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YSP Podcast Transcript: Episode 004. How short term letting led to an extra 1000 residents and 18 illegal brothels in one city building - with Karen Stiles

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Intro: Welcome to Your Strata Property. The podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source. To access previous episodes and useful strata tips, go to www.yourstrataproperty.com.au.

Amanda Farmer: Hello and welcome. I'm Amanda Farmer and this is Your Strata Property.

Karen Stiles is the Executive Officer of the Owners' Corporation Network of Australia. The peak body representing owners in residential strata. The OCN's goal is to improve strata living through advocacy, education, and empowerment of strata owners and residents.

Karen is also a member of the Building Professionals Board which works to improve the quality of building construction and subdivision in New South Wales by regulating and educating building and subdivision certifiers across New South Wales.

Today, I'm delighted to welcome Karen Stiles to discuss with us the big issue of short-term letting in strata. Welcome, Karen.

Karen Stiles: Hello Amanda. It's fantastic to be with you.

Amanda Farmer: Lovely to have you. Karen, I want to start by asking you if you could tell us a bit about why you think short-term letting is such a critical issue for strata buildings and owners?

Karen Stiles: Short-term letting, that is letting out a spare bedroom or the entire apartment while you are on holiday, is not a new phenomenon. What is new is the digital platforms that are facilitating the commercialization of short-term letting.

Amanda Farmer: Yes.

Karen Stiles: And now we have owners and tenants renting out entire apartments. One person in New South Wales has more than a hundred fifty properties that they short-term let.

Amanda Farmer: Wow!

Karen Stiles: It's this commercialization that is destructive to communities.

Amanda Farmer: I agree completely, and you're talking about things like Air BNB when you talk about online platforms?

Karen Stiles: Yes, there's myriad platforms now, the growth is exponential.

Amanda Farmer: And some of our listeners will be strata tenants, they might be owners who are letting out their properties, and I think it's important for them to understand from you and from a strata resident's perspective, what makes a good strata tenant?

Karen Stiles: A good strata tenant is a person or a family who considers their rented home, their home, and treats it and their neighbours with respect. There are many great tenants who are an active part of their strata community, their vertical village if you will. But executive committees rarely think to include them in activities or projects; they're kind of the forgotten majority in many cases. What a wasted opportunity on two counts: you don't know what talents they may be able to contribute, and you've missed a chance to increase a sense of place that leads to more harmonious and happy co-existence.

Amanda Farmer: Excellent; really great points. Do you have any short-term letting stories to share with us? Whether they're horror stories or buildings that you've heard about who are successfully dealing with the issue and have managed to find these great



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tenants that you are talking about?

Karen Stiles: If I tell you this worked out well in the end, then perhaps your listeners won't end up screaming. When I talk about one Sydney CBD building that had a thousand extra people...

Amanda Farmer: Wow.

Karen Stiles: \$450 a year in additional admin costs, that's admin and maintenance and water cost, various illegal brothels as a result of short-term letting. The four hundred fifty thousand, give or take, is the annual saving that they have been able to make in each of the three years since they've stopped short-term letting, and that is with a decrease in levies of five percent each year for those 3 years.

Amanda Farmer: Wow, decreasing levies.

Karen Stiles: Yes, so that's an enormous impost on the building and the owners paying the levies and the tenants paying rent.

Amanda Farmer: So true.

Karen Stiles: In simple terms, some owners and tenants were profiting an enormous cost to their law-abiding neighbours, and those two hundred and five properties out of a building of three hundred and eighty-four were not available for rent. So you're driving up rents and then you're causing overcrowding, as people have to share limited resources to be able to be anywhere near transport, educational facilities or work. It's a very tangled web we weave when greed comes before people.

Amanda Farmer: So true, and I just want to clarify for our listeners, we talk about the term 'short-term letting' very casually and we are very familiar with that term as people who are working and living in the sector. When I think about short-term letting, I think about tenancy for a period of less than three months. Is that the short-term letting that you're familiar with?

Karen Stiles: Yes, anything over ninety days, of course, is a residential tenancy, but less than that can be one night or two nights.

Amanda Farmer: Definitely.

Karen Stiles: And that's a lot of traffic in your building and a lot of unknown faces. In that one building I was talking about, it became almost civil war as they wrestled with the problems of this, and you lose all your sense of community, and community is very important when you're wanting to create a happy home and also create an atmosphere where people are caring for the building and each other.

Amanda Farmer: So true, great points. What are the most common challenges you've noticed buildings face when it comes to dealing with this problem of short-term letting?

Karen Stiles: Money talks. It took a dedicated executive committee something like five years to procure the proxies that they needed to get the building to vote to prohibit short-term letting, and then to start the process of removing all the illegal short-term lets. They then approved a by-law prohibiting short-term lettings in the building and went about the business of beefing up security and surveillance because people get very clever at hiding and finding ways around things. But, is that by-law legally enforceable?

Section 49 one of the Strata Scheme Management Act 1996 says, and I'll quote, "No by-law is capable of operating to prohibit a lease or other dealing relating to a lot."

I've paraphrased there, but no by-law is capable of operating to prohibit a lease or other dealing relating to a lot. So just this week OCN appeared before a parliamentary inquiry into the adequacy of regulation of short-term holiday letting.



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Karen Stiles: And of course it's not just holiday, it could be commercial letting in terms of a corporate has an apartment for its people, it's a different thing again.

And that inquiry we called for owners to be given the authority to manage the use of their common property, this rule has not changed since 1961, it was you know world breaking then, but now in 2016, the people who are managing this trillion dollars of the common wealth need the authority to manage it not just responsibilities, but power to act.

Amanda Farmer: Yes. You mentioned by-laws there and I'm certainly getting asked more and more to draft those kinds of by-laws that prohibit short-term letting, but you've also mentioned something quite creative: security and surveillance. I think that's a really important point. A lot of people don't know what's going on in their building, and it's the building managers, it's the security guards who are watching these visitors, these short-term tenants come and go, and unless you've got a high level of surveillance, you've got security cameras perhaps, and you've got building managers and security personnel who are really on the ball, you can miss a lot of this and yes, it's great to have a by-law as you say, if its enforceable, but how you are you going to prove the breach if you haven't got the evidence there to show that people are actually short-term tenants and are in breach of the by-laws? So you really need to have, in my view, those people on board and I think that's a really good point that you make.

Karen Stiles: I know that particular building has installed photographic ID.

Amanda Farmer: Fabulous!

Karen Stiles: And if somebody doesn't match, then they just immediately disable the swipe.

Amanda Farmer: That's fantastic.

Karen Stiles: So it's expensive but yet they save four hundred and fifty thousand a year.

Amanda Farmer: That's it; really great point. So some of our listeners will be wanting to know what they can do to get started with dealing with short-term letting in their building. What are some quick actions that they can take, maybe today straight off, to deal with this problem?

Karen Stiles: The two things that come to mind are: start a conversation in your building, at your next general meeting, in your newsletter, however, you're communicating to people – and I strongly encourage people to be communicating – start the conversation about the appropriateness or otherwise of short-term letting in the building. Does that suit your building and its residents or not? Have the conversation so that people are aware of where people stand on this, you know it's morally acceptable or morally not, or socially acceptable, and join OCN. Take advantage of the network of people who have vast amounts of experience on all sorts of issues. The day to day issues and the bigger issues like this. One of the lovely things that we were able to share, and again because of the problem with enforcement that owners corporation can face, is they were having trouble getting rid of the last of the eight illegal brothels that had come along with short-term letting, and they were saying council couldn't enforce it because it's very difficult with the evidence and it been a year and they were getting tired. So I said, "why don't you put two security guards at the door and tell them nobody will be getting in or out until they are leaving with their bags packed" and that's what they did, and a week later that business closed down and moved out.

Now, that was creative thinking. They shouldn't have been so disempowered, and again we come back to its very important that owners' corporations are not just given huge responsibilities. You've got unskilled volunteers who are managing medium to large operations, in essence, they need to have authority to act well and properly in the best interest of their community.

Amanda Farmer: The ability to choose whether they use that power or not. But when they don't have it, they don't have a choice and as you say, they're completely disempowered and I have to agree with you, and unable to make a decision about how they want to manage their own community, and that's a problem.

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Karen Stiles: Yes, that's a huge problem and its time we grew up.

Amanda Farmer: Yes, that's right.

Karen Stiles: You know, as a country and as strata-sphere.

Amanda Farmer: Yes, definitely. Well, thank you so much for that Karen. That's all really valuable stuff. Before we wrap up, I want to ask you a personal question.

Karen Stiles: Yes.

Amanda Farmer: Have you got any books that you've read lately, that have had a big impact with on you and why?

Karen Stiles: The book that had the biggest impact on me was actually Business as Unusual by Anita Roddick, the founder of The Body Shop. Anita used her business to do good, to support poor communities and to raise awareness of human rights and environmental issues, as well as create cosmetics and shampoos and things like that. Two of my favourite quotes: "If you think you're too small to have an impact, try going to bed with a mosquito in the room."

Amanda Farmer: I love that! Fabulous!

Karen Stiles: Yes, so the power of one. Yes, and the second one that I love is: "The business of business should not just be about money, it should be about responsibility, it should be about public good, not private greed."

Amanda Farmer: So true.

Karen Stiles: I think that applies to strata's as well and strata communities.

Amanda Farmer: Definitely. So a lot of work for the sector to do, but it's good to know that it is in good hands certainly with you and the OCN. So how do the listeners find out more about you and the OCN, and is there anything you want to add before we wrap up?

Karen Stiles: They can go to our website which is www.ocn.org.au. There's a host of information there. They can certainly join very easily online. They can also come along to our next event: we've got seminars coming up, we've got four meetings a year at which we have expert speakers, we've got a trivia night in May which should be fun.

Amanda Farmer: Yes, I got a call from Alicia this morning telling us all about the trivia night with Jimmy Thompson which sounds wonderful. I'll put a link to your website where you are advertising that night in the podcast so that listeners can follow that through and turn up and say hi.

Karen Stiles: Fantastic! Because I think you know we can talk about all the challenges of strata living and there are some, but we also need to celebrate that these are our homes and we can turn them into communities quite successfully without that much effort, just a little bit of understanding and sharing of how other people have managed things, and a trivia night just seemed a lovely way to sort of do that and to have a little bit of fun about strata rather than doom and gloom.

Amanda Farmer: Definitely! I agree with you completely and what a great note to end on. Thank you so much for your time, Karen. It's been lovely talking to you and you've got a lot to offer this sector and I'm sure we will be chatting again really soon.

Karen Stiles: Thanks, Amanda.

Amanda Farmer: Thanks, bye.



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