**NELSON PROPERTY INVESTORS ASSOCIATION**

**DECEMBER 2021 NEWSLETTER**

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Our last meeting of the year at the Honest Lawyer Monaco is on Tuesday 14th December 7:30 pm with the optional before meeting meal at 6 pm. We have Derek Smail and Darryl Olverson from Ecotech Nelson and Tony Frost by Zoom from somewhere. They will talk about the increasing importance of modular manufacturing for New Zealand’s accommodation construction sector. Darryl will be able to give details of an interesting multi-storey apartment development planned for Nelson.

Ecotech are getting their modules fully fitted out in factories and putting them together on site. This has the potential to speed up the building and consenting process and drag New Zealand into the international way of bringing us cost effective homes when and where we need them. It looks to me as if the Government is pushing the councils around the country to intensify and accept new ways of doing things. Exciting things are happening in the provision of housing and some of this is being driven by Nelson based entrepreneurs.

Let me know by email if you want in for the meal.

**THE RTA IS BEING KICKED INTO TOUCH**

I do not need to remind anyone that our government is being cruel to private landlords with never ending more restrictive laws and throwing ever more taxes at us. I have been told HNZ have a major say on tenancy law amendments. Surprise it is noted that the government has chosen to exempt itself and some private housing providers from these unfair poorly thought out enactments. After all this anti private landlord bashing I was mildly surprised and pleased when the RMA amendment Bill was tabled. Not being an expert in complex issues like the planning laws I have struggled to fully comprehend all that is proposed. GRA have published this blog on their web site.

*In a bid to seriously address the housing crisis, the Government has announced plans to change the Resource Management Act, reducing red tape and allowing for intensification of housing throughout the country. In my view this is a very positive move.*

*Labour have the support of National with this proposal, which will allow up to three homes of up to three storeys to be built on most sites without the need for a resource consent. This will cut through outdated local zoning rules that are holding many towns and cities back (many of them are stuck in the 1960s, thinking that everyone needs a big back yard).*

*It is expected that the new rules will facilitate an additional 48,200 to 105,000 new homes to be built over the next 5-8 years.*

The TDC had prodded and encouraged me to participate in their LTP online webinar and make my own submission. This is what I wrote on 12 November. *Statistics indicate the percentage of rental versus owner occupiers is growing every year with the number of rentals increasing at double the number of owner occupier homes. This is reflected in the percentage of rentals to owner occupiers going up every year throughout the whole country. This trend is not restricted to Nelson / Tasman or in fact to just New Zealand. It is not the function of Territorial Authorities to attempt to reverse these trends. But it is your responsibility to accommodate the pressure to provide for this demand. Like it or not tenants have less interest in low coverage properties. Higher coverage dwellings enable more dwellings to be created per lot. New is always more expensive than existing so brownfield developments to create more dwellings per lot will naturally not be in the so called affordable sector.*

*1 Automatically permit more than one dwelling per lot on all new subdivisions if the developer chooses to do so.*

*2 Increase the coverage from 40% to 60% on all areas within a 5km radius of Richmond mall.*

*3 On flat land permit two levels as a permitted activity.*

*4 Permit residential on commercially zoned land at ground level if market forces make this desirable.*

*5 Introduce financial incentives for private landlords who provide service tenancies.*

One day later after writing the above rant the government tabled their RMA amendment bill. Obviously I had no input into the thinking of the government but what they are proposing is surprisingly similar to my ideas.

The amendment bill will provide for the building as of right being a permitted activity of 3 stories, 3 dwellings per lot, front set back 2.5m, with side and rear set at 1 m. Views out of windows are main living 3x3m and other habitable rooms 1m. Outdoor living space can be an 8sq m balcony. These rules are to apply to both Brown field existing areas plus new subdivisions in Greenfield areas. Such a massive one off change will create an unimaginable change to how our urban areas look. I doubt anyone knows why our cities look like they do. Houses built out of wood like we used to do post war needed to be separated to avoid spreading fire to their neighbours. The new law is restricted to a small number of urban areas called Tier 1. But the same rules can be applied to Tier 2 area such as Nelson / Tasman urban area when those areas have an acute housing need. The enactment states the Minister of Environment in consultation with the Minister of Housing can do an Order in Council to REQUIRE the relevant Tier 2 territorial authority (like Nelson / Tasman) to develop and intensification plan.

Bearing in mind house prices in Nelson Tasman are higher than three of the Tier 1 areas and almost the same as Wellington I fail to see how we can be overlooked. The number of our houses for sale and for lease as advertised on Trademe is significantly less both numerically and percentage wise compared with all of the Tier 1 areas. I am surprised that the groundswell of public vocal opinion seems to favour intensification.

As a long term investor I know that I can usually obtain a better cash positive investment from higher coverage more intensive developments. I have also noted that lower coverage bigger sections tend to have better long term capital gains. So generally it is better for new investors to begin their investment journeys by buying multiple income properties. I think the RMA amendments mean it will be just as hard as at present to subdivide lots so more home and income and more blocks of rental flats will be constructed. Remember purchases of new rental properties have significant tax advantages. This advantage is retained on those new properties if they are sold to investors but not to owner occupiers. So has the government seen the error of their way and decided that it is a good idea for more private rentals to be created. I doubt it, I think they just do not know what they are doing.

Despite the mantra being chanted in by politicians, first home buyers will be the ones who have most to lose from this new law. Remember local body elections are next year followed by the other lot.

**GLENNS INBOX AND PHONE CALLS**

I am always happy to talk and give my opinion to fellow investors. However I think I am becoming grumpier as age moves on. More and more I am advising people if they have a problem they need to stop trying to do everything themselves and engage the services of a good property manager. One consistent question is how to collect the debt granted by the Tenancy Tribunal and what do I do if the debtor stops paying. The key to being successful at collecting starts before the tenancy starts. The Privacy Commission and other agencies restrict what information can be collected or when it may be collected. So many people fail to even do a credit check. Believe it or not even HNZ do credit checks. You cannot carry out a credit check without being granted permission by the tenancy applicant. That permission needs to be in writing and you must hold onto that paper based permission for seven years or more. The two main credit agencies are Illion (used to be called TINZ) and Equifax (used to be called Veda). Both firms claim they are the single biggest in New Zealand. Illion has some enhancements for tenancy enquiries. Both need date of birth, photo Identification and existing / previous home address. When you receive your tribunal order Illion will give you a small credit if you log it along with a picture of the tenant. At that time you should set up a monitor or email based notification when address changes or even any activity occurs on the credit file of the debtor. The idea for collecting debts is to get an attachment order against a wage or benefit. Generally only benefit attachment orders work well. An attachment order can also be done on a guarantor but one needs a good guarantor watertight form for this to work. Tenancy Services have all sorts of forms but mysteriously do not have one for guarantee agreements despite this being provided for in the RTA.

Landlords, be they mum and pop, or property managers have to decide if it is worthwhile doing their own collections versus using specialist debt collectors. One of my debtors recently finished paying her debt by attachment order from WINZ. I got a significant buzz and feeling of satisfaction from that achievement. It also provided a timely reminder to be more careful in choosing tenants and helping government social agencies who came begging asking for assistance for the elderly lady. They made all sorts of promises but delivered on none of them. In my opinion landlords need to be present at the beginning and the end of every tenancy. If you skip one step you are bound to fall into a hole and it will be your fault. See I warned you I am getting grumpier.