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Submission to City of Melbourne Council – 29th August 2023

Item: 6.3 Short Term Rental Accommodation

Introduction

It is important when considering this issue, that the related societal problems need to be identified and that the strategies proposed, need to address them directly, rather than applying a cosmetic bandage. The short-term rental accommodation issue involves the following societal problems:

- Availability of long-term rental housing at an affordable cost. Evidence suggests that if rental properties move from long-term to short-term then rents rise and vice versa. See references.
- Neighbourhood impacts:
 - Disregard by some short-term operators for the other residents in the building and the facilities in the building.
 - Increased tourist traffic from short-term renters has the potential to slowly transform peaceful residential communities into “communities of transients” where people are less interested in investing in one another’s lives.
 - So-called ‘party houses’ i.e. apartments that are regularly rented to larger groups of people with the intent to party can severely impact neighbours and drive down nearby property values.

9.2 of the Recommendations refers to the implementation of a Registration Fee and a Day-per-Year Cap.

Registration fee

An annual registration fee per property is appropriate. It should be set at a level sufficient to provide funds to administer the process. However as this cost will be passed on in rental charges, it should not be so high as to inhibit the tourism industry. There is also the question of who is charged the registration fee, the owner or the platform.

To enforce the fee, a transparent database of properties needs to be maintained and when a property is being advertised it should be a requirement that the property’s registration number is included.

Day-per-Year Cap

The day-per-year cap is an idea that has been tried in various cities. It has immediate appeal and setting the right level for a city will need some thought. However, there are practical issues with this approach. How is the property to be used at the other times of the year? If a property is to be used as a short stay for a month around the Grand Final and the Melbourne Cup, then for a month in January for the Australian Open, is the agent likely to get a tenant for February to August, with the prospect that the tenant will need to move out several months later?

- Other problems with a Cap
 - Difficult to enforce. This could be administratively complex and reliant on short-term platforms to supply data. Compliance will be an issue.
 - Property rights. Some property owners might see a cap as an infringement of their rights to use their property as they wish.
 - Decrease in the supply of long-term housing stock and an increase in the rents. See references.
 - One rule for whole state. A one-size-fits-all approach may not be suitable for all regions.

- Alternatives to a Cap
 - Minimum stay requirements. Discourage a frequent turnover of guests by specifying a minimum stay.
 - Occupancy limits. To prevent large gatherings and maintain the character of the neighbourhood, set a maximum on the number of guests, which must be specified in the advertising and contracts.
 - Zoning regulations. Regulate the number and type of short-term rentals in a building, a block and a suburb to prevent a concentration of short-term rentals in a residential neighbourhood.
 - Registration: Property owners need to obtain a permit before renting out a property. The permit should include sufficient details of the owner to enable immediate contact, if needed. Such owners also need to use one of approved short-term platforms, rather than operating individually.
 - Additional OC fees: Authorise OCs to charge additional (limited) fees due to higher non-resident traffic within the building.
 - Taxation: Ensure that short-term platforms and hosts are subject to appropriate taxation to contribute to local economies and public services.
 - Community input: Involve local communities in decision-making processes regarding short-term regulations.

Other Comments and recommendations.

- Requirement that the owner of any property in an apartment building that is used for short stay needs to advise the Owners' Corporation on an annual basis.
- Use of the short-term rental properties to support people displaced by disasters. A process managed by the state government and supported by the industry could address an emergency need and give a social role for the industry.
- Requiring short-term rental operators to compensate for lost rental supply in the city by purchasing and converting commercial floor space for residential use.
- Owners' Corporations could be given the authority to introduce a rule to prevent owners from listing short stay accommodation if they do not otherwise permanently reside in the building.
- Data on short-term rental accommodation is publicly available.
- A formal annual permit requirement and a process for revoking permits from 'trouble properties'. A '3 strikes rule' could apply whereby a permit is automatically revoked for a number of years if 3 substantiated complaints about a property were received within a certain time frame.

In summary:

The Southbank Residents Association supports the recommendation to Council to 'track and regulate' this industry, but it is concerned that the implementation needs to be thought through in some detail. The SRA is keen to participate in the consultation process.

Yours sincerely,



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References

- [What did COVID do to rental markets? Rents fell as owners switched from Airbnb \(theconversation.com\)](https://theconversation.com/what-did-covid-do-to-rental-markets-rents-fell-as-owners-switched-from-airbnb-2020-07)
- [Australia has taken a 'light touch' with Airbnb. Could stronger regulations ease the housing crisis? \(theconversation.com\)](https://theconversation.com/australia-has-taken-a-light-touch-with-airbnb-could-stronger-regulations-ease-the-housing-crisis-2020-07)
- [Whitepaper -A-practical-guide-to-effectively-regulating-short-term-rentals-on-the-local-government-level.pdf \(granicus.com\)](https://www.granicus.com/public_doc/381121/Whitepaper-A-practical-guide-to-effectively-regulating-short-term-rentals-on-the-local-government-level.pdf)