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Submission to:

**Inquiry into Short Stay Accommodation  
Economics and industry standing committee – Legislative Assembly**

I have been a town planner with State and Local Government for over 40 years – mostly responsible for major policy issues and strategic planning. I am recently retired and make this submission as a private citizen following my experience having recently made available my studio on Airbnb. In this submission I refer to Airbnb, but the submission would equally apply to other on-line rental facilities such as Stays.

Over the past year I upgraded a studio located in my back garden at a cost of around \$7,000. The studio was built in the late 1990s for my children who have subsequently left home. It is 36m<sup>2</sup> in area and contains a bathroom and small kitchenette. I reside with my wife on the property in the main house which is located in West Leederville close to the Perth CBD, ocean beaches and public transport.

In August 2018 I included the studio as a “Guest House” with Airbnb and established the following:

- maximum number of guests – two.
- minimum and maximum rental periods – three days to one month.
- House-rules - no parties, no smoking.
- Minimum and maximum rental - \$50-\$150 per day with reductions for weekly and monthly rentals.
- Service cleaning fee - \$50.

In the seven month period (August-February) during which the studio has been available to rent revenue has amounted to an average of around \$800 a month. This should result in an annual income of up to \$10,000 after taking account of the times the unit will not be available (while I am on holiday myself and the times my family wish to use the facility). If my total income, including the rentals, exceed the minimum tax threshold I will pay tax on this income. (The unit is not available for rent when I am away or when family members visit).

Airbnb charges 14% for its service. 3% of this fee comes from the host and 11% from the guest. Certainly this should be subject to the Australian tax regime – as

should the services of hotel booking sites such as Booking.com which charges a 15-20% fee per booking.

My experience with Airbnb has been entirely positive.

Myself and my wife have been fortunate in hosting a series of delightful people. All have been well behaved, clean and sociable. One reason I believe for securing good behavior is the Airbnb practice of ensuring that both the guests and the hosts are rated by each other. Accordingly in order for the guest to be seen as desirable to hosts they have to behave. Similarly, the host is on best behaviour for fear of being marked down below a five star rating with the resulting negative impact that would have on future rentals.

So, in this respect Airbnb is a self-regulating facility, designed to ensure that the activity is a good neighbour.

The following table summarises the bookings received for our unit August-February, indicating the reason for people travelling and their source.

Purpose	Number	Total days	Source region
To work	3	50	Victoria, India, USA
Write/Seminar/study	3	56	USA, Broome, Pt. Hedland
Working holiday	1	7	Korea
Visit family/friends	6	40	NSW (2), Victoria, Albany, France, Germany
Holiday	3	14	USA, France, ACT
<b>Total (in 7 months)</b>	<b>16</b>	<b>163</b>	<b>WA 8%, Other Aust 22%, OS 70%</b>

Only two of the above required a parking space. The others relied on public transport, although we do have a parking space available on our verge. Most of the guests were on a tight budget and the unavailability of the Airbnb-type option would probably have resulted in some of the guests (particularly those from overseas) not coming to Perth or opting for backpackers accommodation – which for our guests at least was not their preference due to noise and lack of privacy. Notably from our limited experience, there is a strong preponderance of people using Airbnb to visit friends and family and to work on or off site.

### Town Planning considerations

The activity of accepting visitors into your house is generally covered by the definition of “dwelling”. “Dwelling” is defined in the R Codes (and thereby incorporated by reference into all town planning schemes) as “*a building or portion of a building being used, adapted, or designed or intended to be used for the purpose of human habitation on a permanent basis by a single person, a single family, or no more than six persons who do not comprise a single family.*” This definition establishes that the long-term use is habitation for no more than six people. However, the definition is silent on whether different individuals can occupy for short periods or pay to do so.

It has been easier for most local governments to assume that occasional visitors, whether related or not, can be received into a dwelling in the manner of Airbnb guests because to not do so would result in a definitional nightmare. It is difficult to statutorily distinguish between occasional visitors who are friends, relatives, friends of friends, or those involved in house swaps and paying guests.

In order to more strictly control small short-term rentals some local governments have relied on regulating through the use of the short-term accommodation concept. It should be noted that the concept of introducing the land use of “short-stay accommodation” and requiring that application made was originally designed to protect areas for the provision of holiday accommodation. In the past there has been concern that holiday accommodation was being lost by the purchase of prime sites for normal residential use with the resultant loss of holiday accommodation in holiday towns such as Dunsborough. The use of the short-stay accommodation concept was originally designed to encourage rather than restrict short-term rentals.

While Short-Stay Accommodation is generally not defined in individual town planning schemes, it has been included under clause 37(1) of the 2015 *Planning and Development (Town Planning Schemes) Regulations* and is therefore now included in all schemes. The relevant universal definition is:

*short-term accommodation* means temporary accommodation provided either continuously or from time to time with no guest accommodated for periods totaling more than 3 months in any 12 month period;

Such a definition may adequately provide for the activity as a supplement, or *additional use*, to the parallel use of ‘dwelling’. However the definition does not cover most Airbnb type situations as such properties are not used exclusively for short-term accommodation – the permanent resident also lives on the property.

Other definitions of relevance to this matter are included under Clause 38 of the 2015 *Planning and Development (Town Planning Schemes) Regulations*. These definitions, listed below, mostly relate to the exclusive use of a property for the defined purpose rather than the use being ancillary to the main residential use;

**Cl.38 (land use terms used)**

*bed and breakfast* means a dwelling —

- (a) used by a resident of the dwelling to provide short-term accommodation, including breakfast, on a commercial basis for not more than 4 adult persons or one family; and
- (b) containing not more than 2 guest bedrooms;

*hotel* means premises the subject of a hotel licence other than a small bar or tavern licence granted under the Liquor Control Act 1988 including any betting agency on the premises;

*serviced apartment* means a group of units or apartments providing —

- (a) self-contained short stay accommodation for guests; and
- (b) any associated reception or recreational facilities;

*holiday accommodation* means 2 or more dwellings on one lot used to provide short term accommodation for persons other than the owner of the lot;

*holiday house* means a single dwelling on one lot used to provide short-term accommodation but does not include a bed and breakfast;

*serviced apartment* means a group of units or apartments providing — (a) self-contained short stay accommodation for guests; and (b) any associated reception or recreational facilities;

*tourist development* means a building, or a group of buildings forming a complex, other than a bed and breakfast, a caravan park or holiday accommodation, used to provide —

- (a) short-term accommodation for guests; and
- (b) onsite facilities for the use of guests; and
- (c) facilities for the management of the development.

While most of the above definitions could be used to control Airbnb use where there is no permanent resident also on site, none of them deal with the most common type of Airbnb whereby there is a permanent resident. If it was decided that it was desirable to either restrict or control the activity it would be necessary to accurately describe it.

Because such definitions would prove difficult some local governments have taken the approach of introducing a policy which describes various impacts and when the Airbnb avoids these impacts it is allowed by right. For instance the policy may indicate that where the owner permanently resides on the property, vehicles are parked on site, no advertising signs are displayed and no more than six individuals are resident at any one time, there is no requirement for an application.

It has been suggested that Airbnb, and the like, be restricted to periods of over two weeks. The only real reason to support this would be to protect the hotel sector against competition. Certainly it could not be justified on the basis of planning impact – a group of six students renting a property or a family with its extended relations over for a weekend would certainly create greater impacts. Accordingly the motive would be political, justified by the desire to support one sector (hotels) over another (private property owners).

Airbnbs do actually have an in-built incentive to discourage very short stays of one or two days by virtue of the additional service charge for cleaning (which can double the cost of a single day rental), weekly and monthly discounts and time minimums imposed by the hosts. Typically the service charge will be around \$50, the weekly discount 12%, the monthly discount 30% and the minimum stay 3 nights.

### **Implications for housing generally**

Rented space within an existing property for Airbnb and the like provides a fuller use of residential space and results in more people living close to existing facilities. Metropolitan strategic planning policy has for many years attempted to facilitate, with limited success, greater urban density. So here we have a situation where individual property owners are delivering more efficient use of dwellings without being cajoled by government.

In terms of housing floorspace, Perth builds the largest houses (average of new houses was 327m<sup>2</sup> in 2017) in Australia and probably the world. There is relatively little cost penalty to building a large house in terms of taxation or building cost given a land parcel. While the size of land parcels has halved over the past 40 years (from around 800m<sup>2</sup> to less than 400m<sup>2</sup>), houses have got bigger. Notwithstanding this, average household sizes have continued to fall from 3.1 (in 1976) to 2.55 (in 2016). As people are living longer and the number of single person households continues to increase, the extent of unused housing space continues to grow. The use of some of this space for short-term accommodation makes good sense in terms of better use of resources and in terms of social interaction with the sometimes lonely isolated house occupiers.

In addition, the large costs of moving house (stamp duty, agents fees, removals and the rest) result in many who would prefer to downsize staying put. Use of unused space for Airbnb is a productive response to the inefficient taxation regime.

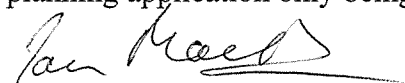
## Conclusions

It is my submission that Airbnb guests represent a group of users somewhat different from the average hotel occupant. They are more likely to be on a tight budget, would otherwise stay with family or in Backpackers accommodation and some would not include cities such as Perth on their itinerary if there was no cheap accommodation option. In this respect Airbnb is expanding the pie to the benefit of the economy as a whole and resulting in more efficient use of housing resources. Certainly Airbnb would not suit everyone. Living within someone's home can be stressful and risky – many will always prefer the privacy and certainty of hotel accommodation, and however well Airbnbs are located they are generally less central to the main attractions than are hotels.

My experience is of running Airbnb from my home for a relatively short time. I concede that there may be different issues where the Airbnb host is not resident on-site as issues arising for guests and neighbours would be less immediately addressed. But my experience as a resident host of Airbnb has been entirely positive.

There are benefits to the economy as a whole as my experience is that Airbnb guests to a large degree represent a new market and hence result in the enlargement of the pie of visitors to WA. Hosts pay tax on their income, however, the Airbnb service itself appears to avoid paying any tax within Australia for the 14% of the gross revenue of all Airbnb transactions. This, along with a number of other internet transactions (including hotel booking sites, Amazon and various other on-line transactions), should be subject to the payment of tax in Australia.

There may be merit in recommending that local governments concerned about the proliferation of short-stay accommodation introduce appropriate definitions and policies which establish criteria (pertaining to matters such as numbers of guests, parking, and resident hosts) to ensure that impacts are minimized and result in planning application only being required where the criteria are not met.



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