



The Opportunities Party Reform of The Tenancy Act.

The Opportunities Party wants to ensure people have decent housing, regardless of whether they rent or own:

- 1. Our Tax Reform will make sure that the tax system treats owners and renters fairly. It is focused on ensuring the owners of assets pay their fair share of tax. This change will enable a cut in income tax rates for all, with particular benefit to renters.*
- 2. We will change the regulations around residential tenancy law so the default standard lease makes it far easier for a tenant to remain in the premises long-term. This will be achieved by restricting the conditions under which a landlord can evict a tenant to those of non-payment of rent or property damage. Sale of a property is not necessarily a legitimate reason for eviction. This development will provide tenant families with long-term security.*
- 3. We will invest the proceeds from the Emissions Trading Scheme into improving the insulation and energy efficiency of all homes. This will be backed up by a rental Warrant of Fitness and improved building standards.*
- 4. We will expand the supply of social and affordable rental housing provided by not-for-profit organisations.*

TAX REFORM

The Opportunities Party (TOP) has already announced a number of policies that impact on housing. The flagship policy is **Tax Reform**, which provides for a tax on all income that accrues from ownership of capital and wealth. All revenue generated will be returned in income tax cuts, leaving 80% of taxpayers (including 100% of tenants) better off. Over time we estimate that income tax rates could be reduced by up to one third.

Tax reform will encourage land bankers to develop their land, thereby boosting housing supply. The cost of land is the single biggest driver of the rising cost of new houses (regardless of whether the private or public sector is building), so our Tax Reform will also address the housing supply problem.

However, even with this radical reform, it will take many years for housing affordability to be restored, leaving a generation with no realistic path to affordable home ownership. Indeed, we expect that New Zealand will see 60% of people never owning their own home – up from the historic average of 30% (currently 38% of occupants are tenants). So, how can we ensure these people have high quality, affordable accommodation?

RENTAL HOUSING

In New Zealand, education and health have long been public goods funded by taxpayers and universally available. Access to health and education are regarded as a right of all citizens. In continental Europe it's the same – but in addition, most countries there add secure and warm shelter as another public good – at least in part.

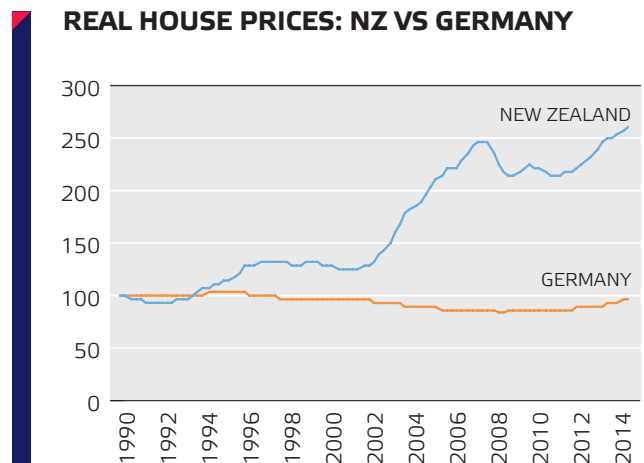
The last 30 years show a dramatic difference between house price inflation in Germany and New Zealand. House prices in Germany have been relatively stable, whereas in New Zealand, house prices have risen 150% faster than prices generally over that period – and you'd be brave to argue we have had a more "successful" economy over that period than Germany.

Part of the reason for this is the different tax treatment of housing in Germany. We covered tax and housing in our **Tax Reform policy**. In New Zealand, we have allowed house prices to get so high that even by correcting the tax loophole in a way that avoids a crash, it will take at least 15 years for them to return to the three times average incomes they used to be.

Unless we act, rent will continue to eat up a disproportionate share of the income of tenants, particularly that of low-income families. Europeans believe that everyone should have a reasonable quality roof over their head. They don't have to own it, but tenancies are very much framed to provide the tenant with a security of tenure. This is the direction New Zealand needs to move towards.

The Opportunities Party intends to develop a deep market for long-term rental accommodation so that families can be secure knowing that investing in home ownership is not the only way to achieve housing security.

In Germany, housing is seen as part of the country's social infrastructure; it is not just a commodity to be made, rented, bought and sold like any other consumer good. That's a huge difference from our culture and yet Germany achieves this social objective of making a home a social good, even though only 10% of its homes are owned by government or non-profit organisations.



In Germany where 60% of homes are rentals, only 5% of homes are owned by co-operatives, and a further 5% by Government.

WHAT DOES GERMANY DO DIFFERENTLY?

Germany's rental market is dominated by private ownership. In New Zealand and the UK (another country that does not prioritise housing as a social good) just a third of homes are rental. Most of us have to own to be secure.

It's common in Europe to find a three-tiered rental housing system – state-subsidised or social housing, co-operative or housing association rentals, and then private rentals. In Holland for example, 75% of rentals are owned by housing associations and are subsidised. Germany does it quite differently – rather than widespread government investment or subsidies, it controls lease conditions as a way to protect tenants.

The key is long-term tenancy rights. This way families can opt to be tenants forever and not be undermined by fear of losing their home. German law provides for a greater security of tenure: tenants can give 90 days' notice, otherwise the tenancy is ongoing unless the landlord is able to give a serious and legitimate reason for termination. Even then the length of notice required from the landlord rises with the time the tenant has been in residence.

This is a clear acknowledgement of the disruption to families from being uprooted. Selling the house is not considered an adequate reason. When a tenancy is terminated by a landlord, tenants can apply for hardship review and have the tenancy reinstated. Renters can redecorate and make small alterations with the landlord's approval. In terms of the standard of housing able to be rented, Germany has high standards and we have already outlined in our Climate Change policy the need here for better-insulated houses (a summary is below). In short, we endorse the German requirements.

QUALITY OF HOUSING

Most of our investment as a nation, goes into bidding up the price of houses and land rather than improving the quality of our housing stock. Our Tax Reform will help correct this problem, but in the meantime, we are left with a seriously deficient housing stock. Around 40,000 children are hospitalised every year as a result of poor quality housing. As per our [Climate Action](#) plan, we will restore the integrity of the Emissions Trading Scheme and use the money raised to invest in improving the energy efficiency of our housing - insulation, heating and appliances. This will provide the carrot for landlords to invest in improving the housing stock, while the regulatory stick will be provided through a broader Warrant of Fitness on rental housing. Building standards will also be improved over time.

While the market sets rents in Germany, increases for existing tenants are under a rental price brake regime which slows the pace that landlords can raise rents on them, although it doesn't prevent their rent eventually reflecting the market for new leases. The rationale is simply to give tenants time to adjust. Short-term tenancies are possible but the landlord must have a legitimate reason to register one – for example moving in themselves or selling. Such tenancies are extremely difficult to negotiate, which prevents them becoming a business practice. There are more opt-in short lease arrangements possible in areas of transient tenants (such as around universities).

The Opportunities Party policy seeks to replicate the German model and provide additional security for families who rent. The big difference in what we're proposing is that rental housing becomes mainstream rather than limited to either social housing or solely a private market for short-term rentals.

SOCIAL HOUSING

While the private rental and ownership market could both be made more affordable, there will always be a demand for social housing. As Shamubeel Eaqub has **shown**, social housing stock has failed to keep up with population growth for many years now. We desperately need to increase the stock of social housing.

The Opportunities Party will ensure a long-term, viable, not-for-profit social and affordable housing sector. This will be achieved through the gifting of Housing NZ stock to community housing providers. This would give them the equity required for a radical expansion of social housing. Such stock transfers have worked in Australia and the UK in creating large, effective social housing providers. Research has shown that community housing providers are more in touch with the needs of the community and offer a better service for the same cost.

TOP will also review the current accommodation support payments (approximately \$2 billion per annum) and look at whether that would be better spent funding community housing providers to develop long-term cost-based rental housing infrastructure (as modelled in the Netherlands). The chief concern with the Accommodation Supplement is that it simply increases the returns for private landlords by boosting the ability of the needy to pay higher rents.