



***Home for life***  
*Green discussion paper*

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# ***Housing is central to the Green Party's vision for a **fair, sustainable, and prosperous** society.***

Safe, secure, sustainable housing is fundamental to the health and wellbeing of individuals, families and communities and to our economy. All New Zealanders should have a warm, safe, stable and healthy home. If we can achieve this, we can unlock a huge range of benefits for our families and communities.

Improving security of tenure, whether through home ownership or longer-term tenancies, would mean that children would change school less often, improving educational outcomes. Families that move home less often build stronger links with their communities – they are less likely to engage in anti-social behaviour and more likely to contribute to community groups. They are also more inclined to invest in and care for the homes they live in.

Improving housing affordability, housing quality and security of tenure is critical in the fight to end child poverty in New Zealand both in terms of reducing the costs that impoverished families face and improving the health and educational outcomes of children in poverty.

Building new, high quality affordable homes would create thousands of jobs. In the past, governments have used home building

programmes to create jobs, improve home-building techniques, and up-skill workers.

More energy efficient homes will help to reduce demand for electricity and make it more affordable, as well as reducing greenhouse emissions from electricity. Using modern building methods to build eco-friendly homes, in compact urban forms, well-served by public transport can dramatically reduce our impact on the environment, and create more liveable cities.

This Green discussion paper proposes three initiatives in the housing sector that – in conjunction with our existing housing policies – will unleash a broad range of benefits for New Zealand families in terms of health, education, equality, jobs, and security of tenure. These initiatives are Progressive Ownership, a Warrant of Fitness for Rentals, and secure tenure for renters.

## ***We welcome your feedback***

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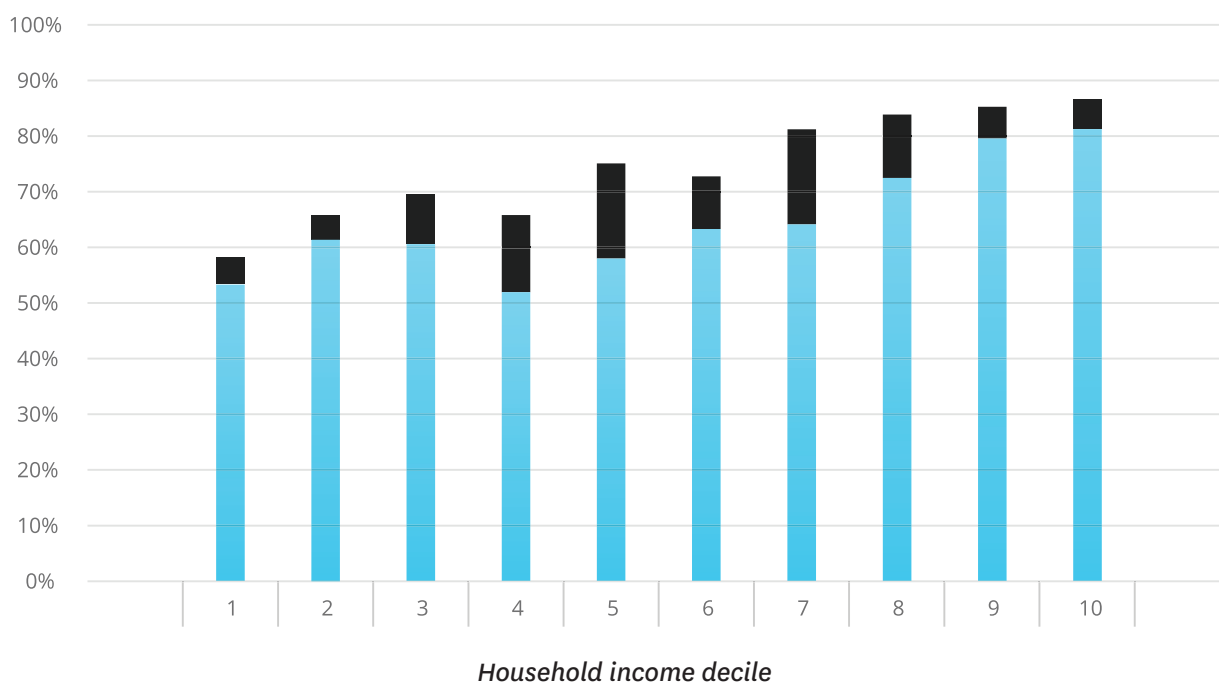
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## Our housing sector

Decline in home ownership by income decile 1991 vs 2012



### Falling home ownership

In 1991, 74% of homes were owned by the families living in them.<sup>1</sup> Today, that has fallen to 65%.<sup>2</sup> As a result, the number of families who rent is now nearly 600,000 – nearly double what it was two decades ago. If home ownership had remained at 1991 levels, there would be 160,000 fewer renting households today.

The decline in home ownership has been caused by rapidly increasing house prices that have outstripped household incomes. This has been driven by tax advantages for property speculation, monetary policy that favours mortgage credit growth, and lack of construction at the affordable end of the market.

Despite the rapidly growing number of New Zealanders who rent, New Zealand law offers little in the way of quality guarantees and other rights to tenants.

### Depressed building activity

Since the economic crisis began five years ago, house building has been below the level required to keep up with population increases and demographic changes. Some 20,000 homes need to be rebuilt or replaced in Christchurch following the earthquakes but residential rebuild work is expected to peak in 2015.<sup>3</sup>



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### ***Inadequate affordable house building***

It has always been true in New Zealand that the families most in need of affordable housing haven't been able to afford to buy them in the commercial market. Today, the median home in New Zealand costs \$389,000<sup>4</sup> but the median family can only afford to service a \$250,000-\$300,000 mortgage and has only a few thousand dollars in the bank.<sup>5</sup>

Historically, affordable home building has been dominated by the government. The First Labour Government used quantitative easing to fund its state housing programme,<sup>6</sup> which led to the construction of tens of thousands of high quality homes that ordinary families could afford to rent and, under later governments, buy. Beginning in 1906, and growing massively in the middle of the 20th century, successive governments passed on the Crown's low sovereign borrowing rate to young families to build affordable homes under what became the State Advances scheme.<sup>7</sup>

Since the State retreated from this role in the 1990s, little affordable housing has been built. It is estimated that, today, only 5% of new builds are affordable houses, compared to 35% in the 1960s.<sup>8</sup>

### ***Rapidly rising prices***

Housing prices are rising at twice the pace of incomes for families with dependent children. Since 2008, the average family with kids has had a 4% increase in nominal income<sup>9</sup> but that has been outstripped by an 8% increase in rents and a 9% increase in house prices over that same



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period.<sup>10</sup> In Auckland prices rose 10% in the last year alone.<sup>11</sup>

**The internationally recognised limit for affordable housing is when a family spends 30% of its income on housing costs.** Today in New Zealand, nearly 40% of renting families and 25% of homeowners spend over that 'affordability limit' on housing and are in housing distress.<sup>12</sup>

**Traditionally, home ownership is a practical route to prosperity for ordinary Kiwi families.** Unfortunately, rising house prices in conjunction with a falling home ownership rate means that the wealth in housing is increasingly being concentrated in the hands of a small group of property investors, comprising around 6% of the population.<sup>13</sup> Increasingly, families are spending their lives paying someone else's mortgage on the house that they live in and contributing to someone else's wealth accumulation, rather than building up their own wealth. This leads to a more unequal and unfair society.

**Many families never get a chance to build up a deposit or get into their own home and build up their own wealth.** The median couple with kids has only \$2,000 in the bank.<sup>14</sup>

**Perversely, New Zealand is experiencing a surfeit of speculative-driven demand from property investors** that tends towards increasing the prices and rents on existing housing while the families that need new affordable, high quality housing can't supply the demand to get them built.



**44% of rental accommodation is in bad condition and 900,000 homes, mainly rentals, have insufficient insulation.**

### ***Poor quality, especially rentals***

Half of the \$8.8 billion per year cost of child poverty comes from ill-health related to poor quality housing.<sup>15</sup> Poor quality housing leads to diseases of poverty such as rheumatic fever. Cold, draughty, and over-crowded houses result in the spread of colds and flu that result in days missed from school for kids, workers taking sick days, and avoidable doctors visits and hospital admissions.

Our housing stock is generally regarded as being poor quality compared to other developed countries, particularly with regard to insulation. Rentals are generally older and in worse condition than owner-occupied homes – a 2010 BRANZ survey found 44% of rentals were in bad condition.<sup>16</sup> A total of 900,000 homes, mostly rentals, have insufficient insulation.<sup>17</sup>

The Green Party and National Government's home insulation programme has insulated 200,000 homes to date and there is sufficient funding for a further 30,000 homes.<sup>18</sup> Unfortunately, few landlords have made use of the subsidy and only 28,000 rentals have been insulated.<sup>19</sup>



**Existing *Green* policy  
tackles housing  
market speculation,  
poorly insulated  
homes, and the lack  
of state housing.**

***Existing Green policy***

- The Green Party has already proposed a **capital gains tax and loan-to-value ratios to curtail the speculative demand from property investors** that is pushing up prices, and a lower Official Cash Rate that will make home ownership more affordable. These measures address mis-allocation of investment capital that leads to high prices and prevents families from getting on the property ladder.
- Through a Memorandum of Understanding with the current government, the Green Party has helped to **insulate 200,000 Kiwi homes and created 2,000 jobs**. We are pushing for an extension to this programme when the existing funding is exhausted, particularly to ensure that more rentals receive adequate insulation.
- The Greens' proposal, at the last election, to **build 2,000 more state and community houses over three years will help to alleviate the severe housing shortages that exist among our poorest families**. In addition we support better government partnerships with the third sector in providing affordable housing.





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## Our Home For Life proposal

### Home ownership



#### Payment

##### Basic payment

Pay a **low** 'rent' to cover the Government's investment cost in your home



##### Equity purchase

Buy 'shares' in your home at a pace that fits **your** budget until you own it all

### Progressive Ownership

Our Progressive Ownership programme will provide a pathway to home ownership for families who do not have the deposit or income for a commercial mortgage.

The Crown - ideally, along with partners in local government, iwi, and the community sector - will build affordable homes worth around \$300,000 on average. These homes will be built to modern environmental standards and will make efficient use of land with modern urban form well-served by public transport.

Families will enter into Progressive Ownership agreements with the Crown for these homes.

Under these agreements, the Crown will initially own all the equity in the house.

Families will pay a basic payment to cover the Crown's cost of capital (\$200 per week on a \$300,000 house at a government bond rate of 3.5%)<sup>20</sup> and make additional, variable purchases of equity in the property from the Crown at the value of the house when the agreement was signed.

As families purchase equity from the Crown, their payments to cover the Crown's cost of capital will decrease. Over time, the entire equity in the property could be bought by the family and they will own it outright. Or they can cash-up that equity at any time by selling it back to the Crown.



***Our Progressive  
Ownership programme  
will provide a **pathway**  
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for Kiwi families***

Progressive Ownership homes will not be able to be rented out. They will be for the families themselves to live in.

The flexibility of Progressive Ownership will allow families to increase, or suspend, equity purchases as their financial circumstances change. There will be no mortgage, so no risk of default or families losing their homes – they could just pay the basic rent if times get tough – and no penalties for buying the equity more quickly.

As there will be no mortgage, there is no need for a deposit, and because the scheme will utilise the Crown's sovereign borrowing rate it will be affordable for families on lower incomes to purchase \$300,000 houses that they could not afford in the market at present.

Because the focus of the Green housing policy is improving the lives of children, Progressive Ownership will be open to families with dependent children who are first home buyers. Other criteria, such as income levels, will be developed to ensure the policy benefits the families who need help the most.

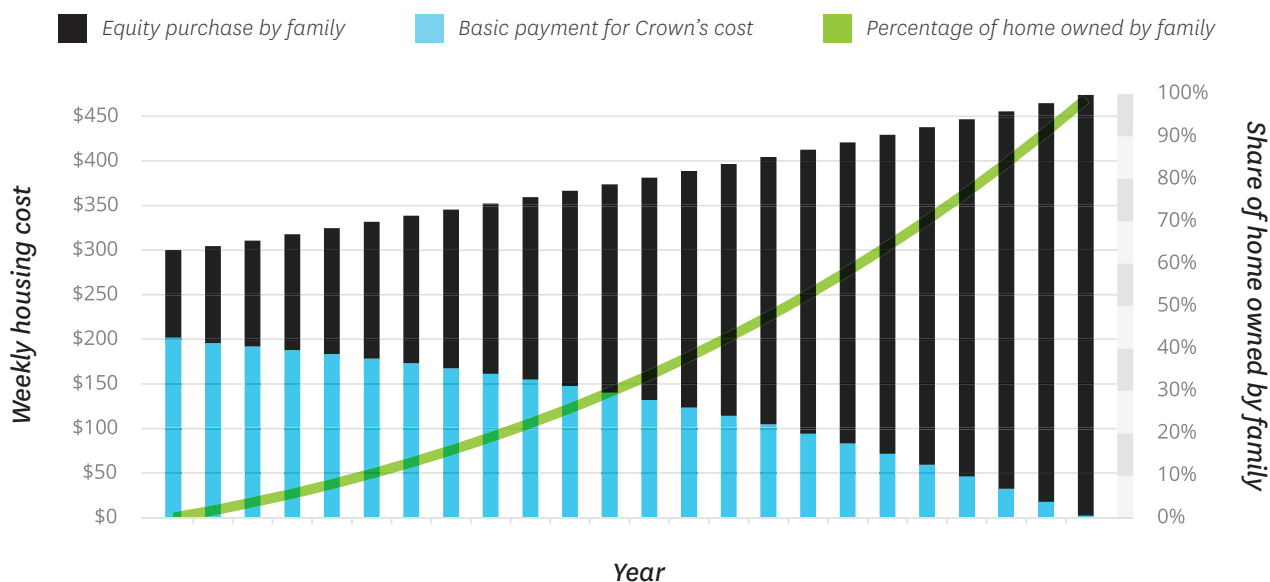
Modelling indicates the scheme will put getting on the home ownership ladder within reach of most families with kids, whereas currently only the top half can afford the mortgage on even a basic house.

Progressive Ownership will also serve as a form of savings for families who will otherwise accrue no wealth from their spending on housing costs. The wealth built up by families in their homes under the Progressive Ownership could later be capitalised – for example, to form the deposit on a more expensive house with a conventional mortgage.



### A Progressive Ownership path to full ownership in 25 years

(assumptions: family pays \$300 a week in total initially, rising at rate of inflation, Crown borrowing rate 3.5%)



Progressive Ownership could also be a path for third sector groups to gain ownership of affordable homes, on behalf of the people they represent.

This policy will, in the tradition of previous government affordable housing initiatives such as State Advances, use the Crown's low cost of capital to build homes to give families a helping hand on to the property ladder and create jobs. It is similar to shared equity programmes in other countries, including the United Kingdom's HomeBuy.

**The operational costs of the share equity programme to the Crown will be minimal**

Housing New Zealand spends \$1,000-\$2,000 per house on administration and rates are another \$2,000 per house on average.<sup>21</sup>

We envision Progressive Ownership working in conjunction with Labour's KiwiBuild policy. Whereas KiwiBuild will not be affordable for families in the lower half of incomes, Progressive Ownership will be. By not relying on private mortgages to fund the programme, as KiwiBuild does, the Progressive Ownership scheme will not add to our large private foreign debt, and overall cost of the home building will be lower.

This policy will involve more government investment than KiwiBuild but this will be offset by the creation of a financial asset on the Crown's books in the form of the Progressive Ownership agreements. These agreements will be equal in value to the Crown's capital investment – meaning the net debt impact will be nil.



***With the growing prevalence of renting for New Zealand families, it is time that they are given the **right** to expect a guaranteed minimum quality from their rental accommodation.***

### ***Warrant of Fitness for rentals***

Existing Green Party policy calls for insulation standards to be introduced for rental properties. It is proposed that this be extended into a full 'Warrant of Fitness' scheme for rentals.

Rentals will be required to meet insulation, weather-tightness, and basic service standards. A rental will be required to offer "fully serviceable" accommodation, including heating, hot and cold tap water, toilet, a shower or a bath tub, electricity and a stove.

With the growing prevalence of renting for New Zealand families, it is time that they are given the right to expect a guaranteed minimum quality from their rental accommodation just as when they purchase any other commercial service. Landlords are in the business of providing a service and should meet certain standards, just like any other business operators.

This will not impact on responsible property owners who provide a decent standard of accommodation to their tenants, but it will ensure that families are not taken advantage of by unscrupulous landlords.

The process of upgrading rental houses to acceptable modern standards will create thousands of jobs.

Landlords will not be asked to bear these costs alone. In our ongoing negotiations with the current Government over the extension of the home insulation programme, we have suggested that the scheme be redesigned to better assist landlords with the cost of upgrading their rental properties' insulation.



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## ***Our Home For Life proposal***

***Longer tenancies  
will offer security of  
income for landlords  
and allow families  
to build stronger  
links within their  
communities***

### ***Secure tenancy***

Over 70% of all children in poverty live in **rental accommodation**.<sup>22</sup> Improvements in the quality and security of tenure of rental properties will bring direct and immediate benefits to the poorest children and their families.

Under our proposal we will amend the **Residential Tenancies Act to provide tenants with the right of renewal on any tenancy and ensure tenancy agreements include a formula for calculating future rent increases**. Rent increases will be limited to no more than once every 12 months. This will give tenants more security in their homes and help prevent the kind of price-gouging undertaken by some landlords in Canterbury in the wake of the earthquakes.<sup>23</sup>

The right of renewal will not curtail landlords' existing right to evict tenants on grounds provided under the Residential Tenancies Act. Nor will it prevent landlords from taking back a rental property for their own use. But it will give renting families the security that they have the right to renew their lease if they want to continue to live in their home.

These proposals replicate rules that exist in other developed countries with high levels of **renting**. Tenants will gain the security of knowing when their rent will change and by how much. Security of tenure will allow tenants to request that landlords fix problems such as maintenance issues without fear that it will lead to their tenancy not being renewed. Longer tenancies will offer security of income for landlords and allow families to build stronger links within their communities. Longer tenancies will mean tenants take greater care of the house they live in, reduce disruption to children's education, and help families put down roots in their communities and contribute more to society.



***In the Green Party's  
vision for New  
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***An opportunity  
for positive change***

New Zealand is a wealthy country but our **wealth is shared unevenly**, which leads to poverty and families not being able to achieve their goals in life. Nowhere is this more evident than in housing where home ownership rates are plunging and the standard of rentals is often a disgrace. But we can do better for New Zealanders.

Our Progressive Ownership policy will **re-open the option of home ownership, with all the social and economic benefits that brings**, to middle and low income families who have been shut out of the housing market in the last two decades.

Improving the standard and tenure of rental properties will **make life healthier, cheaper, and more secure for families**, especially families living in poverty. By giving our children better homes to grow up in, we can help them grow into healthier and more successful adults.

A government-led affordable home building programme will **help the environment by improving the energy efficiency of our housing stock**, as will improving the insulation of rentals, and enabling the construction of well-planned communities that are well-connected to public transport.

By **increasing home ownership rates and promoting more stable tenancies**, we will help families to **take a more active part in their communities** and build more vibrant cities. In the Green Party's vision for New Zealand, all New Zealanders will have a warm, safe, stable and healthy home.



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- <sup>2</sup> *Household Economic Survey 2012*, Statistics New Zealand [http://www.stats.govt.nz/browse\\_for\\_stats/people\\_and\\_communities/Households/HouseholdEconomicSurvey\\_HOTPYeJun12.aspx](http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYeJun12.aspx)
- <sup>3</sup> Half-Year Economic and Fiscal Update, New Zealand Treasury <http://www.treasury.govt.nz/budget/forecasts/hyefu2012/hyefu12-whole.pdf>
- <sup>4</sup> Residential Press Release December 2012, Real Estate Institute of New Zealand [https://www.reinz.co.nz/shadomx/apps/fms/fmsdownload.cfm?file\\_uuid=22E27A12-9E20-3E19-4AAB-922283BF18B3&siteName=reinz](https://www.reinz.co.nz/shadomx/apps/fms/fmsdownload.cfm?file_uuid=22E27A12-9E20-3E19-4AAB-922283BF18B3&siteName=reinz)
- <sup>5</sup> Results vary depending on household particulars, results calculated using ANZ mortgage calculator [https://apps.anz.co.nz/calculators/affordability/?s\\_kwid=TC1027788|anz%20mortgage%20calculator|S|b|1570977383](https://apps.anz.co.nz/calculators/affordability/?s_kwid=TC1027788|anz%20mortgage%20calculator|S|b|1570977383)
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- <sup>9</sup> New Zealand Income Survey 2008 and 2012, Statistics New Zealand <http://wdmzpubo1.stats.govt.nz/wds/TableViewer/summary.aspx>
- <sup>10</sup> Consumer Price Index Statistics New Zealand, <http://www.stats.govt.nz/infoshare/>
- <sup>11</sup> Regional Commentary December 2012, Real Estate Institute of New Zealand [https://www.reinz.co.nz/shadomx/apps/fms/fmsdownload.cfm?file\\_uuid=22DE64FD-D67E-E39B-527E-82F748E56CC8&siteName=reinz](https://www.reinz.co.nz/shadomx/apps/fms/fmsdownload.cfm?file_uuid=22DE64FD-D67E-E39B-527E-82F748E56CC8&siteName=reinz)
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