GRANNY FLATS

In today’s economic times, many property owners are trying to find a way to make some extra cash, and the granny flat seems to be a relatively low start-up cost introduction into the world of property investment. With granny flats costing as little as $39,000, it is easy to see why this would be a viable option for a home owner to gain an extra income.

While there are definite benefits for the homeowner there should be some caution exercised on behalf of a property manager who is asked to manage the property on behalf of the property owner.

For the homeowner to begin earning and securing an income through renting out their freestanding granny flat or even converted garage, there should be Council approval for the extra dwelling. Should the dwelling not be appropriately approved, the protection offered by the residential tenancy agreement may not be afforded to the landlord.

Section 49 of the Residential Tenancies Act 2010 states:

(1) A landlord must take all reasonable steps to ensure that, at the time of entering into the residential tenancy agreement, there is no legal impediment to the occupation of the residential premises as a residence for the period of the tenancy.

Non Council approval constitutes a legal impediment. A dwelling such as a granny flat that has not been approved by local council could constitute a breach of the Residential Tenancies Act.

What are the possible effects of breaching section 49?

Void Residential Tenancy Agreement

The case of Chymiaik v Marshall & Baldwin (2007) in the NSW CTTT was a case whereby the landlord rented out a shed converted to a home which was not approved by the local council. While the premises was a comfortable conversion, damage was caused to the tenants’ belongings after a week of rain. The tenant subsequently claimed the damage may not have occurred if the premises had faced some level of audit and approval from the local council. While the tenant claimed an amount of $5,549.00, the CTTT awarded them a compensation amount of $10,000.00 (the maximum limit afforded to the Tribunal in this type of matter) and ordered that the applicant
was to vacate the premises, because it was not a legally approved dwelling.

**Insurance**

Some insurance companies will require council approval documentation before providing landlord insurance for granny flats and converted dwellings. While not all insurers will ask for the council approval documentation prior to signing a policy with a landlord, many will class the policy as void should they be made aware of the same impediment after entering into the insurance policy. The most likely case is when a claim is being made against the policy, an assessor visits the property to process the claim and becomes aware of the dwelling not being compliant. Claims under these circumstances would most likely be denied.

**Criminal Charges**

Whilst we cannot substantiate the claim, some companies that build granny flats have noted on their websites that non council approved granny flats can potentially lead to criminal charges for the property owner - “We have seen two cases in NSW (one recently on the South Coast) where fire injuries sustained by tenants (in an unapproved granny flat) resulted in the landlord being charged under the NSW Crimes Act.”

**Agency Agreement**

Standard agency agreements require the landlord to acknowledge if there are any legal impediments associated with the property. This is the opportunity for the property manager to explain what a legal impediment is and how it can have an effect on the landlord should there be any disputes from the tenant. It is the role of the property manager to ensure the landlord knows that they could potentially lose all rent monies earned through the Tribunal and their insurances may be void.

Til next time,

Wishing you every success in your business ventures,

Rosy Sullivan

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**2 Hr Trust Accounting Regional Seminars**

Do you need a quick refresher course to update your Trust accounting knowledge?

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Full 12 CPD points. Pre-reading required.
The ACOP Team has welcomed Winter by keeping busy with Licencing and Certificate of Registration courses at our Sydney locations in addition to CPD courses running across the State.

Last week also saw us bid farewell to our events facilitator Charlotte, who has ventured to the country town of Pilliga to experience the true Australian Outback. We have of course sent her off in true ACOP fashion, with a spectacular dinner in the heart of the city. The team was also generous enough to supply Charlotte with an outback survival kit, providing all the essentials for her time away.

Friday saw the College take part in the Cancer Council’s “Australia’s Biggest Morning Tea.” The staff and lucky students present indulged in an extravagant selection of cakes, pastries and biscuits. Whilst there were many contenders, the undisputed winner for best dish went to the wonderful cheesecake provided by Kristine’s mother, Rhonda. The event was a huge success in raising funds for the Cancer Council and the ACOP team would like to thank all staff and students for their contribution.

The College would also like to pass their congratulations to our Operations Manager, John Roberts, who this week successfully completed his Real Estate Licencing course. His efforts serve a good reminder to our students that if John can get his Real Estate Licence, anyone can!

Have you ever thought about being a trainer?

ACOP are working in collaboration with another Registered Training Organisation to offer the Cert IV in Training and Assessment - TAE40110.

This is the essential qualification required if you want to be a trainer in the adult vocational industry. Why not expand your skills and knowledge and add that extra string to your bow and enhance your future career options.
Is it Time You Updated to Your Licence?

ACOP runs an Experienced Agents Property Licence Program which, in conjunction with Recognition of Prior Learning (RPL) assessment, will enable you to complete your Real Estate Licence qualification in 5 days with take home assessments.

We will also assist you with completion and submission of your licence application to NSW Fair Trading free of charge.

Free Assessment
Send us your resume & copies of any qualification transcripts you may have for a free and confidential preliminary RPL assessment.

Online CPD now available for Real Estate Sales, Property Management, Commercial & Retail Sales & Leasing, Business Broking, Strata, Stock and Station and On-site Residential Property Management.

$99