

NELSON PROPERTY INVESTORS ASSOCIATION
NOVEMBER 2024 NEWSLETTER
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Our eighth and last meeting of the year at the Honest Lawyer Point Road, Monaco is on Tuesday 26th November 2024 7:00 pm. Note change of time! Harry Pearson is our speaker for the night. Harry has just returned from his first ever National conference. The theme of the evening is:

Now is a great time to buy an investment property.

I think Harry will cover other tit bits as well!

Between 7pm and 7:30 pm we will have a pre Christmas natter, with a few nibbles on the club plus one free drink for financial members. If you flash your membership card either the plastic one or the one on your mobile phone you will be given a chit to get your drink. Not a member? As per our policy you are still welcome to attend. I will bring my EFTPOS machine, and you can become a member on the spot and still get that free drink. That will save you going thirsty.

Yes, we still have the optional meal at 6pm before the meeting. To cut down the wait at the gate chits will be given out to members who come to the meal.

WHAT IS GOING ON

Do not believe the media. The rental market is alive and well in Nelson. Based on the Trade me statistics I have kept for well over a decade advertisements are as low as they normally are at this time of the year, unlike Auckland, Wellington, and Canterbury, where they are swamped with vacancies. Tasman building consents are still higher than Nelson but way down on the past two years.

The RTA is well on its way to revision restoring the ability for landlords to end tenancies when things turn bad. The well intentioned laws passed by Labour had serious unintended repercussions for many people, both tenants and landlords. Other things are being spelt out clearly like pets needing permission, pet bonds, smoking bans, and some twinking of how bonds are being managed.

PROVISION OF EMERGENCY AND TRANSITIONAL HOUSING

The politicians are doing their usual promises to fix things by reducing the number of people in motels and motor camps. Successive governments for the last decade have been very generous funding such accommodation and a number of providers have been on the receiving end of huge sums of money. Like millions of dollars of public money have been thrown at the problem. This clearly has provided a good incentive to both the providers and occupants to retain things as they are or even get something better. The down sides of providing this free accommodation has been well covered in the media.

So naturally those in power in Wellington want to fix the issue and save some serious money. So it came as no surprise for Nelson PIA to be approached by staff from MBIE / MHUD to see if we would help them. Then I read in the NZPI Magazine that our NZPIF national staff have been approached as well. Finally I received a "Dear Glenn" communication from the local Salvation Army / Housing First seeking a meeting and a proposal for our members to lease our rental properties to them. I had an interesting, pleasant conversation with the local staff and they confirmed my understanding of their proposal was correct.

The Salvation Army under their letterhead have sent their proposal to me. Their communication has frequent reference to various sections of the RTA like rent setting but then they specify they will act outside of the RTA law if they wish to remove their sub tenants and or pay for intentional damage to a different formula than specified in the RTA. They will also carry out inspections differently than specified in the RTA.

The provision of such accommodation is unambiguously clearly spelt out in the law that controls our industry this being the RTA of 1986 and subsequent amendments. To put it bluntly any contract entered into to house those currently in emergency and transitional housing is excluded from the RTA.

3 Act to bind the Crown

This Act shall bind the Crown.

Compare: 1951 No 51 s 104B; 1955 No 50 s 5; 1973 No 26 s 3; 1975 No 36 s 4

4 Act generally to apply to all residential tenancies

This Act applies to every tenancy for residential purposes except as specifically provided.

Section 4: replaced, on 1 October 2010, by [section 5](#) of the Residential Tenancies Amendment Act 2010 (2010 No 95).

5 Act excluded in certain cases

(1)

This Act shall not apply in the following cases:

(a)

where the premises are commercial premises:

(s)

where the tenancy agreement—

(i)

is genuinely entered into to enable a tenant (the **sublandlord**) to sublet the premises to provide accommodation for—

(A)

other people for commercial gain; or

(C)

persons on low incomes; or

(D)

persons with special housing needs; or

(E)

persons whose disabilities mean that they need support or supervision in their housing; and

(ii)

is not entered into to provide accommodation for the sublandlord or to evade this Act or any of its provisions; and

(iii)

expressly provides that the sublandlord will not personally occupy the premises:

(y)

if the premises are used to provide emergency or transitional accommodation and—

(i)

the provision of the accommodation is funded wholly or partly by—

(A)

emergency housing assistance paid to or for the credit of a person under the Special Needs Grants Programme; or

(B)

any other payment made by a government department for the provision of emergency or transitional accommodation to people in need of housing;

There is nothing that the government prescribes that prevents a landlord from leasing their properties to Housing First but when things go wrong you will not be able to go to the Tenancy Tribunal for redress. When for instance the rent is not paid, property is damaged, and other unthinkable things occur you will be covered by the Property Law Act because you will be operating a commercial lease. The territorial authority might have an interest in such non residential activities. Carrying out non residential activities might well be subject to GST can of worms as well. Housing first staff assured me they will carry out regular property inspections. Obviously at the end of the contract period the buildings will be handed back to the owners. If there is a dispute about meth contamination, fire damage, overgrown yards, piles of rubbish and broken windows then you are on your own. I have been advised by various insurance brokers that they will not insure transitional housing. Your much cheaper than commercial insurance cover will not cover risky activities. The industry practice for setting the rent of commercial properties is normally at a higher rate of return than residential. It is normal for commercial tenants to pay for rates, insurance, water, body corporate fees parking and other outgoings. In return the landlord takes on a higher risk with commercial leases. Commercial is not better than residential it is just different.

The following article copied from Duke and Cooke Valuers newsletter adds to the story and gives some background to the efforts of Salvation Army.

Kāinga Ora no longer looking for CBD site

Work to find a replacement site for a shelved inner city social housing development has quietly stopped.

Meanwhile, Nelson City Council is pushing Kāinga Ora for more certainty about planned developments.

The council had agreed to sell land at 69-101 Achilles Ave and 42 Rutherford St to Kāinga Ora for the development of two apartment blocks, totalling 175 homes in five-to-eight-storey blocks, subject to conditions around there being a mix of social and affordable housing.

But, in February it was announced the plan had been shelved after a commercial partner couldn't be found.

Now, a previously confidential document released by the council shows councillors were informed in December that the development could only go ahead on those sites if there was "improved financial feasibility or the limitation of financial exposure", as well as more certainty about a coastal flooding strategy for the city centre.

It also revealed Kāinga Ora had proposed a 100% social housing development on the Rutherford St site.

In response, the council agreed it was committed to a social housing partnership and would like to “facilitate them to find another site that is not subject to coastal flooding and is within the catchment of the Infrastructure Acceleration Fund Bridge to Better project”.

But now, despite agreeing to work to find a new site, both Kāinga Ora and the council have confirmed that work has also stopped.

(Nelson Mail, 26 October 2024)