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Hidden homes? Uncovering Sydney's informal housing market

Introduction

Like many of the world's wealthiest nations, Australia's housing system has bifurcated. Growing rates of housing investment and second home ownership amongst higher income earners is contrasted by new barriers to first home ownership and a lower-income cohort which has been pushed to the margins of the private rental market. In Australia, these trends are particularly concentrated in the major capital cities, where there is an absolute shortage of social and affordable rental housing, and where growing numbers of people are dependent on share accommodation or other informal rental arrangements which range from renting a bed in an overcrowded apartment to an illegally constructed dwelling in a suburban back yard. By definition, these informal arrangements occupy a sector of the housing system which is difficult to detect and monitor, and which traditionally has been understood in relation to the transitional choices made by young adults on their passage to home ownership, or by those with complex social problems and at risk of homelessness. Indeed, the notion of 'informal' housing has itself been almost synonymous with the slum and squatter settlements of the global south rather than a phenomenon that might occur in 'formal' global north cities (Harris, 2017). But the literature on informality in urban systems of the global north, and specifically in relation to urban housing markets, now understands informality as both a reflection of, and response to, failure within the formal urban system and welfare safety nets to provide adequate and affordable accommodation for lower-income and disadvantaged groups, creating a market for informal alternatives.

Recent research implies growing prevalence of these informal alternatives in the global north, with examples of irregular and illegal dwellings and rental arrangements in North America (for instance, 'basement' conversions in Calgary, Canada, backyard units in Los Angeles, and mobile home communities in California); Hong Kong (roof top houses); and the UK ('beds in sheds') (Wegmann and Mawhorter, 2017; Durst, 2014; Tanasescu et al., 2010; Perry, 2013; Mukhija and Mason, 2015). Planning for some informality in housing supply, for instance, by enabling secondary dwellings or micro units, has even been promoted in some cities as a source of lower cost rental accommodation and as a strategy for increasing density in established neighbourhoods (Wegmann and Chapple, 2014; Mendez and Quastel, 2015), although long-term outcomes remain unclear. Such processes of formalising or legitimising these informal housing typologies which have often been opposed by home owners in low density neighbourhoods or perceived as an inadequate form of rental accommodation for those beyond the immediate family unit (Anacker and Niedt, 2019), point to the trade-offs inherent between providing basic needs and affordability and meeting societal norms and regulatory standards.

This article examines these themes with reference to a study of informal housing provision in metropolitan Sydney, New South Wales (NSW). Sydney is Australia's largest city and has recorded chronic housing affordability pressures over two decades of price inflation. It is an important case in which to examine informality in housing markets due to the explicit policy

efforts geared towards supporting diverse and higher density housing supply. The main responses seeking to improve housing affordability in Sydney have been to encourage more housing production across the market, including more diverse dwelling types such as high density apartments, micro rental units, and secondary dwellings attached to or situated behind a primary home (Gurran et al., 2018). Despite this supply response, the private rental market remains inaccessible for low-income households, with a declining social housing stock. No advertised rental vacancies across the entire metropolitan area in 2017 were affordable to households receiving statutory benefits (Bellamy et al., 2018). In this context, this study sought to understand the potential scale and dimensions of Sydney’s informal housing market; and to examine relationships between informal or illegal dwelling production and existing policy, planning and regulatory frameworks.

The structure of the article is as follows. First, we canvas the small but growing literature on informality in urban systems of the global north, particularly in relation to urban housing markets. We then turn to the case of Sydney and results of our primary research. This comprised in-depth interviews and focus groups with housing advocates/ support workers and building compliance officers ‘at the frontline’ of Sydney’s unmet housing need, and the informal market and practices which have emerged in response.

Understanding informal housing

In urban contexts, informality – practices that do not conform to legal regulations, that are ‘off the books’, without planning permission, in defiance or in ignorance of prescribed regulatory frameworks (Tonkiss, 2014) – is increasingly regarded as an inherent aspect of urban production. Scholars stress the importance of discarding binary, oppositional conceptions of ‘formal versus informal’ to appreciate that the two are mutually constitutive, with informality ‘produced by formal structures and always intimately related to them’ (Porter et al., 2011: 116). Thus the state is engaged in producing informality as well as in responding to it, whether through formalisation, toleration or eradication (Iveson et al., 2018; Harris, 2018; Tonkiss, 2013).

Strategies for responding to informality tend towards formalisation, but a key insight from research into informal urbanism is its questioning of state attempts to formalise informal settlements in the global south (Porter et al., 2011). This is because legitimisation efforts, usually involving assignment of property rights, often privilege the already wealthy through processes of gentrification and displacement. A further paradox is that in the absence of formal, legal mechanisms, residents of informal settlements lack basic protections. Informality results in a complex series of contradictions or dilemmas for planners and policymakers (Tonkiss, 2014; Porter et al., 2011), underlining the need for a refined understanding of the diversity of informal practices and their broader implications (Roy, 2005).

Global north expressions of informality range from the aesthetic (such as ‘pop up’ street installations) to those driven by poverty and social exclusion. The prevalence of informal

housing as a de facto source of otherwise scarce affordable housing is increasingly recognised. Several of the UN-Habitat defined elements of shelter deprivation (such as overcrowding and lack of tenure security) usually associated with forms of global south slum housing are equally persistent in London, Paris, New York and Sydney (Tonkiss, 2014). Research in European and North American cities has considered informality produced under ‘austerity urbanism’ (Tonkiss, 2013). Though explicit austerity measures are absent in Australia, it shares key characteristics of ‘neoliberal urbanism’ (Mayer, 2013) - public housing is privatised and residualised, private property ownership is out of reach, and progress towards improving the housing conditions of the urban poor is stalled or in retreat. Another neoliberal characteristic, the negotiable nature of regulation, is exemplified in the ‘formalised informality’ of attempts to address housing affordability through the planning system via inclusionary mechanisms (Harris, 2018: 273), rather than through funding for social housing provision. These approaches may offer increased development potential in return for affordable housing contributions, or vary development standards for diverse housing types, potentially delivering important sources of lower cost accommodation. However, in nations such as Australia, growing reliance on value capture or inclusionary planning to subsidise low income accommodation is regarded as emblematic of a neoliberal housing reform agenda (Beer et al., 2007).

Traditions of informal housing provision in the global north include squatting in vacant dwellings or buildings, self-organised cooperative housing models, and forms of share accommodation (Hilder et al., 2018; Tummers, 2015). Longstanding, self-organised housing practices remain under-researched responses to current failures in the housing market (Crabtree, 2018; Bower, 2017), that represent non-market systems of organising space and distributing urban resources (Tonkiss, 2014: 109). But they have displayed limited ability in Australia as elsewhere to ‘scale up’ and gain policy traction (Crabtree, 2018: 28).

Beyond such self-provisioning, informal modes of housing entail ‘intense market transactions’ (Roy, 2005: 152) and informal rental markets are increasingly recognised as a key if relatively hidden element of the housing system. These arise when the formal system fails to provide affordable rental housing for low-income or disadvantaged groups and are often subject to rigid hierarchies of exclusion and coercion wherein tenants may have little or no recourse to formal legal protections. Thus, informal housing provision not only responds to but exploits and can further entrench exclusion and inequality. Informal networks, such as amongst ethnic groups, can represent resources of solidarity, collective action and security, but are not necessarily ‘less vicious or corrupt’ (Tonkiss 2014: 107) than formal networks regulated by law.

Informal housing has become a ‘significant resource for the landlord class everywhere’ (Tonkiss, 2014: 97). Landlords can capitalise through practices such as informal subdivision and subletting, resulting in poor housing conditions exacerbated by a lack of privacy. Through mechanisms such as dividing houses and apartments up into a series of smaller tenancies, or creating additional dwellings in backyards or garages, landlords flout built environment and housing legislation including environmental planning regulations, building codes, and tenancy

law. Often, these practices go unnoticed with concealment a common characteristic of informal housing, complicating any attempts at proactive enforcement of building controls or rental regulation (Hilbrandt, 2019; Wegmann, 2015). In turn, its non-permitted and concealed nature adds to the methodological challenge of documenting informal housing's scale and spread (Wegmann and Mawhorter, 2017; Harris and Kinsella, 2017). A further complication is posed by online platforms such as Airbnb, which blur the lines between residential and tourist accommodation, are also often in breach of local planning regulations and tend to evade enforcement (Gurran and Phibbs, 2017).

Similarly, informal housing presents a dilemma for policy makers because it helps meet an important unmet social need, but does so imperfectly – as reflected in the experiments to legitimise roof top squatting in Hong Kong, and basement apartments in Canada (Tanasescu et al., 2010). Drawing on the cautions regarding legitimisation approaches in the global south (Porter et al., 2011), formalisation efforts in relation to informal housing in the global north would likely depend on the specific type of housing; who is providing it; and pathways in and out for affected residents. The need for grounded research is clear.

Expressions of informal housing are likely to be highly contextual within neighbourhood and residential dwelling typologies as well as within and between urban regions. Situational research is needed to understand, monitor, and respond to the phenomenon - refining understanding of informality, such as the types of informal dwellings and informal tenures which are produced - in a way that serves disadvantaged groups in housing need. As such, there are ethical concerns around the disclosure of illegal housing units and potential repercussions for vulnerable tenants.

The specific definition of informal housing we deploy is informed by Harris' (2018) global review of informality in urban development, in which 'informality' is defined as not adhering to institutional rules or as being denied protection from prevailing legal frameworks (for instance, rental tenancy legislation). We adapt this understanding to the housing context to encapsulate both informal dwellings and informal tenures. Thus informal housing means housing that contravenes existing planning, building, or tenancy rules, or which offers residents few protections within these rules. Examples of informal housing within this definition include illegally constructed, converted or occupied dwellings, as well as informal rental arrangements not subject to standard residential tenancy agreements. Share housing and room rentals, as well as secondary dwellings such as rear 'granny flats', or other self-contained accommodation within a primary dwelling that is leased on an informal basis all fit within this definition.

An inherent attribute of these housing arrangements is that they are not easily captured in mainstream data on the housing market. For instance, data on new housing supply typically consists of dwelling 'approvals' issued by local authorities, while data on the dwelling stock relies heavily on periodic surveys, such as those conducted through national census collections; or property records maintained for land titling or taxation purposes. Registered real estate sales transactions, home mortgages, and rental leases provide other sources of information about

demand and supply in the formal housing market. But informal housing is supplied and accessed beyond these processes for example through digital platforms and social networks. Higher costs associated with regulatory compliance; or when the risks of penalty are outweighed by potential profit – are thought to be powerful drivers for illegal housing production (Harris, 2017; Durst and Wegmann, 2017).

Researching the informal housing sector in Sydney, Australia

This paper draws on data from the first systematic investigation of informal housing in Australia, spanning both unauthorised dwelling production and informal tenure arrangements (Redacted, 2019). We designed the study in collaboration with two local government partners (the local government areas of Waverley, in Sydney’s inner city, and Fairfield, in the south west, Figure 1), as well as the Tenants’ Union of NSW, a major advocacy organisation. All research partners contributed because they were concerned about housing unaffordability in Sydney, and in particular the potential rise of informal and illegal housing arrangements and the implications of this. Thus, the case study areas were selected based on both the local authorities’ willingness to partner and their contrast as settings for informality given their central and more peripheral locations within metropolitan Sydney. Interviews and focus groups with 19 local government building inspectors, planners, and an elected officer; as well as with housing advocates, advisers and support workers from these local areas and a sample of other Sydney localities, provided the primary data, supplemented by a close analysis of the regulatory planning and building compliance framework. We considered this qualitative, explorative approach the most appropriate way to examine informal housing in Sydney given the lack of prior published research in Australia.

The decision to draw on the perspectives of local government building inspectors, housing support workers, and advocates, rather than to seek direct interviews with tenants of informal and illegal accommodation, was integral to the research strategy and ethics protocol. Study partners Tenants’ Union NSW were concerned to avoid exposing the individual housing circumstances of vulnerable tenants. Similarly, local government informants must walk a fine line between minimising health and safety risks associated with illegal dwellings and exacerbating the precarity experienced by households who have limited alternatives. Thus, interviews were designed to draw on aggregate knowledge and experience across the informal housing sector, through the perspectives of front line support workers, advocates, and local government personnel.

Conducted between December 2017-August 2018, the interviews were structured by a set of core questions concerning the nature and scale of informal housing within the case study localities and wider Sydney region; perceived supply and demand drivers and trends over time; as well as benefits or risks associated with informal housing tenures and dwelling types. Interviewees were encouraged to elaborate on their responses, which were recorded and transcribed for subsequent analysis by the research team. Following the interviews, the research

team presented emerging findings and analysis to a wider group of front line sector experts through two focus groups, one attended by planning and building inspectors, focused on informal and illegal dwelling supply; and the other on informal tenures, involving housing support workers. Of the focus group participants, half were interviewed in phase one of the study through our research partners, and the remaining seven were identified via a snowballing methodology.

The study approach has some inevitable limitations. First, rather than seeking the specific perspectives and experiences of those living in informal housing, the study focused on the issue in a more aggregated way, through interviews with local government officers and housing advocates. As noted, this was a deliberate research strategy, because of the vulnerability of households living in precarious informal conditions, but it meant that direct experiences of tenants were not captured. A second limitation is the absence of landlord/supplier voices who again were not sought due to ethical concerns about potential repercussions associated with any exposure of irregular and illegal housing provision. Future research may seek to include both voices through an anonymised survey questionnaire. Finally, the lack of reliable baseline data about informal housing provision in Sydney makes it difficult to evaluate the findings of this study against other indicators. To offset this limitation, wider household tenure and occupancy data, including data on extreme overcrowding and homelessness, was included as context for the qualitative analysis (Table 1). Overall, these limitations notwithstanding, the data and insights developed through the study represent a first attempt to uncover the processes and drivers of informal housing provision in Australia and contributes to the small but growing body of research on informality in comparable cities of the global north.

Waverley and Fairfield in context

Greater Sydney is Australia's largest metropolis, with a total population of nearly five million people and buoyant growth largely driven by international migration. The two case study local government areas represent interesting comparisons of the city's wealth divide and how this plays out in the housing market, providing contrasting settings for informality. Waverley is located in the advantaged inner east, incorporating the iconic Bondi Beach, while Fairfield is situated in the middle ring, towards the city's south west (Figure 1). Despite a high student population attracted to the University of NSW, overall Waverley is more affluent than Fairfield, where there is high unemployment (10.5%), the median income is \$1,222 per week, and nearly a quarter of households receive less than \$650 per week (Table 1).

Insert table 1 around here

Insert Figure 1 around here

Home ownership is a dominant tenure in Sydney, although ownership rates have declined over the past decade. Around 60% of households in Fairfield and 45% in Waverley live in their own home (Table 1). The higher rate of owner occupation in Fairfield (60%, consistent with Greater Sydney) reflects historical patterns as well as the relatively lower cost housing market in the

locality, where median dwelling prices are approximately half of those in Waverley (\$690,000 and \$1303, 000 respectively). Further, the higher student population in Waverley would generally tend to favour rental accommodation. The remainder of the population are renting in the private sector (20% Fairfield and 29% Waverley); or renting via another ‘landlord type’ (7% in both Waverley and Fairfield). An increasing proportion of households did not classify their tenure in the 2016 Census (7% in Fairfield and 16% in Waverley), suggesting a rise in non-standard and informal arrangements needing further investigation. Notably, Waverley’s private rental market is characterised by weekly rents of around \$600, much higher than those of Fairfield (\$260) (Table 1). Nevertheless, in both Fairfield and Waverley, over 18% of renter households spent 30% or more of their income on housing in 2016, compared to 14.2% in metropolitan Sydney. Both localities, in common with Sydney overall, have recorded rising homelessness, growing by 25% in Waverley and 61% in Fairfield between 2011-2016 (compared to 48% in metropolitan Sydney, ABS 2016). Australia’s statistical definition of homelessness includes living in inadequate or severely crowded accommodation, categories which more than doubled between 2011-2016. There was also a doubling in the number of homeless people in Fairfield living in improvised dwellings, tents, or sleeping out.

Consistent with these data, interviewees and focus group participants advised that rising housing affordability pressures in Sydney, and an insufficient supply of social or affordable private rental accommodation options, mean that lower-income groups are increasingly excluded from the formal housing system. Housing support workers noted that recent migrants including asylum seekers and refugees, international students, and older women all experience particular barriers in accessing the private rental market. In addition to income constraints these groups often lack rental references, making them uncompetitive in tight real estate markets. In many cases a lack of familiarity with the rental system and residential tenancy rights, as well as the growing prevalence of online platforms for share accommodation make it more likely that these groups are directed to the informal rental market.

This market comprises both informal rental arrangements not fully covered by standard residential tenancy protections as well as dwellings produced within or beyond urban planning and building regulation.

Informal dwelling production

The term ‘informal’ is used somewhat awkwardly in relation to dwelling units in Australia where there are clear legal regulations governing the production and occupation of buildings for residential purposes. Our building inspector informants were firmly of the view that dwellings are either legal (constructed and occupied in line with planning and building regulations) or illegal – contravening these rules. However, it was accepted that minor alterations or works undertaken by owner occupiers within their own properties without formal permission may retrospectively be brought within a regulatory framework. Secondary dwelling units (‘granny flats’) may sometimes

fit within this category but interviewees advised that unauthorised building works (such as the refurbishment of a garage or shed) were rarely capable of retrofitting to habitable standard.

‘Formalised informality’ – diverse dwellings permitted under NSW State planning policy

NSW state policy has sought to formalise diverse and informal accommodation types such as secondary dwellings and ‘boarding houses’ through the planning system, in order to encourage new supply of lower cost rental accommodation. This policy of ‘formalised informality’ (Harris 2018: 273) has enabled a steady increase in secondary dwellings and ‘boarding houses’ (micro studio units) in Sydney since 2009, under *Affordable Rental Housing State Environmental Planning Policy 2009*, overriding local planning constraints. At least 10,100 secondary dwelling units were approved between 2008/09-2014/15, roughly equivalent to around 5% of the city’s total new housing supply over the same period (Gurran et al., 2018).

To reduce regulatory costs ‘private certification’ was also extended to secondary dwellings. This means that plans for code compliant ‘granny flats’ (that is, dwellings to a maximum of 60 square meters, on a residential lot of at least 450 square meters) can be approved by a private certifier appointed and paid by the property owner. The private certifier is then able to authorise all stages of construction, issuing a final occupation certificate, bypassing the local authority. The ease with which secondary dwellings are able to be authorised and constructed, particularly in larger lot suburban neighbourhoods, has increased their popularity. In Fairfield, secondary dwelling production has come to dominate new housing supply over the past fifteen years, in 2014-15 accounting for nearly 60% of new dwelling units (Redacted, 2019).

There are no requirements or restrictions relating to the use of secondary dwellings as rental units, and no data on the extent to which these units have added to the city’s rental housing stock. However, building inspectors and housing advocates advised that granny flats are often produced by landlords, rather than the owner occupier, of the primary dwelling. They are regarded to be an effective strategy for increasing rental yield, effectively doubling the number of rental units able to be leased separately on a single residential property.

Despite their growing prevalence as a form of rental accommodation, both building inspectors and tenant advocates cautioned that the primary/secondary dwelling typology is not ideally suited for two separate, non-related households. Often designed to accommodate extended families (as suggestive in the term ‘granny flat’), secondary dwelling units were originally viewed as a means of offering flexibility to households with changing needs over time. As a form of longer term rental accommodation the appropriateness of the housing form is unclear, with the implied stigma associated with living in a ‘secondary’ dwelling unit, often without a defined street address or separate entrance, as well as concerns around privacy and conflicts arising in relation to shared garden spaces.

“To a tenant's advocate, granny flat means dispute.” (Housing advocate)

“[Living in a granny flat is] one of the ways you can almost guarantee you're going to end up in a fight, either with a neighbour or your landlord.” (Housing advocate)

Properties rented to separate individuals (who share facilities such as kitchens and bathrooms) are classed as ‘boarding houses’ under NSW law, and must be registered if they accommodate five or more residents. Registered boarding houses remain an important but declining form of low cost rental accommodation in Sydney. ‘New generation’ boarding houses permitted under the State’s *Affordable Rental Housing* planning policy are designed for singles or couples, with minimum space standards of 13 square metres for single occupancy (compared to around 50 square meters for a standard studio apartment). Around 70 new boarding house rooms were approved in Waverley between 2009-2017 (Troy et al., 2018b), and a total of 39 premises registered (NSW Fair Trading, 2019). By contrast, the NSW boarding house register lists only four premises in Fairfield (ibid).

Housing advocates advised that new generation boarding houses often provide high quality accommodation for international students but are rarely affordable to those on low incomes. Recent studies have raised wider questions around the affordability of secondary dwelling units and new boarding house rooms produced under the *Affordable Rental Housing State Environmental Planning Policy 2009* (Gurran et al., 2018 ; Troy et al., 2018a).

Unauthorised informality – illegal dwellings

Despite clear legal pathways for secondary dwellings and boarding houses this study found that unauthorised and illegal dwellings have emerged in many parts of Sydney. Deliberately concealed to avoid detection, building inspector interviewees described a range of illegal housing practices, including illegal constructions and conversions of garages or sheds and unauthorised extensions or subdivisions to existing homes, creating separate units. These dwellings typically violate planning rules relating to secondary dwellings – for instance, requirements which limit each property to a single primary and secondary dwelling unit – but are often in breach of building code requirements for habitable buildings as well.

Often there is a complicated patchwork of legally permitted building work and illegal construction or conversions. In Fairfield, inspectors advised that it was not uncommon to see complicated plan configurations for structures to be approved as complying development – including garages, sheds, studios, as well as a secondary dwelling unit - on a single residential site. While technically permissible, the inclusion of wet areas in each of these structures was often a signal that the owner intended to convert them post-inspection into individual dwellings for separate tenancies. Interviewees described private certification under these circumstances as a form of ‘tacit approval’ as it was ‘obvious’ that informal dwellings would result.

One building inspector described an outdoor covered area which had been fitted with six illegal rooms, rented separately to individuals who shared a common kitchen and toilet area. In many of these cases, building work is done illegally. Interviewees described a practice whereby tradesmen

will perform work without supplying a proper invoice, thereby evading professional liability and responsibility to conform with applicable construction codes.

Building inspectors primarily become aware of illegal dwellings due to complaints from neighbouring residents. Focus group participants advised that reports of illegal dwellings had increased, in one local government area reaching around 80 notifications per month. They explained that complaints are indicative of a much larger problem – estimating that around 10% of illegal dwellings might come to their attention via the complaint system and only because of issues such as noise, overflowing garbage bins, or excessive vehicles which prompted neighbours to contact council. Illegal boarding houses are often more difficult to detect than secondary dwelling units, particularly when concealed within residential apartment buildings. Building inspectors advised that use of temporary dividers and the need to gain permission to enter premises meant that often landlords or residents removed evidence of room/bed rental and overcrowding before inspection.

There is a distinct geography to the production of informal and illegal dwellings in Sydney. Building inspectors advised that secondary dwellings are more common in older residential suburbs, particularly those where there are larger residential allotments. Across the inner city and in areas of new apartment construction, building inspectors described endemic problems with overcrowded and subdivided apartments often operating as illegal boarding houses. By contrast, in the higher value housing market of Waverley, informants reported that complaints relating to illegal housing production are now rare. However, Waverley is also a focus for informal tourist accommodation advertised via platforms such as Airbnb, which are absorbing permanent rental supply.

Health and safety risks arising from illegal dwellings

Illegally provided dwellings are associated with serious health and safety risks to occupants. As well as concerns about structural integrity, these dwellings are often dark, poorly ventilated, and lacking in privacy and security. Often they are damp and mouldy, because non-residential structures such as garages and sheds are not required to include damp proofing; and may be constructed on flood-labile land with inadequate storm water and sewerage provisions. There may be hazards posed by use of non-residential building materials or inadequate electrical work, compounded by a lack of smoke detectors and increased fire risk due to inadequate separation between structures and between property boundaries. Overcrowded and/or subdivided apartments and illegal boarding houses present obvious health and safety risks. Fire risks are exacerbated as illegally converted dwellings may be situated at the rear of a residential garden beyond the reach of a fire hose, and may not be easily identifiable as an occupied dwelling:

“In a fire situation, the fireman wouldn’t even bother looking at that garage, not thinking there’s people in there. He thinks it’s just a garage.” (Building inspector)

These risks are potentially exacerbated by the vulnerability of occupants. Building inspectors advised that illegal dwellings are often occupied by families with children and elderly tenants.

“the one I was at [with six dwellings on the lot], every single [dwelling] had children except for one [which housed] an elderly couple.” (Building inspector)

“That's the frightening thing too because... I look up and I look for smoke detectors and there's none in there. In the main dwelling... and in the granny flat, yeah, they're there, but in the stuff that they've divided up, there's no fire safety and I can just imagine this poor elderly couple, if there is a fire, trying to get out of there and with no warning or no nothing.” (Building inspector)

When these illegal and unsafe properties are uncovered, building enforcement officers face a difficult process in balancing the housing needs of vulnerable occupants with their physical safety. In most situations, the officer will issue an order for the building to cease the unauthorised use, along with a financial penalty. Tenants living in the dwelling will be given information about how to access alternative accommodation, and unless the structure is obviously very unsafe, the tenant will often be given time to relocate. Ideally, a process to achieve retrospective remediation and approval of the dwelling will be initiated by the property owner, although it is usually difficult to retrofit an existing structure to habitable standards.

“If we look at an existing garage, for example, that's converted, well usually the construction isn't to the same standard as a habitable room. Trying to make a silk purse out of a sow's ear is often very difficult.” (Building inspector)

For these reasons, interviewees expressed the view that illegal dwelling production is exacerbating the disadvantages faced by vulnerable and lower-income groups. Not only is the housing substandard but in many instances is also expensive.

“There's no amenity, there's no safety, there's no healthy situation.... [and] it's not affordable.” (Building inspector)

Ironically, our study found that many tenants living in unauthorised and substandard dwellings were doing so via a formal residential tenancy lease. That this serious regulatory failure can arise reflects the lack of a wider framework for enforcing standards in Australia's private rental sector (Liu et al., 2019). Residential tenancy agreements (leases) oblige landlords to provide habitable accommodation meeting health and safety standards. However, the absence of a special purpose regulator for the private rental sector means that individual tenants are left to enforce these requirements.

In the next section, we examine the informal rental arrangements which may also occur within secondary or unauthorised dwellings but are equally prevalent across the wider housing market.

Informal rental tenures

Informal living arrangements and tenures occur beyond traditional categories of owner occupation or renting. Often these arrangements relate to forms of rental accommodation which are hard to define, because they are not covered by a standard residential tenancy lease or contract. They may include informal agreements between residents of a group household, when only one resident is named on the lease. They may also include agreements made directly between tenant and landlord, including situations where the tenant rents a secondary dwelling, room, or bed. Certain legal protections may still apply but interviewees advised these are poorly understood and can be difficult to enforce.

Share housing

Share housing is a traditional and important source of accommodation typically favoured by students or those early in their career, transitioning between the family home and independent household formation. However, housing advocates advised that the private rental sector is increasingly comprised of people seeking share households by necessity rather than choice, across all age groups (Maalsen 2019).

“The difference is that... [people in the past] ... were probably more likely ... to be living with people [they] either knew, or like-minded people. Whereas now, people are just desperate and just moving in with anybody.” (Housing advocate)

“The average age of share housing occupants has crept up over time. You occasionally read articles about folks of retirement age who are setting up share houses. It's all wonderful in the glossy Saturday magazines. But not on Gumtree.” (Housing advocate)

Online platforms such as ‘Gumtree’ or ‘Flatmates.com’ advertise vacancies, mimicking the traditional pathways into share accommodation, but informants advised that landlords (sometimes via a ‘head tenant’), and real estate agents are increasingly playing a role in the formation of group households. Housing advocates reported that this quasi-formalisation of the share and informal housing market offers some protections but also represents new barriers to access for lower-income people unable to meet rental history, employment or income criteria set by real estate agents.

Interviewees described a high potential for conflict between individual residents of share households formed through economic necessity and arranged by landlords or agents, rather than formed by choice. This is exacerbated by overcrowded and marginal conditions.

“Because their income's so low and the affordability's so low, they group together, sometimes four, six people in a two-bedroom unit. That creates all sorts of tensions.” (Housing advocate)

Rental legislation in NSW does not prescribe occupancy thresholds to regulate overcrowding in relation to single (including group) households within a private rental unit. However, occupancy standards apply to boarding houses, which are formed when landlords rent rooms or beds

separately to individuals. Even so, enforcing these regulations is complicated by the difficulty of distinguishing between share households which have formed intentionally, and individually rented rooms and beds.

“I think there was seven in the house and the landlord was trying to kick some of them out because somebody tipped him off to the council, because there's obviously overcrowding. He had them all on individual agreements, \$200, \$250 each [per week], three in each room.”
(Housing advocate)

Housing advocates described a number of concerns about the conditions experienced by international students, many of whom organise their housing through agents before arriving in Australia and are often locked into expensive arrangements including high bonds and additional charges for cleaning or utilities. This is compounded by students' lack of knowledge of their rights, limited awareness of housing support services, and their vulnerability to exploitation by those with whom they share a cultural background, exemplifying the exploitative potential of informal networks. In other cases, students find accommodation online, renting from a landlord who may be subletting the property in increments to individual people, often at a much higher rate. Many of these arrangements are characterised by extreme overcrowding with informal or temporary forms of subdivision such as dividers and curtains.

“[She] rented a three-bedroom unit in the backstreets of Chippendale [inner Sydney] and then divided it up and had people on mattresses on floors. So there was a curtain across what was the lounge room and three or four mattresses on the floor. There was also a curtain across the stairwell, underneath the stairs, and a bed there. In total, there were about eight or nine students.” (Housing advocate)

Forms of hot bedding, whereby residents take turns in sleeping in their beds, have emerged in inner and middle ring Sydney. This appears to be a phenomenon which is associated particularly with newly arrived immigrants and refugees.

“So we've heard stories of people having blanket rosters in the winter, four grown men sleeping in the same bed so they can share linen. People get into physical fights and verbal fights, and tenancies break down.” (Refugee housing advocate)

Secondary residents

A number of interviewees described particular problems arising from the informal rental of a secondary dwelling or granny flat, particularly when the owner occupiers of the primary home are landlords to tenants of the secondary dwelling.

“A lot of the time if the owner lives in the front part of the house, and they have a granny flat in the back, they'll pretend, and they'll portray to the secondary dwelling resident that they don't have tenancy rights.” (Housing advocate)

The lack of affordable housing choice in the formal market means people are increasingly willing to accept these compromised arrangements.

“There are people who probably would have rented their own studio, say, or a one-bedroom, and now - and would have been very clear in their tenancy rights and in the relationship that they had, and now are in a granny flat. It's much more unclear what they are getting and what their rights are. I think they feel more precarious.” (Housing advocate)

Typology of informal dwellings and tenures in Sydney

The interview data and review of building plans and case material supplied by building inspectors contributed to a preliminary typology of informal dwellings and tenures in Sydney, developed further through the focus groups with building inspectors and housing advocates. As shown in Table 2, we use the terminology ‘authorised’ and ‘illegal/unauthorised’, to capture the distinction between diverse forms of residential accommodation which extend beyond primary categories of house or apartment to include secondary dwellings and boarding/rooming houses and non-residential buildings. To highlight the trade-offs between adequacy/ appropriateness and cost made by those seeking accommodation in the informal market, we also show ‘formal’ rental options, and highlight the relative affordability of different housing types, accepting that affordability is always relative to household income as well as considerations such as dwelling location.

Insert table 2 around here

As shown, authorised granny flats and other secondary dwellings are designed according to NSW planning law, and meet thermal performance, privacy and security standards, so provide a flexible housing type that may contribute to meeting wider rental housing supply in Sydney. They are likely to be a lower cost rental option than a primary dwelling (detached house) although they may be comparable to a similar sized apartment. However, as shown in Table 2, even ‘formalised’ secondary or micro dwelling units may have some drawbacks as a primary strategy for increasing housing density or the supply of affordable homes for lower income households. For instance, there is potential for conflict between residents of a secondary dwelling and those living in the primary home; while boarding house accommodation is not suitable for parents with children. Illegal dwellings across all categories typically expose residents to serious health and safety risks.

A key finding is that these dwellings – authorised or illegal – are typically invisible by design. Secondary dwellings and boarding houses are intended to fit into the established residential context, while unauthorised dwellings and conversions are concealed within or behind the existing built fabric. A second finding is that authorised ‘informal’ dwellings are often rented via informal or unorthodox arrangements which may raise concerns over the long term. For instance, tenants of ‘granny flats’ or those renting a room from a ‘primary’ household, may need to navigate difficult power relationships which compromise privacy and personal freedom.

The range of tenures now prevalent in Sydney include traditional share households which are formed by residents themselves, with or without written agreements/formal leases; through to room and share room rentals which are formed and or managed by a ‘head tenant’ or agent. Again, share housing may offer a flexible, convivial, and lower cost option for renters but will not be an appropriate form of accommodation for all. Across these arrangements, individuals may or may not enjoy legally defined protections set out in a written contract or lease – but will certainly need to navigate the interpersonal politics of shared living and associated higher risks of social conflict and poor privacy.

Conclusion

Our findings regarding informal rental housing in Sydney illustrate ‘the productive and corrosive dimensions of informal urbanism’ (Tonkiss, 2014: 91). Informality is productive in finding ways of living in an unaffordable housing market. But its corrosive implications range from direct lived experience, around health and safety, proximity, precarity and exploitation; through the strains placed on local infrastructure and service provision due to densification; to the broader effects in terms of the inequities of the urban system.

In examining relationships between informal rental housing practices and existing policy, planning and regulatory frameworks, Sydney is noteworthy due to NSW state’s explicit efforts to support diverse and higher density housing supply. Secondary dwellings and ‘new generation boarding houses’ enabled under NSW state planning policy have introduced flexible housing supply within established residential areas. But our research makes clear how such attempts to legitimise informal modes of rental housing provision result in trade-offs between providing affordability and meeting societal norms and regulatory standards. Such ‘formalised informality’, which can also be interpreted as characteristic of the negotiable nature of regulation under neoliberal urbanism, is exacerbated by the privatisation of certification, whereby clients appoint their own regulators and pay them for their ‘services’. The ‘regulatory compromise’ or ‘gesture of legitimation’ (Mendez and Quastel, 2015; Tonkiss, 2014) which results is problematic. On the one hand private certification is intended to serve the wider public policy goal of more efficient and cost effective housing production, by reducing the regulatory burden of compliance. But at the same time the financial relationship between the certifier and their owner/builder client increases the potential for regulatory short cuts in the service of private, rather than public, interests.

Our findings point to the need for further grounded research to inform the evidence base for regulatory responses, whether these comprise: more proactive enforcement of illegal dwellings as commenced in one case study area; ‘turning a blind eye’ as is implied by what building inspectors described as the ‘tacit approval’ enabled through the ‘loophole’ of private certification; or greater efforts to formalise informality through, for example, seeking to up-scale

forms of self-provisioning and co-housing. Our research also draws attention to the role of landlords, who benefit from the loopholes and regulatory incapacity within these processes, further unbalancing tenant-landlord relationships (Chisholm et al., 2018). The power imbalance between vulnerable renters and private landlords clearly implies a need for independent and proactive regulation of the rental sector. However, whether these responses would increase housing costs overall and in particular the cost burdens on the lowest income renters – further driving a market for informal and illegal accommodation – remains unclear.

Overall, our research contributes to the burgeoning interest in informal urbanism, turning the focus to rental housing practices and the complicated dilemmas arising within the wider context of housing policy and market failure. The example of Sydney, Australia, with its increasingly liberal urban planning regime designed to enable and encourage diverse and lower cost housing types may perversely be setting the stage for a worsening of residential standards and living arrangements at the bottom of the housing market. With many other cities implementing or intending to implement similar urban reforms designed to diversify the supply of rental units, further work to examine the outcomes of these approaches needs to be combined with direct research into the housing conditions and lived experiences for tenants, and the nature of landlord-tenant relationships. This needs to be mindful of the complicated ethical questions which arise, such as enforcement resulting in loss of a place to live.

In turn, our findings affirm the convenience and inevitability of governmental tolerance of informality given the lack of affordable and adequate housing for lower-income and disadvantaged groups under neoliberal urbanism (Tanasescu et al., 2010) and the ‘muddling through’ which results. Decision-making about how to respond to informality needs to be informed by data about its prevalence, in what form, and with what effects, but also by greater normative considerations of urban social and spatial justice (Iveson et al., 2018; Roy, 2005). Sydney illustrates that in the ostensibly formal urban systems of the global north, informal housing is playing an increasing role in meeting housing need in markets of decreasing affordability. The state needs to decide how best to respond. Legislation provides the state with a lever in the authority to enforce planning, building and tenancy regulations, but at the risk of exacerbating the housing problems endured by low income tenants. Without sufficient affordable rental housing, whether provided by the state or market, forced dependence on informal and illegal housing practices seems inevitable. But in seeking to understand or respond to the hidden housing market through research or policy intervention, great care is needed to ensure that those dependent on the sector are not further disadvantaged. Ironically, it seems in the case of Sydney that state sponsored efforts to enable – and regulate – informality as a market alternative to traditional public rental housing within a wider, financialised housing system, have created new market practices that are neither affordable nor secure.

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