

Xx month 2006

Review of the Accommodation Supplement
Working Age People's Policy
Ministry of Social Development
PO Box 1556
Wellington

Email: asreview@msd.govt.nz

Dear Sir/Madam

**Submission of the New Zealand Property Investors' Federation Inc on the
Review of the Accommodation Supplement**

Introduction

This submission has been prepared by the New Zealand Property Investors' Federation Inc in response to invitations to comment on the Review of the Accommodation Supplement

The Federation established in 1973, comprises twenty local associations situated throughout New Zealand, and is the national body representing the interests of over 4000 property investors.

According to government figures there are 480,000 rented properties and around 600,000 tenants in New Zealand.

The Federation represents, and promotes, its members' views on all matters affecting tenancy matters.

The Federation welcomes this opportunity to participate and comment on the Accommodation Supplement (AS) in terms of addressing its effectiveness and how it may be improved.

Comment

It has been noted in a number of key documents and reviews including the Residential Tenancies Act Review and the New Zealand Housing Strategy 2005 that the country is experiencing a declining level of home ownership.

A number of reasons have been posited for this trend including changing social and economic conditions in New Zealand

In line with declining rates of home ownership there has been corresponding increases in the levels of renting. And this is most evident in our main urban centres.

Our main centres also have the highest home sale prices and rental levels.

This compounds and can clearly affect the ability of low-income households spending on housing.

With strong demand and a long waiting list for state houses around the country the Government has rightly used the accommodation supplement system of assistance as a tool to aid certain ethnic (Maori and Pacific island) groups, low income people and others to access housing in the private rental market.

The Federation is a strong supporter of the current and successful policy approach.

It is likely that during this review some housing groups and individuals will mount calls for the AS to be abolished or reduced.

Some commentators have previously and simplistically criticised the AS claiming that it “pushes up” rents. To date, the Federation is not aware of any official evidence to support this assertion.

Landlords’ rental levels are set according to a multitude of verifiable economic and financial considerations including increasing inflation, mortgage and outgoing expenses but are generally in line with prevailing market forces of supply and demand. For a significant number of landlords many face a negative return on their property investment. The AS does not subsidise private (and or public) landlords nor does it increase property prices.

A prime reason for the AS not being inflationary is that it only provides recipients with 70% of additional accommodation costs. Making recipients responsible for 30% of their accommodation costs stops the potential for landlords to increase rents at will.

Additionally, the Federation knows of no private landlords getting richer because of the AS.

Moreover, the Federation does not believe the removal or decreasing of the AS would actually decrease rents immediately or entirely.

Any such knee-jerk moves on the AS would more than likely cause much social hardship for low-income households and make housing and accommodation more difficult to secure.

Most private sector tenants do not receive an AS, so would not be affected meaning less of an effect on rental prices.

Recommendation

The Federation has been a long time advocate for the AS to be directly paid to landlords, providing the tenant agrees. Currently, such assistance is only available to Housing New Zealand Corporation tenants.

Paralleling this, the Federation believes that those who are benefit recipient tenants should be enabled to have their rent deducted at source, if they so choose.

Many tenant groups have endorsed these recommendations as it helps to ensure good accommodation for women and children in situations of physical abuse. By ensuring the rent is paid before they receive their benefit, there is a reduced chance of losing their accommodation. In addition, parents with solvent or gambling addictions have a better chance of ensuring accommodation for their children if their rent is paid before they receive their benefit.

In conclusion, the Federation believes that the Accommodation Supplement should remain an important part of a government package for ensuring access for low-income people to the private sector rental market.

To improve the AS, the Federation recommends that legislation should be amended to enable it to be paid directly to private sector landlords provided the tenant is in agreement. This can be extremely useful for those tenants with a history of rental arrears problems.

Martin Evans
President
New Zealand Property Investors' Federation Inc