by Davidson (1999). However, financial information may not be forthcoming because of commercial confidentiality.

The literature reviewed and the preliminary interviews undertaken indicate that there is very little concrete information available on the financial viability of the boarding house industry. There appears to be several reasons for this, including the linking of boarding house profits (or losses) to taxation benefits related to other sources of income, concerns for commercial confidentiality and the relatively unsophisticated business approach of a proportion of owners. Yet having some demonstration of the industry's financial viability would be extremely useful for this current research. This would enable the research to make reasonable estimates of the likely impacts of government financial incentives or subsidies.

Two approaches will be taken. The first will involve an updating of a previous model of the financial viability of the boarding house industry (Amber Davidson) to include more recent figures for the new taxation system, public liability insurance and so on. The second will be to try to gain sufficient data to describe one or two case studies. Obtaining this information will be subject to negotiations over commercial confidentiality and it may not, in fact, be possible to obtain the required data.

Data on the uptake of current financial incentives and the extent of subsidies will be obtained, where possible, from relevant government agencies.

4.1.3 Comparison of Intervention Strategies

The analysis will summarise the findings of the previous components of the study. It will identify the likely impacts of intervention (for example, by reducing the costs of boarding house closure) and compare them against the costs to Government of intervention. Note that the study will not assess the effectiveness of government policies, as the identification of actual outcomes is not within its scope. Gaps in policy responses will be identified by comparing the range of provision in each state, then the efficiency of strategies will be assessed using the criteria identified in Table 8.

4.1.4 Reference Group

A small reference group will inform all stages of the research. The project team will utilise their knowledge of the boarding house industry, strategies and affects of boarding house decline. It is envisaged that the members will act as a point of referral for other key stakeholders and also act as critics of the research.

The reference group has been convened. It is an informal group that does not meet physically but is kept in touch electronically and through meeting with the relevant state researcher(s). The reference group is comprised of a representative from each of the relevant State Housing Authorities in Queensland and New South Wales, a representative from the Tenants' Union of Tasmania, Queensland Shelter and Brisbane City Council. There are a larger proportion of Queensland representatives because of the current implementation of legislation affecting boarding houses.

4.2 Dissemination of Findings

The interviews will be conducted during May and June, and the analysis undertaken in July. The Final Report for this project will be finalised mid-August 2003. The research will be disseminated at the Work in Progress in June 2003. The research findings will be disseminated back to the participants of the project and the reference group through the various reports and targeted seminars.

5 CONCLUSION

This report has provided the context for the broader study on government intervention into the supply side of boarding houses. It has presented an overview on previous research on boarding houses, focusing on the issue of decline and reasons for decline. It has also provided a profile of the operators and residents of this housing stock. This was followed by an examination of the policies and programs in Queensland, New South Wales and Tasmania that assist boarding house operators to remain in the industry.

The retention of private-for-profit boarding houses is a critical issue in the broader concern of maintaining low cost housing stock. The low cost private rental sector is in decline despite growth in the sector as a whole, and increases in the numbers of low-income households seeking low cost accommodation. Boarding houses provide accommodation to a group of people who are unwilling or unable to be housed in the broader housing market. Boarding houses are also providers of crisis accommodation which is facing a shortfall of dwellings and increased demand.

This research will greatly expand on the previous research on boarding houses. Previous research has been concerned with demonstrating the importance of this type of housing and formulating strategies for government intervention in boarding house supply. This project, however, will determine whether current government strategies for retaining boarding houses are efficient and what are their likely impacts and costs. This will assist Governments to consider their policy position by explicitly examining the costs and benefits of intervening in private markets.

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APPENDIX ONE: BOARDING HOUSE DEFINITIONS BY STATE AND TERRITORY

Queensland

Queensland Residential Services (Accreditation) Act 2002

A service is a “residential service” if

- (a) the main purpose of the service is to provide accommodation, in return for the payment of rent, in 1 or more rooms; and
- (b) the room or rooms are occupied, or available for occupation, in the course of the service by at least 4 residents; and
- (c) in the course of the service, each of the residents—
 - i. has a right to occupy 1 or more rooms; and
 - ii. does not have a right to occupy the whole of the premises in which the rooms are situated; and
 - iii. does not occupy a self-contained unit; and
 - iv. shares other rooms, or facilities outside of the resident’s room, with 1 or more of the other residents.

Example for paragraph (c)—

A service conducted in a boarding house in which each of the resident occupies a room and shares a bathroom, kitchen, dining room and common room with the other residents.

Queensland Development Code Part 14.0 - Fire Safety in Budget Accommodation Buildings

A budget accommodation building is a building that has shared bathroom and sanitary facilities (other than a laundry), provides accommodation for six or more people and includes the following types of buildings:

- boarding houses, backpacker hostels and the like;
- hotels; and
- accommodation for people who have an intellectual or physical disability and require full-time or part-time care.

Queensland Building and Other Legislation Act 2002

A “budget accommodation building” is a building that—

- (a) has bathroom and sanitary facilities, other than a laundry, shared by the occupants of the building; and
- (b) provides accommodation of a following type for 6 or more persons—
 - i. boarding house, backpacker hostel or similar type
 - ii. accommodation;
 - iii. hotel accommodation;
 - iv. accommodation for persons who have an intellectual or
 - v. physical disability and require full time or part time care.

New South Wales

New South Wales Residential Tenancies Act (1987)

This Act does not apply to a residential tenancy agreement if the tenant is a boarder or a lodger.

New South Wales Boarding House Financial Assistance Program Guidelines

A boarding house means a building wholly or partly let as lodging in which each letting provides the occupant with a principal place of residence, and includes a vacant building that, immediately before it becoming vacant, was a building so let. The premises must be used and occupied by at least three (3) long term residents who are not members of the family of the owner or manager, or are not members of the family of a shareholder of a company if an exempt proprietary company is the owner. It does not include a backpacker's hostel, serviced apartment or other tourist establishment, or a residential flat building or premises which are licensed under the *Liquor Act 1982*.

Tasmania

Tasmanian Residential Tenancies Act (1997)

The Act does not apply to hotels or motels, premises used for holiday purposes, boarders or lodgers, educational institutions, hospitals, nursing homes, clubs, aged care homes or hostels. The Act does not apply to retirement villages or sheltered accommodation for homeless persons or shelters catering for people escaping domestic violence.

Victoria

Boarding houses are known as rooming houses in Victoria. The term rooming house is an umbrella term, which includes a number of categories such as, lodging houses, boarding houses and apartment houses (CURA, 1979). The unifying feature is that they were all positioned within the 'single room market', but they vary depending on the range of costs, services and facilities provided.

Current definitions for 'rooming houses' can be found in various pieces of state legislation, specifically the *Victorian Residential Tenancies Act (1997)* (RTA), subsequent *Victorian Residential Tenancies Amendment Act (2002)* and the *Victorian Health (Prescribed Accommodation) Act (1990)*. The definition of each will be given below.

Under the *Victorian Residential Tenancies Act (1997)* a rooming house has the following characteristics:

- Buildings with one or more rooms available for occupancy on payment of rent,
- At least four residents;
- The room is the principal place of residence; or
- The person has occupied a room in a motel or licensed premises where residency is for 60 or more consecutive days.
- The Minister may declare a building that has less than four residents to be a rooming house. The RTA is enforced through the Victorian Civil and Administrative Tribunal (VCAT).

The *Victorian Residential Tenancies Amendment Act (2002)* amended the definition and stated that 'nothing in this Act prevents a rooming from consisting of more than one building'. The Victorian Health (Prescribed Accommodation) Regulations (2001) includes rooming house accommodation where five or more people make payment. It does not include self-contained units where the renter has exclusive use of a kitchen and bathroom.

South Australia

Local government registration of boarding houses is covered under the relevant Local Government Acts. Registration is not mandatory and while most local government authorities keep a register of boarding houses, not all boarding houses are registered (National Shelter, 2000). Regulation is complex with no single Act providing coverage. Acts include:

The Residential Tenancies Act (1995)	Defines a rooming house as a residential premises in which rooms are available on a commercial basis for at least three people. Under amendments in 1999, the regulations require a written Rooming House agreement between tenant and landlord Provides a code of conduct for proprietors, for residents and specifies conditions for tenancy agreements. Some LGAs conduct inspections for registration.
The Local Government Act (1934) and Council By-laws	Under the <i>Local Government Act (1934)</i> , Councils have the power to make by-laws - only six metropolitan LGAs (covering 59% of beds) currently have relevant by-laws. These differ significantly in terms of their content but generally cover space per person, number of bathrooms etc.
The Public Health and Environmental Health Act (1989)	Local Councils responsible or inspecting premises and dealing with any breaches brought to their attention.
The Development Act (1993)	BCA – fire compliance responsibility for inspection and monitoring with local councils and under <i>South Australian Metropolitan Fire Service Act (1936)</i>
The Supported Residential Facilities Act (1992).	Provide personal care to more than two residents. Residential only facilities (BH) are not considered to be Supported Residential Facilities

Western Australia

The Residential Tenancies Act (1987)	The Act does not this Act does not cover boarder and lodgers
City of Perth Health Act 1911	Term lodging house includes recreational campsite, serviced apartment and a short term hostel

According to Shelter WA (2000), there is no clear definition of a boarder or a lodger. The term is generally understood to mean a lodger occupies part of a premises but whose occupation is subordinate to, or in some degree under the control of the owner. A boarder is a lodger who also receives meals. (TAS, 1998 in Shelter WA, 2000). Boarders and lodgers have no legislative protection under the *Residential Tenancies Act* (RTA), nor is there any law specific to boarders and lodgers (Shelter WA, 2000).

The RTA is presently under review. As part of their Statutory Review submission, Shelter WA (2002) recommended that the Act contain a definition of boarder and lodger and that it also 'take into account the particular nature of a boarding/lodging by incorporating the list for variations for boarding houses contained in the Commonwealth Minimum Legislative Standards.' While the submissions are still under review, boarding houses are not mentioned in the key areas for consideration (DOCEP, 2003).

In Western Australia, boarding and lodging houses are required to be registered with the local government under their Health Acts, however this does not always occur in practice (Shelter, 2000). Information is available for those facilities run by community or social groups, but not for private providers.

Northern Territory

Northern Territory Residential Tenancies Act (1999)

The Act does not specifically mention boarders or lodgers, however, a Northern Territory Department of Justice Fact Sheet (2002) advises that the Act applies where a person boards or lodges for more than a week and is one of 3 or more persons who boards and lodges at the residence. This does not include the landlord, a member of the landlord's family or a caretaker of the residence.

Northern Territory Department of Health and Community Services Public Health Act

A boarding house' includes any house, licensed premises under the *Liquor Act*, lodging house, hostel, residential flat, motel, tent, building, structure whether permanent or otherwise, or any other premises, and any part thereof, in which 3 or more persons, exclusive of the family of the proprietor thereof, are lodged or boarded for hire or reward from week to week or for more than a week, caravan for 3 person or more reside for more than a week

Darwin Town Plan 1990

Guest house and hostel includes boarding houses, lodging houses and other premises used to provide board or lodging with communal toilet, ablution, dining and cooking facilities but does not include a motel, hotel or bed and breakfast accommodation.

Australian Capital Territory

Australian Capital Territory Residential Tenancies Act (1997)

This Act does not apply in relation to a residential tenancy agreement where the tenant is a boarder or lodger.

Building Code of Australia

A boarding house can be categorised as either a Class 1b dwelling or a Class 3 dwelling. A Class 1b dwelling is a boarding house, guesthouse, hostel or the like with a total floor area not exceeding 300m², and in which not more than twelve persons would ordinarily be resident. A Class 3 dwelling is a dwelling which is a common place of long term or transient living for a number of unrelated persons, including a boarding house with more than twelve residents. The major difference between these types of dwellings is that a Class 1b dwelling has less stringent fire regulations. This is because a smaller dwelling with fewer occupants presents a reduced fire risk (Building Code of Australia Online, <http://bcaonline.abcb.gov.au/script/main.asp>).

Australian Bureau of Statistics

A boarding house is classified as a 'non-private dwelling'. Non-private dwellings are establishments which provide a communal type of accommodation, for example, hotels, motels, and public hospitals.

'The distinction draws attention to the fact that there are major differences between conventional hotels which many travellers use, and boarding houses (often called 'private hotels') where it is possible to rent a single room for \$10 to \$10 per night.'

(Chamberlain, 1999)

There are some problems associated with boarding house classifications in the Census. Chamberlain (1999) found that some dwellings categorised as boarding houses were hotels targeting high-income workers. In other cases, some hotels were reclassified as boarding houses as the residents had low income and declared the dwelling to be their usual place of residence.

Chamberlain (1999) considers a boarding house to have the following characteristics:

- The majority of residents reported that they were living there permanently; and
- The majority of residents were unemployed or outside of the labour force.

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Northern Territory University
National Community Housing Forum



Australian Housing and Urban Research Institute
Level 1, 114 Flinders Street, Melbourne Victoria 3000
Phone +61 3 9660 2300 Fax +61 3 9663 5488
Email information@ahuri.edu.au Web www.ahuri.edu.au