



PUB/24

Beacon recommendations: Performance of rental housing v3

A report prepared for Beacon Pathway Incorporated

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1 Beacon recommendations

The following are the recommendations Beacon makes in light of the information pulled together in the Performance of Rental Housing Resource v3. This resource brings together the core facts and knowledge, drawn from a range of publications and research, about the performance of rental housing in New Zealand, legislative, policy and social factors affecting it, and how it can be improved.

1.1 Recommendations to improve rental housing

To start New Zealand on a journey to improve outcomes from rental housing, Beacon makes these recommendations in each rental housing market segment. Fundamental to these recommendations are the following core issues:

- The overall state of our nation's housing stock is poor and undermines the health and well-being of all residents, but in the context of this report, tenants are significantly New Zealand's most vulnerable citizens and housing is key infrastructure to support them.
- Health and well-being outcomes require homes that deliver World Health Organisation conditions (i.e. indoor temperatures and humidity); this demands very good quality housing stock (insulated, dry and heated).
- Few New Zealand landlords can afford the investment needed to improve housing outcomes in one hit; therefore a pathway of ongoing maintenance and performance upgrades is necessary. The Warrants of Fitness proposed to date is a very low standard, designed to capture the worst stock, which we acknowledge is important. However, homes that pass such a WoF may still be cold and damp, so the health and well-being outcomes sought will not be met.
- If a WoF is under serious consideration Beacon strongly recommends there is only one for all New Zealand homes. Just as we advocated that New Zealand have one residential rating tool (we are too small a market to cope with competing tools), we would caution the development of multiple WoFs. It is particularly significant as our housing stock moves between rental market and owner occupied, so one measure is needed across all New Zealand's homes. We would also advocate that the WoF is only the first step for New Zealand homes that should all be on a longer pathway towards the warm, dry efficient homes all residents need.
- Overall there is low level of awareness among New Zealanders of the link between a home's performance and housing outcomes (e.g. health, wellbeing, resource efficiency, running costs, maintenance bills). Similarly there is low awareness and limited capacity to undertake appropriate upgrades (e.g. extractor fans, damp proofing, insulation and heating) and behaviour changes to improve home performance. The WoF trials have started public debate, but this needs to be better informed and address more broadly the issues WoF's aim to address.

1.2 Social housing recommendations

- MBIE develops a New Zealand Rental Housing Strategy to improve planning and management of this critical national asset. This would provide essential structure to address the fragmentation of rental housing across ministers, ministries, Acts of Parliament, councils, policies, Community Housing Organisations. Cadman (2014) suggests the development of a whole of government working practice model, as is in place for another national asset – state highways.
- MBIE signals that all New Zealand rental housing must meet the Building Code by 2025: plot a pathway that requires social housing meet the Code, followed by all rental properties in the mixed market (tenant receives a government subsidy) and finally all rental properties (and perhaps all houses!). The trigger could be the sale of the home.
- MBIE actively shares the Warrant of Fitness developed for HNZ to inform the market and provide leadership that prevents multiple schemes being developed. This will support all other initiatives being developed and ensure they can contribute to a body of evidence from a consistent concept of “entry level” (i.e. the very basic level of quality to support home performance). This leadership may well reduce some of the concern in the market about just what is proposed in a WoF: many landlords may fear very high levels of intervention. Capitalise on the discussion surrounding the WoF to engage New Zealand in a public debate about all housing quality.
- Key players in this sector, government, councils and Community Housing Organisations, undertake action research to trial and demonstrate the best models for improving housing outcomes. The social housing sector offers a valid ‘trial space’ for pilots and demonstrations on potential business models to improve housing outcomes (Fawcett et al, 2014). If an action research framework is used, pro-active testing and evaluation will capture learning and share it. Lessons to broaden everyone’s understanding of the constraints and opportunities can be spread across social housing and out into private and mixed rental sectors. Partnerships between councils and district health boards to address health outcomes through housing intervention offer great opportunity for joint learning and improvements at a city scale (for example, Canterbury District Health Board works closely with Christchurch City Council in this way). The recent WoF trial by councils is a good example of initiatives that can pilot new ways of working, evaluate and lessons can be learned and shared.
- Councils could explore how they might engage with rental housing from within their existing safe and sanitary obligations. Councils could start by interpreting the rules to develop a checklist, trial it on their own properties before engaging with the private sector landlords. Signalling the work being done and sharing the standard may start some informed public debate about what quality New Zealanders expect from their homes (owned and tenanted!). See Annex B in Section **Error! Reference source not found.** for a first break down of a house level interpretation of council’s safe and sanitary obligations.
- MBIE develops innovative models of procurement of new social housing to ensure good housing outcomes (and shares these models with other social housing providers who are ‘buying’ new houses from the market). For example, government purchase of bulk new housing via a “cost plus” contractual arrangement with the market is unlikely to deliver affordable quality housing. The “plus” undermines market innovation to deliver homes that perform well and don’t cost the earth.
- MBIE’s implementation of the Māori Housing strategy ensures that appropriate processes are in place (e.g. procurement and advice) to ensure that all homes built for Māori will provide the quality outcomes sought in the strategy.

- Central government shares its insight from decades of providing and maintaining social housing stock with other stakeholders who provide social housing (and ultimately the mixed rental and private market). For example: does the Corporation use innovative procurement to manage its asset that the private sector could learn from; what insights does HNZ have about maintaining its stock?
- Government undertakes (or commissions) a comprehensive analysis of the true costs of New Zealand's poor housing on taxpayer funds, particularly on health, well-being, productivity, resource efficiency (water and energy), affordability. Share the results to help inform New Zealanders on the impact of their under maintained and poorly performing homes.
- MBIE ensures that funding on science, via the National Science Challenge, addresses rental housing research needs.
- Government ensures that any upgrade scheme is based on independent whole-of-house advice, so any taxpayer-funded intervention programme that changes performance of homes relies on appropriately trained providers. The market already offers an independent scheme, Certified Home Performance Advisors, which would ensure WoF inspectors or assessors for insulation programmes understood homes from a robust platform of independent knowledge.
- Government considers developing a single agency which holds all parts of jigsaw together: health, building standards, social housing, liaison and support to Community Housing Organisations and tenant support.
- On assumption that HNZ asset management has resulted in stock that meets/exceeds WoF minimums, we encourage MBIE to plot a pathway to warm dry homes, with the ultimate goal that all existing homes meet the Building Code. There is solid evidence and experience in NZ to support development of such a programme.
- Community Housing Organisations (e.g. via their umbrella organisation, Community Housing Aotearoa) continue to advocate for high quality stock and their tenants needs during the process of Government growth and development of this third sector.
- Community Housing Organisations develop a register of their housing stock and a common way (i.e. for all providers) to manage the asset (maintenance and repairs) and report on its quality (standardise the approach to measuring housing quality). This will contribute to the body of New Zealand evidence on improving housing outcomes through the provision of quality homes.
- Government (StatsNZ, MBIE?) considers its information needs (i.e. evidence for good policy development) in consultation (e.g. with CHA, organisations involved in housing research). The result may be agreement for NZ definitions to underpin research, programme outcomes: for example, what are categories of home ownership, management type, and tenant type. Identify opportunities for connecting central government held data sources (disparate across agencies) which make up the jigsaw of rental housing evidence. Key initiatives in New Zealand, such as the BRANZ House Condition Survey, provide an established robust basis on which evidence of rental housing quality could be built. Due to the fragmented nature of rental housing ownership and privacy issues, the sector is notoriously difficult to access – e.g. by central government (e.g. WUNZ subsidies) and by local initiatives such as the Dunedin-based Cosy Homes Programme. Exploring the issues around a register of landlords is strongly advocated (legally possible via Housing Improvement Regulations). The key value of this would be for communication: e.g. ability of agencies to directly raise awareness of subsidies/support, issues for landlords to consider (newsletters to NZ's community of landlords?). It would be easiest to start this in the social housing segment, where there is a growing list of Community Housing Organisations (collected for a different purpose). Over time, this register could extend into the mixed market and perhaps

be voluntary in the private sector, with a signal to become mandatory in 10 years? This could provide good foundations to encourage increased professionalism of the landlord sector to improve outcomes. It may be more appropriately trialled in a city, led by the council, with clear protocols around management of the data held.

1.3 Private market recommendations

- MBIE signals quality requirement with a forward target for rental homes reaching Building Code.
- Landlords with good quality stock make use of the market mechanisms available – e.g. Homestar to signal the quality to tenants.
- If MBIE releases its WoF, motivated landlords could check their homes, seek an independent verification, and advertise their property as meeting (ideally exceeding!) the WoF criteria.
- Landlords with a portfolio of homes consider upgrades across their stock to achieve economies of scale and do this work on the basis of good independent whole of house advice. Certified Home Performance Advisors and Eco-design Advisors in Council provide this type of input to optimise asset management. There are a range of applications (apps) in the market to support landlords, property managers to manage their maintenance schedules.
- Tenants understand the rental housing WoF and indicators of poor performance when assessing a house (e.g. damp, mould). Tenants could rate their rental home using the online Homestar option and share the result with the landlord.
- Tenants understand the role they play when living in a house to improve the performance and change their behaviour to reduce moisture and retain heat e.g. Annex B in Section **Error! Reference source not found.**
- Landlords draw on existing information, to engage with their tenants on how they can jointly ensure the performance of homes meet both tenant needs (health wellbeing, resource efficiency and affordability) and landlords (durability, quality and maintenance/upgrade costs).
- Students and landlords engage in the performance of homes via supported interventions such as Rate My Flat (in Dunedin, but expansion plans indicated), which offers a constructive way for the two actors in the rental housing dynamic to improve housing outcomes via upgrade and behaviour changes.
- Government uses the information and insight it has from managing its own stock and understanding the links between home performance and health, to raise national awareness of warm, dry, well-maintained homes as a means of improving housing outcomes.

1.4 Mixed rental recommendations

- Central government undertakes research to improve understanding of who in this mixed rental segment is supplying houses to vulnerable tenants and the quality of the homes, with a view to engaging with landlords and transferring the learning from social housing intervention to this market. Link to recommendation about landlord register and building code signal in 0.
- Government could lead some joint initiatives to better understand this rental housing segment. For example, active engagement with landlords to identify what are the barriers to their engagement with home maintenance and performance upgrades.
- Given mixed rental tenants are vulnerable, we would recommend government trials an improved mechanism for these tenants to engage with officialdom regarding quality of their home: the current Tenancy Tribunal is recognised as a barrier for tenants. Any learning could inform

upgrade of the Tribunal process for private market. Many not for profit agencies in the community housing sector support tenants in the private rental market, making them good partners in any trial.

Central government could develop policy to address the issues raised by taxpayer funds supporting private landlord's provision of poorly performing stock and subsequent costs to the nation. It is not a new idea to link the provision of subsidy to housing quality: policy work would help inform this option or identify alternatives to achieve the goal of supporting vulnerable New Zealanders with good quality housing.