

# Submission on Minimum Standards for Rental Properties and Rooming Houses in Victoria

July 2024



## The Registered Accommodation Association of Victoria Ltd (RAAV)

### Introduction

RAAV appreciates the opportunity to respond to the proposed Residential Tenancies (Rooming House Standards) Regulations 2023 (the current Regulations), We have provided comment and information below to assist you in understanding our position on the proposed changes to the RHS.

In general, given the diverse nature of the cohort of residents that exist in rooming houses we see it as not desirable to implement inflexible directives on how rooming houses should be operated. While certain requirements may be advantageous to residents in one situation it may not be in another. It is important to allow for differences in Rooming House operations and how they are set up. This is easily understandable when you appreciate the different arrangements that exist between rooming houses, for example Shared and Self-contained rooming houses.

### Who is RAAV?

RAAV is an industry association that brings together privately owned and operated rooming houses (RH) in the registered accommodation sector. RAAV members meet the needs of low-income residents who require medium and longer term accommodation in addition to the growing number of professional and semi-professionals who are seeking this type of accommodation. RAAV represents the views of this cohort and creates a stronger, more cohesive and respected industry.

RAAV is an active voice on behalf of its members. The organisation's core activity is to ensure minimum and acceptable standards in operating registered accommodation and promote application of best practice to raise the image and performance of all privately owned rooming houses. RAAV encourages private rooming house owners and operators to adopt Best Practice Guidelines to assist in the good conduct of business, to meeting their obligations and the wellbeing of residents in rooming houses and other registered accommodation. This activity is partially funded and approved by Consumer Affairs Victoria.

RAAV'S other core activities include:

- Making RAAV's members aware of the legislative requirements as promulgated by the Victorian Government in operating registered accommodation;
- Providing training and networking opportunities for members;
- Making available a website for information and resources;
- Creating a members Facebook facility for sharing information and answering members questions;
- Providing information and assistance to the Government and Local Government in the operation of rooming houses;
- Encouraging un-registered and un-licensed rooming house operators to adopt best Practice in their rooming houses and to seek registration and licensing.

## **Rooming House Industry Overview:**

### **The importance of the Rooming House sector**

The Rooming House sector plays a pivotal role in providing affordable accommodation in the state of Victoria. It is one of the few remaining affordable private accommodation options left for people who are financially vulnerable or on lower incomes. They allow people to live in areas where normally they would be priced out of the market. Rooming Houses have traditionally housed the more vulnerable of our community but in the last twenty years there has been a major shift in who resides in them. Residents now include nurses, trades persons and office workers. They are also an important form of accommodation to the Universities for both their interstate, rural and international students who seek practical and affordable lodging.

The affordability of the industry is borne out by a comparison of the September 2015 Department of Human Services (DHS) Rental Report where it shows that the average cost of a one-bedroom flat in Metropolitan Melbourne costs \$330 per week plus utilities. This compared with a rooming house where individuals can generally rent a fully furnished room, share a kitchen, bathroom and living room for between \$150 to \$200 per week including utilities depending on factors such as the size of the room and location.

This represents accommodation that is 40% to 55% cheaper than the normal residential market for single occupancy. Without this housing, the current 10,000 low-income people who are being provided accommodation would struggle to find an affordable roof over their heads.

### **Rooming House Industry Explained:**

Operational Model:

Very broadly speaking there are two types of operating models - the "**shared model**" and the "**self-contained**" model. The shared model operates with many more shared facilities such as toilets and showers while the self-contained model (also referred to as "New Generation or New Model", see below comments) has more facilities in the rooms such as ensuites and/or kitchenettes.

Building Class:

From the building code perspective, the rooming house sector can be broken down into class 1B rooming houses (predominately “Shared model”, “New Model” and “New Generation”) and class three rooming house (“Traditional”). Each of the two types of rooming houses have these characteristics:

**Class 1B Rooming House** - They are normally residential houses that have been converted to rooming houses. They tend to be in the middle to outer suburbs. Based on surveys of our members the average number of residents in these rooming houses is eight but can be up to twelve or as little as four. There is no on-site manager who attends the rooming house daily or has an office on site. To have an onsite manager would simply make the operation of these rooming houses financially unviable. Most members report attending their 1B rooming house on average twice a week (weekdays and weekends) and taking phone calls and other communications from residents three to five times a week. The management structure of 1B rooming houses, as opposed to class 3’s, is that the 1Bs don’t have dedicated staff managing the rooming house. The smaller 1B rooming houses are often owner operated by a husband and wife or other proprietary partner arrangements. Most 1B rooming house operators only have one rooming house.

**Class 3 Rooming House:** A class 3 Rooming House tends to be a purpose-built multi-level residential building located traditionally in the inner-city areas. They house many more people than 1B rooming houses and often have various configurations of accommodation. These rooming houses are run on a much more commercial basis such as having dedicated office areas and often a manager who will attend the office daily. The economics of this sort of rooming house makes it feasible to have a manager. Over the past twenty years a number of these larger class 3 rooming houses have been sold and not replaced. Examples of this are the Oslo and the Gatwick in St Kilda both of which were sold to the Block Television show.

## **Regulatory Impact Statement (RIS) Issues:**

The Regulatory Impact Statement (RIS) produced by Deloitte’s has failed to understand the complexities in the proposed heating changes as they relate to rooming houses. Consequently, the RIS doesn’t reflect the true capital cost to operators or benefits to residents. Also, as we discuss in the draft regulation section, the most appropriate option being space heaters are not proposed despite this heating being the most affordable for rooming house bedrooms.

### **RIS’s Capital Cost calculation for Rooming House Operators**

The RIS’s attempt at costing the installation of electrical heating in rooming houses (RH) has failed to properly allow for what is the average number of bedrooms in an average RH. Added to this the actual cost, installation and labour involved in adding heating units has been underestimated. Due to the incorrect parameter being used RAAV sees very significant errors in the RIS’s final costings, benefits and conclusions. The RIS stated total capital cost to the RH industry is 10.16 million dollars (pg 62). This figure is based on a RH having an average of 4 rooms and a cost of \$1,234 (pg 95) for each new heating unit. Our surveying of members has the average number of bedrooms in a RH at 8. Added to

this RAAV's experience is that the average minimum cost of installing a new heating system, in compliance with the new standards, will be \$2,334 per new unit. We calculate a cost to industry of the heating unit **alone** being 28.4 million dollars, nearly 3 times the **total** capital cost used in the RIS of \$10.16 million (pg 62).

On a per rooming house basis the RIS claims a **total** cost of \$5,013 (pg Xi). Based on actual figures sourced from installers the real cost would equate to an average cost of \$17,700 per rooming house **solely** for the heating units. See costing example below:

<u>Installation cost per 3.5 KW air conditioner into average size Rooming House</u>	\$
· Airconditioning Unit	1,112.50
· Electrical and mechanical parts for installation	500.00
· Labour	600.00
Total	2,212.50

Total unit cost for an eight bedrooms rooming house = \$17,700.00

While we do not wish to labour the point. However, we are at a loss as to how Deloitte's came up with an average figure of 4 bedrooms in a rooming house. The definition of a rooming house in the Residential Tenancy Act has the minimum number of people required to qualify as four. Does Deloitte's really believe that the average number of bedrooms in a Rooming house relates to the minimum possible number of people in a rooming house? This figure is critical to calculating the capital cost for Rooming House Operators (RHO) in the RIS. We are in disbelief that such a critical parameter could be so lazily determined. Added to this the estimated cost used in the RIS for each heating unit is about half the cost it will actually be.

RAAV believes that the very high actual cost of meeting these proposed heating requirements will result in many rooming house operators deciding to leave the industry by selling their RH. Added to this we believe that it will act as a handbrake on new investment in affordable RH accommodation. New RH's will be particularly affected as they will need to meet these new costly standards immediately.

### **Financial benefit of heating changes to Residents in a Rooming House:**

The RIS states that residents in a RH will get a financial benefit of \$27.29 million (pg 62). This statement unfortunately displays, again, the lack of knowledge that Deloitte's has displayed in producing the RIS. In a RH setting the operator will almost always pay for all utilities. The tenant does not pay the bills, the operator does. Therefore, there is no direct benefit to the resident as has been asserted in the RIS.

RAAV takes issue with the assertion throughout the RIS that Rooming House Operators (RHO) are not incentivised to seek energy efficiency. Whereas this might be true in a standard rental this is not the case in a RH. The fact that RHO pays the bills put them in a very good position to understand the best and most efficient means of heating a RH. If they get it wrong, they pay!

### **RIS asserts that RH tenants are a "typically vulnerable cohorts"**

The commentary about residents in the RIS asserts that they are a typically vulnerable cohort. In fact, RAAV's surveying of members has shown that this cohort of residents only represents circa 35% of the total population. The balance of people are students, and blue and white collar workers on low incomes and even professionals. RAAV believes making incorrect assertions about who lives in a RH and then affecting changes on that basis leads to very poor outcomes.

### **Summary of RIS**

RAAV would like to again express our concern at the inaccuracy of the cost and benefits summarised on page 62 of the RIS. Likewise, the assertions made about benefits to residents and who RH residents are is not accurate. RAAV believes that many of our concerns can be ameliorated by the adoptions of a third option of heating being space heaters which is discussed below.

## **Proposed Minimum Standards Changes:**

Currently the changes to the Rooming House Standards offer two options for energy efficient fixed heaters. The options are air conditioners or heat pumps and ducted heating. Below we discuss both and subsequently suggest what we believe is a far superior option for RH bedrooms and that is space heaters.

### **Electric ducted heating system:**

Ducted heating systems (and other single temperature house wide heating/cooling systems) are not appropriate for rooming houses. Rooming houses provide the opportunity for unrelated people to live together in a residence. The residents mainly focus on individualising their experience in their own area of exclusive occupancy, most commonly their bedroom. A ducted heating system doesn't allow residents to individualise the heating in their rooms. This leads to residents arguing and getting into disputes with each other about the system being on or off, high or low etc. Similarly, RHO find ducted

heating generates a great deal of complaints from residents about each other and the ducted heating system. For these reasons ducted heating is not an appropriate form of heating in a rooming house.

**Electric non-portable, non-ducted air conditioner:**

While air conditioners are preferable to ducted heating and used in some instances in rooming house bedrooms, they are far from being appropriate in most instances. RAAV is aware of some air conditioners being installed in new generation rooming house builds. Typically, the bedrooms in the new builds are larger (self-contained studio rooms) and so support the use of air conditioning. Also, due to the house structure being built from scratch it allows for some efficiency in placing the air conditioning system. In the case of an existing rooming house the installation of an air conditioning system will require a significant disturbance to the tenant, damage to walls for piping etc and the need to find a space for both an internal and external heating unit. This is an extremely expensive exercise that is not appropriate or needed for small rooming house bedrooms.

further to the above is the nature of rooming house bedrooms. Under the Public Health and Well Being Act (PHWA) bedrooms can be as small as 7.5 sqm and on average are about 10 sqm. This size is what you would classify as a small to medium sized bedroom. RAAV agrees that an air conditioning system is a cost-effective means of heating. However, this sort of heating is better suited to large spaces such as living and dining rooms. While an option to heat a small to medium sized room it is a very expensive approach, we would say “overkill”! This means that the cost of installing and subsequent cost of running an air conditioner systems is far higher than is needed. Please see our discussion below re: space heating to see a direct comparison of cost of installation, initial purchase and ongoing running cost.

**Third Option: Space Heaters:**

RAAV would like to propose that a third option, being space heaters, are added to the list of sanctioned energy efficient fixed heaters. An example of a space heater is a panel heater.

Given the size of rooming house bedrooms, which can be as small as 7.5 sqm, a panel heater is a very efficient means of heating this space. Space heaters are designed to heat small to medium spaces, they are inexpensive to install, economical to run and very well priced as compared to the other options currently being offered.

For instance, a 3KW split system costs on average 26 cents an hour to run while a 1Kw panel heater which can heat up to a 10sqm bedroom only costs 15 cents<sup>i</sup> an hour to run.

Most importantly installing panel heaters will cost in the order of \$2,600 per rooming house to install in comparison to \$17,700 per RH as discussed earlier.

Another factor to consider is the specification that all heaters should be “fixed”. If space heaters were considered it would be appropriate to allow free standing ones. This makes it easier for the resident to configure their room and add items such as larger beds and more furniture. A fixed heater may be in the way of any room changes that a resident wants to make.

## **Summary:**

RAAV supports the addition of regulation around the provision of heating in Rooming Houses (RH). However, RAAV is concerned that the current options of only ducted heating and air conditioners is inappropriate, costly and therefore will lead to the loss of affordable housing. To counter this RAAV suggests that an additional option of space heaters is added to the list of approved heaters. Secondly, we would further ask that this form of heating could be either fixed or free standing.

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<sup>i</sup> Noirot Panel heaters