

21 May 2018

Committee Secretariat
Social Services and Community Select Committee
Parliament Buildings
Wellington

Regarding: Residential Tenancies (Prohibiting Letting Fees) Amendment Bill

Tēnā koe

Thank you for the opportunity to provide a written submission on this consultation document.

Regional Public Health (RPH) serves the greater Wellington region, through its three district health boards (DHBs): Capital & Coast, Hutt Valley and Wairarapa and is based at the Hutt Valley District Health Board.

We work with our community to make it a healthier and safer place to live. We promote good health, prevent disease, and improve the quality of life for our population, with a particular focus on children, Māori and working with primary care organisations. Our staff includes a range of occupations such as medical officers of health, public health advisors, health protection officers, public health nurses, and public health analysts.

The reason for this submission is access to affordable, secure, healthy housing is a significant determinant of health and wellbeing.

We are happy to provide further advice or clarification on any of the points raised in our written submission. The contact point for this submission is:

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We are **not** seeking to be heard by way of oral submission.

Ngā mihi

Dr Craig Thornley
Medical Officer of Health

Peter Gush
Service Manager

1. Regional Public Health (RPH) welcomes the opportunity to make a submission on the Residential Tenancies (Prohibiting Letting Fees) Amendment Bill. **RPH supports the amendment to the Bill** as it provides an important mechanism to reduce barriers for low-income families who are seeking rental accommodation.
2. Prohibiting the charging of letting fees will reduce the upfront cost to those seeking rental accommodation. As the regulatory impact statement on this Bill states: charging letting fees to tenants is established as common practice in the rental market and, in the current tight rental market, tenants have limited bargaining power or consumer choice in relation to the payment.¹
3. In its current form, the Residential Tenancies Act 1986 (RTA) permits an imbalance in the tenancy system. Letting services are rendered by letting agents on behalf of landlords, and accordingly benefit landlords by marketing rental properties and vetting prospective tenants, however landlords do not pay for these services. The cost is instead borne by the successful tenant, who benefits little from the services rendered. The RTA already prohibits private landlords from charging “key money”. **RPH supports the amendment** that will bring rules for letting agents in line with those for private landlords and addresses this legal anomaly which disadvantages tenants.
4. The charging of letting fees must be viewed in the context of the current housing crisis and particularly the barriers to healthy housing faced by people living on low incomes.
5. Individuals and families on low incomes face multiple barriers when trying to secure affordable and healthy rental accommodation. These barriers have a direct effect on people’s ability to be safely housed. Upfront costs in the form of letting fees can force would-be tenants out of the market for an appropriate home, resulting in families being compelled to accept “what they can get”, which may mean living in substandard conditions. It is well established that substandard housing conditions contribute to poor health and wellbeing.
6. The Child Poverty Action Group states:

For families who are renting, there are three main problems:

- house rents are high and increasing,
- the quality of the rental properties appears to be substandard and deteriorating,
- the rental market provides few rights and protections for renters.

Families in their own homes, with or without a mortgage, are likely to be in better health than those who rent their house, either from private or public landlords.²

¹ <http://www.mbie.govt.nz/publications-research/publications/housing-and-property/ris-prohibiting-letting-fees.pdf>

² <http://www.cpag.org.nz/assets/Publications/140812%20CPAG%20OurChildrenOurChoice-Part4Housing%202014.pdf>

7. **RPH supports** any moves to remove barriers that prevent low-income individuals and families from finding appropriate, healthy housing.

Financial barriers

8. Due to undersupply of housing stock, rents have risen faster than incomes, making renting less affordable. Many low-income families reduce expenditure on other necessities such as food and heating in order to make rent payments.³
9. The February 2018 Stocktake of New Zealand's Housing outlines the "growing shortage of affordable good quality rental accommodation". Tenant households tend to pay a higher proportion of their household income on housing than do owner-occupiers. The stocktake reports, "between late 2012 and late 2017 average rents for three-bedroom houses rose 25% while wages rose only about 14%".⁴
10. Renting has become less affordable. For families seeking to find rental accommodation, there are significant financial barriers. Upfront costs are particularly burdensome. Many families cannot provide two weeks rent in advance, two weeks rent for bond and one weeks rent as a letting fee.
11. The charging of letting fees, increases financial barriers and exacerbates the problem of affordability.

Increased demand and undersupply

12. Affordability issues are fuelled by increased demand and undersupply. Ultimately, an increase in housing supply is needed to fully address the current housing crisis.
13. Home ownership rates have fallen to the lowest levels in 60 years and more New Zealanders are living in rented accommodation. More people are renting, in a market with limited choice and limited bargaining power.⁵
14. Fierce competition (people queuing for hours and in many cases offering more money than the advertised rental price) is the norm for rental home viewings in Auckland and Wellington. This is a symptom of the pressured rental market, and the barriers faced by low income families when trying to find a home to rent.⁶

³ Child Poverty Action Group <http://www.cpag.org.nz/assets/Publications/RFI.pdf>

⁴ <https://www.beehive.govt.nz/sites/default/files/2018-02/A%20Stocktake%20Of%20New%20Zealand's%20Housing.pdf>

⁵ <https://www.beehive.govt.nz/sites/default/files/2018-02/A%20Stocktake%20Of%20New%20Zealand's%20Housing.pdf>

⁶ https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11783747,

<http://www.newshub.co.nz/business/competition-drives-auckland-rental-market-up-2013011918>

Discrimination

15. In addition to the affordability issues, people on low incomes are more likely to suffer discrimination from landlords and letting agents.
16. In a report published by Auckland City Council both tenants and letting agents reported knowledge or experience of discriminatory practices in the tenant selection process:

Issues with discrimination were common in the CATI survey sample, 25 per cent of the tenants claimed that they had been unfairly turned down for a property. Reasons provided for rejections included, being a single mother, being on benefits, having a bad credit history or for the way they were dressed.

17. The cumulative effect of financial barriers, increased demand and undersupply combined with discriminatory practices of some landlords and letting agents means that vulnerable families are being significantly disadvantaged in our current tenancy system when trying to secure rental accommodation. This disadvantage leads low income families to have limited choice in the rental market.

Quality

18. People are being compelled to accept “what they can get”, resulting in people living in substandard, over-crowded situations.
19. Not only are rents becoming less affordable, much of New Zealand’s rental housing is of poor quality. Families on low incomes are faced with little choice. Housing that is affordable to low income families is often substandard.
20. A high proportion of New Zealand’s rental accommodation is poorly insulated and needs repair. NZ Productivity Commission’s Housing Affordability Inquiry states:

It appears that many renters, especially those earning low incomes, not only face affordability issues, but also live in unsatisfactory dwellings.

21. The 2015 BRANZ House Condition Survey found that private rental accommodation was consistently in worse condition than that of owner-occupied houses. Overall rental properties were around twice as likely to be rated “poorly maintained” than owner-occupied houses. The survey also found evidence of mould was more prevalent in rented accommodation.⁷
22. The regulatory environment of private residential tenancy does little to incentivise landlords to improve the quality of rental properties. Currently, the onus is on the tenant to raise

⁷ https://www.branz.co.nz/cms_show_download.php?id=a1efff0a2fd9885ecf878ce475631df7025cf3b8

concerns about housing quality. Many tenants do not report maintenance, or quality issues for fear their tenancy may not be renewed.⁸

Health impacts

23. Housing insecurity, poor housing quality and insufficient heating are significant drivers of poor health outcomes.⁹ Without safe, healthy and affordable housing the health and wellbeing of people is significantly compromised:

Housing is more than a place to shelter – the literal roof over one’s head. It is a key physical and social environment that contributes to the health and wellbeing of the individual and the whānau/ family.¹⁰

24. Much of our lives are spent at home, indoors. The indoor environment of the home is a significant determinant of health and wellbeing. Houses that are cold, damp, poorly maintained or overcrowded can negatively impact the health of occupants.
25. Poor quality housing is linked with respiratory illness such as asthma. Poor insulation and thermal performance results in cold, damp housing which in turn exacerbates respiratory symptoms. New Zealand houses are colder than the 18 degrees recommended by the World Health Organization. Over winter many houses are as cold as 12 or 13 degrees, putting occupants at risk of illness. For those on low incomes, fuel poverty further exacerbates the problem. Crowded living conditions are associated with the incidence of rheumatic fever and communicable disease epidemics, such as meningococcal meningitis, tuberculosis and childhood pneumonia.¹¹

Conclusion

26. **RPH supports the proposed amendment to the RTA** to prohibit the charging of letting fees.
27. Letting fees exacerbate barriers facing low-income tenants from obtaining satisfactory housing.
28. Financial barriers, combined with discrimination and supply pressure in the rental sector results in low-income families being left with little choice.
29. Low-income families find themselves having to “take what they can get”. Houses that are affordable to those on low incomes are often of poor quality, poorly maintained and/or overcrowded. Living in poor quality, cold, damp housing is associated with poor health and

⁸<https://static1.squarespace.com/static/59978b54f14aa1178c5e9a43/t/599bbba1ebbd1a90cff8dd0b/1503378401308/AS+RU+People%27s+Review+of+Renting+Web+version.pdf>

⁹ Housing standards: a glossary of housing and health P Howden-Chapman

¹⁰ The Royal Australasian College of Physicians retrieved on 07/05/18 from: <https://www.racp.edu.au/docs/default-source/default-document-library/make-it-the-norm-pres-letter.pdf?sfvrsn=6>

¹¹<http://www.hrc.govt.nz/sites/default/files/HRC28%20howden-chapman.pdf>

wellbeing.

30. By prohibiting the charging of letting fees, some of the financial burden of securing appropriate rental accommodation will be alleviated, reducing some of the barriers for people on low incomes to find appropriate healthy housing.

