

# How can we improve rooming house regulation?

**THE GROWING ROOMING HOUSE MARKET NEEDS BETTER COORDINATION BETWEEN TIERS OF GOVERNMENT AND ONGOING DIALOGUE WITH NON-GOVERNMENT ORGANISATIONS (NGOS) AND OPERATORS TO IMPROVE COVERAGE AND ENFORCEMENT OF REGULATION.**

## KEY POINTS

- Rooming houses are growing in number and diversity; with fragmented ownership in a system where regulatory control is 'de-centred'.
- Residents are becoming more diverse including domestic and international students, workers, travellers and vulnerable and disadvantaged people.
- While traditional rooming houses (catering for the most vulnerable) have been closing, others are emerging in re-purposed conventional houses and apartments as well as some purpose-built accommodation both in suburban locations and inner city areas.
- Regulation is 'de-centred' across different tiers and jurisdictions of government and the non-government sector, and this requires greater coordination such as through a consultative council.
- Enhanced accountability of the sector will require a risk management approach, including addressing operator inexperience and the congregation of residents with complex needs in some rooming houses.
- Governments will need to carefully design regulation to incentivise registration of rooming houses and ensure that compliance, particularly in relation to 'access to premises standards', is not too onerous.

*This bulletin is based on research conducted by **Prof Tony Dalton** at the AHURI Research Centre—RMIT University, **Prof Hal Pawson** at the AHURI Research Centre—The University of New South Wales, and **Prof Kath Hulse** at the AHURI Research Centre—Swinburne University of Technology. This project examined the policy and practical challenges being encountered in the development of a legitimate and viable rooming house/boarded house sector and how these might be overcome through an improved regulatory regime and other measures to address a range of housing needs.*

## CONTEXT

The traditional rooming or boarding house sector has been in decline, but growth has occurred in 'New Generation' inner city rooming houses and 'mini rooming houses' in conventional dwellings in both suburban and inner areas of our major cities.

State and local government regulatory responsibilities over rooming houses (Victoria), or boarding houses (NSW), were amended in 2012. This project sought to understand the ongoing policy and practical challenges facing the rooming house sector and how further development of regulatory regimes might best respond.

## RESEARCH METHOD

The project focused on Victoria and New South Wales (NSW) and involved analysis of administrative data; primary research (focus groups and interviews in Melbourne and Sydney); and two Investigative Panels, one in each state.

The sector's geographic and ownership structure was analysed using ABS Census and Victorian and NSW rooming house register data. Interviews were conducted with rooming house owners and proprietors, local government regulators, tenant rights advisers and state government policy advisors. Focus groups were also held with non-government organisation (NGO) service providers who assist low-income and marginally housed people to find and maintain housing.

The Investigative Panels facilitated discussions with senior policy-makers, community service providers, regulators and rooming house operators, which focused on regulatory arrangements and other issues affecting rooming houses. Panellists were surveyed before and after the panel meetings, using a modified Delphi technique.

## KEY FINDINGS

***Rooming houses are growing in number, are unevenly spread in cities and have fragmented ownership***

Official NSW and Victorian government records of registered rooming houses in 2014 showed

that there were 774 registered rooming houses in NSW and 1131 in Victoria. However, research by Professor Chris Chamberlain of RMIT University suggested that Victoria's state records may be a significant underestimate. He identified 1451 rooming houses (registered and unregistered) in metropolitan Melbourne alone, housing an estimated 12 568 people. This research supported the idea that there are many unregistered rooming houses in both Melbourne and Sydney.

Rooming houses are heavily concentrated in the metropolitan areas of Sydney and Melbourne. In Sydney, they were more concentrated in the City of Sydney and adjoining municipalities whereas in Melbourne they were more dispersed, including in the inner east and outer south-eastern suburbs.

Ownership of registered rooming houses appears to be fragmented in both states with most proprietors owning one or a few rooming houses. Ageing of owners has led to closures of traditional rooming houses, but new owners are catering to new groups including students. Some operators rent dwellings and use a head tenant who sub-lets to others.

### ***Increased diversity of the rooming house market***

Rooming house residents have been traditionally considered part of the homeless population. ABS data suggest that rooming house residents are predominantly male (75%) and older than the rest of the homeless population (46% aged 45 years or more). However, this is changing with increasing numbers of domestic and international students, low-waged workers, travellers and people on higher incomes seeking accommodation near their employment.

The research reveals a number of distinct segments or submarkets distinguished partly by building type, resident group and physical condition, quality and facilities:

- *Traditional rooming houses*, unmodernised with mainly shared facilities, catering to people who are disadvantaged and vulnerable.

- *Upgraded traditional rooming houses* (some with kitchenettes and fewer shared facilities) that carry a price premium and have a mixed resident population, including international students and young mobile professionals.
- *Student rooming houses* in houses, flats or custom-facilities, catering for (mainly international) students.
- *Assisted Boarding Houses* (NSW) accommodating a small, high need and very vulnerable population.
- *'New Generation' rooming houses* often providing studio style apartments with separate bathroom and kitchenette in new dwellings facilitated by changes in planning legislation (mainly in NSW).
- *Small suburban rooming houses* in conventional dwellings, sometimes with extra rooms created through partitions, spread through the suburbs (particularly in Melbourne) and catering for a wide variety of people.

***How does regulatory type, form and responsibility affect enforcement and accountability?***

Regulation involves four key functions—law-makers set rules and standards and provide a transparent process for their establishment, government officials monitor adherence to the rules, inspectors enforce regulations, and residents and civil society organisations enforce political accountability (including by making complaints).

There are three main types of regulations:

1. *Prescriptive regulation* (based on rules and their observance).
2. *System-based regulation* (focused on the system used to produce goods and services and judged on the quality of the plan and production processes).
3. *Performance-based regulation* (focused on outcomes or results).

Currently, regulation governing rooming houses in both states is largely prescriptive; as evident through how it sets and enforces amenity and

tenancy standards. In Victoria, 2012 legislative amendments resulted in regulations setting out new standards and arrangements for enforcement. But in NSW, the 2012 legislative amendments only provided general statements about standards requiring local interpretation and discretion—panellists saw this as a weakness in the NSW regime.

Typically, rooming house regulation is 'de-centred' as regulation has been divided across three tiers of government (federal, state and local) and a number of portfolios. In addition, there are NGOs funded by government that advocate for residents. This de-centred regulatory scheme lacks coordination since regulators have limited opportunities to interact and harmonise the way they regulate. Further, there are no on-going arrangements through which regulators, NGOs and owner/operator organisations systematically discuss regulatory arrangements, powers and capacities.

Accountability requires clear responsibilities, however, accountability will be shaped by regulatee characteristics and their capacity to be accountable. It also depends on the resources available to inspectorates. These are sometimes compromised by: overlapping responsibilities between jurisdictions and portfolios, uneven distribution of rooming houses between local government areas, and the competing demands experienced by public health and building inspectors on available regulatory resources.

Implementation of Australian Government human rights anti-discrimination laws has compromised rooming house regulation by state and local governments as it requires operators to ensure that new rooming houses are compliant with 'access to premises standards'. In a context where most new rooming houses are created by simply changing the use of existing dwellings, this has significantly increased establishment costs by requiring significant modifications, such as widening doorways and bathroom re-design. The research reported that front-line regulators were finding that rooming house operators were either deterred from creating new rooming houses or were creating them but failing to register

them. A likely outcome has been a reduction in the supply of registered rooming house accommodation but a growth in rooming houses operating outside of the regulatory system.

## POLICY IMPLICATIONS

### **Identify and regulate unregistered rooming houses**

Improvement in the standard of rooming house accommodation was central to the campaigns that led to the updating of the NSW and Victorian regulatory regimes. However, many remain unregistered which requires the development of systems for supporting and incentivising local government to detect unregistered rooming houses and ensure they meet the required standards.

### **Apply a risk management framework**

Regulation needs to be sensitive to the different levels of risk associated with different types of rooming houses and their diverse populations. A risk-based approach would prioritise:

- The regulation of rooming houses that house the most vulnerable people in the boarding house population.
- The development and implementation of a fit and proper person test to apply to operators that seek to avoid regulation.
- Increasing the transparency of the rooming house market by developing the on-line registers so they display more information, including price and resident ratings.

### **Design regulation for accountability and efficiency**

State regulatory regimes need to have clearer lines of accountability, particularly across levels of government. This could be supported by:

- A simple system for identifying the costs of regulation and income from fees and fines and how their redesign might incentivise better regulation.
- A consolidated reporting system on performance against objectives that can be used to assess the efficacy of state-based regulatory regimes.

### **Strategically develop the sector**

State governments could lead the strategic development of the sector by establishing a state level advisory council. It would meet periodically to identify issues and advise on policy development aimed at supporting the growth fairness and transparency of the rooming house sector.

## FURTHER INFORMATION

This bulletin is based on AHURI project 53033, *Rooming house futures: governing for growth, fairness and transparency*.

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au) or by contacting AHURI Limited on +61 3 9660 2300.

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