22 August 2017

The Committee Secretariat,
Local Government and Environment Committee,
Parliament Buildings,
Wellington

By email: lge@parliament.govt.nz

RESIDENTIAL TENANCIES AMENDMENT BILL (NO 2)

Please find attached the written response of the New Zealand Property Investors' Federation Inc to the Residential Tenancies Amendment Bill (No 2).

The Federation is is happy to provide the Committee with any further information it may require and wishes to be heard in person before the Local Government and Environment Committee in support of this submission.

Yours sincerely

Andrew King
Executive Officer

Submission to the

Local Government and Environment Select Committee

examining the

Residential Tenancies Amendment Bill (No 2)

22 August 2017

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New Zealand Property Investors' Federation

This submission has been prepared by the New Zealand Property Investors' Federation Inc (the Federation) in response to the select committee invitation to provide feedback on the Residential Tenancies Amendment Bill.

Established in 1983, the Federation has twenty affiliated local associations situated throughout New Zealand. It is the national body representing the interests of over 7,000 property investors on all matters affecting rental-housing.

The Federation welcomes this opportunity to participate and comment on the draft legislation.

Industry Background

To assist readers understand the extent of the economic and social importance of the private rental industry in New Zealand and the implications of residential tenancies legislation the following background points are offered.

What is the extent of the private rental industry?

There are approximately 270,000 landlords in New Zealand. There are no corporate or institutional residential landlords.

There are approximately 546,000 residential rental properties[1], housing over 1,500,000 tenants[1], and worth around $171 billion[2].

Private landlords are the largest providers of rental accommodation in New Zealand. 87% of tenants rent from a private landlord or trust[3].

Median weekly rent for all accommodation is $430[4]. The amount spent on rent each week is $234 million and annually this is $12.2 billion.

Most property investors (57%) have been engaged in the business for 10 or more years[5], which dispels the myth that people are investing in property to make a "quick buck". Instead, property investors are using their rental income business as a

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[1] 2013 Census data

[2] NZPIF Calculation. 475,000 private rental properties multiplied by the February 2018 REINZ lower quartile house price.

[3] Regulatory Impact Statement: Prohibiting letting fees under the Residential Tenancies Act 13/04/2018

[4] Tenancy Bond Centre statistics, April 2018

[5] ANZ NZPIF Annual Survey 2006

mechanism for saving for retirement and are professional and committed long-term service/accommodation providers.

The rental property industry paid tax on net rental income of $1,444,000,000 in the 2016 financial year[6].

SUMMARY

The New Zealand Property Investors' Federation welcomes the opportunity to provide input into the Residential Tenancies Amendment Bill (No 2).

The proposed legislation is well-intentioned, primarily seeking to clarify three main areas concerning:

1. Tenant liability for damage to rental premises
2. Methamphetamine contamination in rental premises
3. Rental premises that are not lawful for residential purposes

Tenant liability for damage to rental premises

The bill seeks to clarify who is responsible for damage caused to a rental property following ramifications of the Osaki case.

The Bill establishes that tenants are still not responsible for the damage they or their guests cause to their rental property, except when the property is insured by the landlord when the tenants responsibility is limited to either the excess of the landlords insurance policy or four weeks rent, whichever is lower.

If passed, the Bill will be better for the industry than the current situation. Rental property providers will be grateful if this Bill becomes law, however the NZPIF believes that it is a complicated solution that may not work well in all cases.

We would like to put forward an alternative solution to the Bill which is simpler, easier to enact and focuses on a solution for the tenants who were at risk before the Osaki case was decided.

Methamphetamine contamination in rental premises

The NZPIF is generally supportive of this section of the Bill.

The Bill seeks to clarify that landlords cannot rent a property that is known to have traces of meth higher than the levels set out in the NZ Standard 8510, before the property has been decontaminated and the meth levels have been reduced to below the NZ Standards.

[6] IRD Data, April 2018

The Bill provides the right for landlords to check for meth in their rental properties. It also provides that either the landlord or the tenant can end the tenancy should meth levels exceed the levels established in the NZ Standards.

Rental premises that are not lawful for residential purposes

The Bill allows the Tenancy Tribunal to hear applications where the premises are unlawful and to refund potentially all the rent that a tenant has paid to live in the property.

While the NZPIF does not wish to condone unsafe and unlawful rental properties, we are concerned that otherwise highly suitable rental properties, such as some "granny flats", may have been successfully rented to tenants for decades, but could suddenly be lost from the rental pool.

It is unknown how many properties like this will be effected, however it is likely to be in the tens of thousands. Faced with awards against them and rent being given back to their tenants, it is unlikely anyone will continue offering these properties as rentals.

We are also concerned with situations where tenants themselves may have converted part of their rental property, such as the garage, to be used as accommodation. It would be unjust for a landlord to have to give the rent paid back to the tenant and potentially exemplary damages as well, when they didn't offer the unlawful part of the dwelling for rent.

DISCUSSION

Tenant liability for damage to rental premises

Background

Since the introduction of the RTA in 1986, it has been very clear that tenants are responsible for any damage that they cause to their rental property. This makes practical sense and the system worked relatively well. However there was some confusion or lack of knowledge on the part of some tenants as to the extent of their liability for the damage they may cause.

Contents insurance to protect a person's belongings also provides cover for damage that the insured causes to any third party. The amount is usually to a million dollars. Therefore tenants who had contents insurance also had cover for any damage that they may have caused to their rental property, including complete destruction of the dwelling.

Previous to the Osaki rulings, the NZPIF and associations around the country advised our members to provide advice and recommend contents insurance to their tenants.

It should be noted that contents insurance is not the same as taking out insurance over the rental property. While the tenant is covered if they destroy the property, they are also covered if they destroy any other asset. The policy provides third party liability cover which protects the tenant from all kinds of damage that they may cause. A contents insurance policy as is not the same as having two different parties insuring the same asset.

The belief that insurance companies are 'double dipping' by landlords having building insurance and tenants having contents insurance is not valid. The rental property owner is specifically insuring their property while the tenant is protecting their belongings and any damage they may accidently cause to another person's property.

For many years the system worked well, although some tenants may not have been aware of the risk they were taking by not having contents insurance.

The entire situation changed through the ruling of Holler & Rouse v Osaki. In this case Mrs Osaki left hot oil unattended on the stove of her rental property, causing a fire and $216,000 of damage. The landlord's insurer repaired the property but,

presumably knowing that the Osakis had available funds, they used their right of subrogation to hold the Osaki's responsible for the damage they had caused.

Contents Insurance

Had the Osaki's held contents insurance, their policy would likely have covered them and this whole situation is unlikely to have occurred.

It estimated that 57% of tenants already have contents insurance. This means that the benefit of this Bill is aimed at the 43% of tenants that do not have contents insurance and therefore take on the risk of paying for any damage that they cause to their rental property and any other property for that matter.

Tenant confusion

The general purpose of the Bill is to confirm that, apart from some exceptions, the tenant is not liable for damage that they or their guests cause in a rental property. This is a complete reversal of how tenancies have operated in New Zealand before the Court's determination of the Osaki case. Previously tenants were completely responsible for the damage that they caused and this still makes practical sense as there is a high level of clarity in this position.

Tenants may believe that the Bill protects them or at least severely reduces their exposure to financial risk from any damage that they cause. This may lead them to determine that they don't need contents insurance or that they can cancel their policy.

What is intentional damage and what is careless?

By introducing different levels of responsibility for tenant damage, the bill is increasing the level of ambiguity between different levels of damage.

This has already been demonstrated through Tenancy Tribunal decisions since the Osaki case ruling.

In Foxton, a tenant who was not allowed pets still kept dogs in their rental property. The tenant locked the dogs inside while they went to work each day. The dogs had no option but to relieve themselves inside the rental property. There were 50 incidents of carpet damage as a result. The landlord took the tenant to the Tenancy Tribunal who established that the damage was not intentional and as the landlord had insurance the tenant was not liable for the damage. This was despite the landlord's insurance company declining the claim as the multiple excesses far exceeded the repair cost.

The landlord took the case to the District Court who ruled against the Tribunal decision, saying that the damage was intentional. The District Court stated that “Damage will be intentional if the defendant meant to cause it or probably knew it was going to result”. In this case they should have known that dogs will have to relieve themselves inside a property if they are locked inside each day.

Since this decision, the Tenancy Tribunal has stated on their website that "damage is intentional if the tenant meant to cause it or probably knew that it was ***virtually certain*** to result from his or her actions". The addition of "virtually certain" to the District Court's ruling shows that the Tenancy Tribunal disagrees with the Court's interpretation of what is intentional damage and instigated a lower requirement for tenants to claim that the damage was not intentional.

What's is careless damage and what is accidental?

Compared to before the Osaki case, the Bill introduces uncertainty over the tenant's liability because it introduces a grey area of what is or isn't accidental damage.

The Bill states that tenants are liable for damage if it is caused by a "careless act or omission of the tenant or of a person for whose actions the tenant is responsible". The Bill then limits the tenant's liability for damage caused by a careless act or omission to the lesser of four weeks rent or the rental property owners insurance excess.

Although not stated explicitly in the Bill, this means that the tenant will no longer be responsible for accidental damage they may cause where they were not careless. This grey area will no doubt lead to large amounts of Tenancy Tribunal time taken up by hearing why a tenant's actions were not a careless act or omission, but purely an accident and they should therefore not be held responsible for any of the repair costs.

Consider a child spilling blackcurrant juice on a carpet. Was the child careless or is this to be expected of a child? At what age would it cease to be careless? If pets are permitted in a property by the landlord, is the animal careless if it damages the property or is this normal activity for an animal? If the tenant has a party and some of the guests get bumped and spill wine on the carpet, is this careless or just an accident that is likely to happen at a party?

How many incidents of damage?

Under this Bill, tenants will be responsible for each incident of damage. As insurance companies apply excesses to each incident of damage, having tenants responsible for each incident of damage they cause is an essential part of the Bill.

However this could lead to the tenant being responsible for some significant repair costs.

Consider a case where the rent for a property is $250pw and the insurance excess is $1,000. There are four stains on the carpet caused by the tenant's careless actions and the repair cost is $4,000. Before applying to the Tenancy Tribunal, the landlord obtains a determination from their insurer that they view this as four incidents of damage. They therefore decline the landlords claim as the cost of four excesses is equivalent to the total repair cost. If the Tenancy Tribunal agrees with the insurance company on the number of incidents then the tenant is responsible for the entire $4,000 repair cost. The tenant could be responsible for even higher costs.

This level of uncertainty about what could potentially happen and how much the tenant could potentially be liable for may mean that tenants still need to take out contents insurance to protect themselves.

Additionally, this example raises a potential risk for the landlord as well. If the Tenancy Tribunal disagrees with the insurance company, and finds that there is only one incident of damage, then the tenant will be responsible for $1,000 of the cost and the landlord will be responsible for $3,000 of the cost. Thus under the Bill a landlord is not completely protected from being financially responsible for the cost of their tenants damage.

Higher insurance premiums

Insurance companies are concerned about two aspects of the bill. The first is losing their right of subrogation, the second is minimising tenants liability for damage is likely to reduce their duty of care for the property which could lead to higher levels of rental property damage.

Because of these two factors, rental property insurance premiums are likely to rise. Ultimately these unknown higher costs will be passed onto the end consumer, the tenant.

Tenants with contents insurance may be aggrieved at having to pay higher rental prices because of a bill that seeks to protect tenants without contents insurance, but does not offer any benefit to themselves.

Analysis

The NZPIF understands the Court's desire to protect some tenants from large costs in repairing damage they have caused. However it appears that the Courts did not considered the costs to landlords in absolving tenants from the responsibility of repairing smaller items of damage they have caused.

The average cost of damage claims made by NZPIF members prior to the court's decision was $3,079. While a current survey has not been able to be undertaken, the cost of damage is likely to have increased following the Osaki ruling. We believe there were around 7,000 applications for damage made to the Tenancy Tribunal each year. There will be many other cases where landlords have not bothered to go to the Tribunal. Using the NZPIF survey, we estimate that the cost to landlords because of the Osaki case will be around $21 million per year.

Because of this, we welcome the aspects of this Bill that address the significant hardship and cost that the Osaki ruling has inflicted on rental property owners. We envisage that tenants will also welcome these aspects of the Bill as the Osaki case are likely to have had ramifications for tenants who may have been viewed as more likely to cause damage to their rental property, such as pet owners and families with children.

While we welcome steps to improve the current situation with regard to tenant's liability for damage, there are still some difficulties with the proposed solution. We acknowledge that the bill creates a far more equitable situation around tenants liability for damage than we have at present, but it does not completely resolve all issues for the three main parties of tenants, insurers or rental property owners.

The Tribunal Decision on dogs causing damage in Foxton demonstrates how difficult it is to clearly establish different interpretations for whether damage is intentional, careless or accidental. This will no doubt lead to lengthy debates at Tenancy Tribunal hearings on damage.

In response to the Bill, it is likely that insurance companies will increase their premiums for rental properties which will eventually be applied against tenants through rental price increases. This will affect all tenants despite only tenants without contents receiving any benefit from the Bill.

Because of being responsible for potentially high costs in repairing damage they have caused, Tenants may still have a requirement for contents insurance despite the protection of the Bill.

While the Bill should mostly protect rental property owners from being financially responsible for their tenant's damage, there is still risk due to the Tenancy Tribunal not being required to agree with insurer's decisions on how many incidents of damage have occurred.

Tenants having contents insurance to protect their belongings and themselves from damage they cause to any third party is not double insuring the rental property. Contents insurance protects the tenant from any damage they cause while the landlords insurance specifically insures the rental property. It is not a case of double dipping by insurance companies, but two completely different policies.

Alternative proposal

The NZPIF believes that the three affected parties of the Osaki case, Tenants, insurers and rental property owners would be better served through an alternative solution.

We believe that the ambiguity caused by absolving tenants from all responsibility for the damage they cause, except in certain situations, can be solved by reverting back to the situation before the Osaki case ruling. This would greatly reduce the time requirement for the Tenancy Tribunal to hear reasons why a tenants actions were not intentional or careless but accidental.

This would address insurers concerns and remove the need for higher insurance premiums, further removing pressure on rental prices to increase.

Without rental price increases, tenants with contents insurers would not be financially disadvantaged without receiving any benefit from the bill.

As there wouldn't be any ramifications from insurance companies and the Tenancy Tribunal disagreeing on the number of damage incidents, there would be no risk that rental property owners would still have to pay for a majority of their tenants damage.

Tenants without contents insurance, like the Osakis, could still potentially be at risk of severe financial loss if they do not know the extent of their responsibilities. However this risk can be managed if there is a requirement for landlords to explicitly inform them of their responsibility for damage, the potential extent of this

responsibility and how they can protect themselves from the risk of causing damage to their rental property.

This could be achieved in a similar way to the current requirement for landlords to advise tenants on the level of insulation in a rental property. landlords could be required to read a statement to tenants on their responsibility for damage, the extent of that responsibility and that contents insurance products are available that can protect them from this and other risks they may face.

This would ensure that all tenants are fully aware of their responsibility for damage and a method they can use to manage their risk. They can then make an informed decision as to whether they wish to take out contents insurance, accept the risk or apply a different solution to handling the risk that fits their particular circumstances.

Recommendations

We recommend that the RTA section 142(2) be amended to read: "However, the Tribunal, in exercising its jurisdiction in accordance with section 85, may look to Part 4 of the Property Law Act 2007 as a source of the general principles of law relating to a matter provided for in that part (which relates to leases of land). ***This is only intended as a supplemental aid in interpreting the rights, obligations and principles set out in the Residential Tenancies Act 1986, and not for aspects of commercial leases to be applied to Residential Tenancies.***

After section 13A(1A), insert: (1B) The landlord must ensure that the following statement about Tenants liability for damage is included in the tenancy agreement and that the tenant must sign that they acknowledge the statement understand their responsibility for any damage that they cause.

> "The tenant acknowledges that they are responsible for any damage that they cause to any part of the property and that this may extend to the complete destruction of the entire premises. The tenant acknowledges that they are aware that they may take out insurance to protect them from the risk of damaging the property."

Methamphetamine contamination in rental premises

Methamphetamine contamination has been causing many problems for rental property owners and the entire rental market.

The NZ Standards are a big step forward in assisting rental property owners to provide safe accommodation for their tenants in a more cost effective manner and with a greater degree of confidence in the testing and remediation of their properties.

The NZPIF is pleased that the Residential Tenancies Amendment Bill (2) will be applying legal status to the voluntary NZ Standards.

While it is not covered in the Bill, landlords have a problem with tenants abandoned goods following the property being deemed methamphetamine contaminated.

The tenants abandoned goods will be contaminated and if they are stored under the requirement of section 62A(3), this may transfer contamination to the storage site.

Section 62A(2) allows a landlord to immediately dispose of abandoned goods if they are worth less than the cost of storing them for 35 days. In many cases this will allow the immediate disposal of contaminated goods left behind by the tenant, however it will not in all cases.

Recommendations

We recommend that Section 62 of the Residential Tenancies Act, "goods left on premises on termination of tenancy", be amended to make it explicitly clear that methamphetamine contaminated goods left on premises on termination of tenancy can be immediately disposed of.

Suggested additional text:

62(4) In the incidence of the termination of a methamphetamine contaminated premises, the landlord may immediately dispose of any goods left on the premises in any way the landlord sees fit.

The current section 62(4) be changed to 62(5)

Unlawful residential premises

The NZPIF believes the Tenancy Tribunal should be able to determine cases where a residential tenancy has been in existence in an unlawful premise. Addressing the consequences of a High Court decision (*Anderson v FM Custodians Ltd* [2013] is seen as a positive move.

The NZPIF is generally in agreement with improving standards of rental property in New Zealand, and would not like to see properties that are highly unhealthy or highly unsafe being used for residential accommodation until they have been repaired or remedied. We use the terms highly unhealthy or highly unsafe as the terms unhealthy or unsafe are subjective and we would not like to see these terms interpreted too prescriptively or severely. This could result in a large number of perfectly good rental properties being removed from the market and become unavailable for tenants who would find them perfectly acceptable.

Despite agreeing with the philosophy of improving rental property standards, we would not like to see ramifications of the Anderson case see Tribunals making harsher rulings than previously against rental property providers who are providing rental property of good quality and appropriateness, despite not being technically lawful.

Granny flats, Villa conversions, some minor dwellings and dwellings in premises zoned for commercial use have previously been treated more as incorrect than unlawful, with authorities turning a blind eye to them as long as they provide a good level of accommodation.

There are a considerable number of these types of properties in various areas around New Zealand, typically in areas close to town or city centres. These types of properties are often very affordable options for limited income people to live in relatively expensive areas.

It is likely that a significant proportion of these dwellings will never be able to be consented. Even a local authority issued Certificate of Acceptance may be difficult to obtain for these properties for reasons such as a fire wall between units.

Without a firewall they cannot obtain a Certificate of Acceptance, but there may be other ways to improve the safety of these properties, such as interconnected smoke alarms.

While the NZPIF does not condone slum rental properties, we do not want to see properties that are highly desired by tenants removed from the rental stock. This

could lead to an even greater shortage of rental properties at a time when we really need more.

We view section 78A(2)(b) as being extremely problematic as it provides for the Tenancy Tribunal to declare the property unlawful if the landlord fails to comply with ANY of the requirements in respect of buildings, health, and safety under any enactment so far as they apply to the premises.

It is unlikely that anyone knows the full extent of the wide ranging Acts of Parliament that could be applied to a rental property. There will be numerous small requirements hidden within various acts that could be used against rental property owners.

The Tribunal is almost directed to make awards of exemplary damages and partially or completely refund rent payments back to Tenants and reject a landlords claim for rent or other amounts owing. The consequences of an owner getting it wrong in this section of the RTA is being extended drastically in this Bill.

How this section of the Bill will be interpreted is unknown, however as it stands there will be far reaching ramifications that will be difficult to foresee or quantify. It will be extremely easy for owners to fail to comply with ANY of the requirements in respect of buildings, health, and safety under any enactment so far as they apply to the premises.

In addition, as tenants will be compensated for bringing cases to the Tribunal, there is an incentive for them to do so. Some tenants aware of this policy will seek out unlawful but suitable rental accommodation, live it for up to six years and then apply to the Tenancy Tribunal for a refund of the rent they have paid and exemplary damages. This would be financially crippling for the rental property owners and an enormous risk that they may have no idea about.

Faced with such high financial risks, it is probable that any rental property owner renting such a property will end the tenancy, revert the property back to a single dwelling and either occupy it themselves or sell it.

The NZPIF is already aware of property managers asking owners to end tenancies so they can then make an application for a Certificate of Acceptance (COA). Once council has been notified, if the property cannot or is economically unable to be altered to receive the COA, the owner is unable to rent it out again.

Clause 78A(2)(b)

78A(3): Despite anything to the contrary elsewhere in this Act,—
(a) unless the Tribunal is satisfied that, having regard to the special circumstances of the matter, including the nature of the premises, it would be unjust not to make the order, the Tribunal must not order the tenant to pay to the landlord—
(i) any sum found to be owing by way of rent in arrear; or
(ii) any other sum by way of damages or compensation:

(b) if the landlord has applied for termination on the ground of rent in arrear, the Tribunal may, but is not required to, make the order terminating the tenancy.

This clause means that a property that doesn't comply with ALL aspects in respect of buildings, health, and safety under any enactment so far as they apply to the premises can be deemed an unlawful property. This extends the ramifications of not complying with this section by allowing all rent to be refunded to the tenant in addition to the current awarding of exemplary damages.

Unless the Tribunal believes it would be unjust not to make the order, the Tribunal must not order the tenant to pay to the landlord any rent arrears owing or any other sum by way of damages or compensation. This is unjust.

Given the difficulty of finding and understanding what these requirements are, the potential consequences appear extremely harsh.

Technical points could be used against rental property owners to demonstrate that they have not complied with the various acts and their rental property is therefore deemed unlawful.

The NZPIF was recently advised of a case where a rental property was severely water damaged during a once in 100 year flood. The tenant had to move out, but raised the point about whether the drain layer that installed the drainage system was registered or not. The current owner had purchased it from another person who had actually undertaken the drainage work, so did not know who had undertaken the work. There was no record of who undertook the work on the council files. While the work itself was deemed appropriate, it could not be clarified if the drain layer was qualified to do the work. The question was asked if the owner had complied with the building act and if not was the owner liable for some of the tenants possessions that were damaged during the flood.

Under this scenario and if this Bill passes in its current form, The owner could be found to have not complied with the building act because they couldn't prove that the work was carried out by a suitably qualified person. Once found to be unlawful, the Tribunal can award all the rent to be refunded to the Tenant.

In addition, it could be the tenant who actually breaks the requirements of the acts through the way they treat the property, with the ramifications falling onto the owner. This would be grossly unfair.

As an example, The Housing Improvement Regulations state that Every house shall be free from dampness. However dampness can be caused by many factors which may, or may not be related to the condition of the property. If a tenant manages a property in such a way that it creates dampness, this Bill could be used to declare the property unlawful and any rent owing by the tenant will remain owing and any or all of the rent that the tenant has paid can be awarded paid back to the tenant.

This section of the Bill is highly unfair to rental property owners. It could see any transgression of any act relating to the building, health, and safety of the property, no matter how minor, leading to the property being declared unlawful.

Once declared unlawful, the Tribunal must not order the tenant to pay rent arrears or any other money owing (unless it would be unjust not to do so) and can refund any rent paid back to the tenant. In addition to not receiving income owed to them and continue to lose income with delays to when they can get access to the property to remedy the situation and get the property tenanted again, or revert it back to a single dwelling.

Property managers are reporting that many clients are selling their rentals because extra regulations and the risk of getting it wrong is putting them off. Providing rental accommodation has become a very marginal activity and the ramifications of section 78A(2)(B) could see a significant increase in providers exiting the market and a reduction in new providers.

Some would see this as a positive outcome as it would reduce house prices and the properties are likely to be sold to first home buyers. Many people view this as a zero some outcome as you lose a rental property but a tenant becomes a home owner.

The problem with this situation is that the latest census data shows that nearly half the population live in rental properties that only account for a third of all properties in New Zealand. This means that on average there are more people per rental property compared to owner occupied property.

As an example, consider two couples living together in a rental property. If one couple decides to buy the rental for themselves, the other couple need to find a new rental to live in. One property has been removed from the rental pool, Two tenants have become homeowners, but two tenants now need to find rental accommodation that, without an increase in supply, doesn't exist.

On current estimates, if 100 rental properties are sold to first home buyers, an additional 56 rentals will be needed to accommodate the remaining tenants.

Recommendations

The NZPIF recommends that this section of the bill be suspended until the extent of unlawful dwellings can be estimated to establish what affect this bill could have on rental property supply.

If this section of the Bill goes ahead, the NZPIF recommends that the committee establishes what type of property is acceptable to continue being available as a rental, with further options developed that allow the many near acceptable dwellings to continue being available for tenants to live in.

Further options could include:

I. interconnected fire alarms to be used between separate dwellings in a villa conversion when a fire wall is impossible or uneconomic to install.

II. Receive a COA based on local regulations when the property was built or converted rather than on current standards.

III. Apply existing use rights for when a property has been used as a rental for a certain number of years.

These options could be suitable methods of removing undesirable rental properties from being available to tenants while preventing other otherwise suitable rental properties from being caught out as collateral damage.

If none of these options is acceptable, the NZPIF recommends that a long lead in period be applied so that the impact of the law will not apply over a short period of time, helping to reduce inequitable losses for rental property owners and a potentially significant reduction of rental property availability for tenants.

The NZPIF recommends that section 78A(2)(B) is taken out completely as it could lead to an enormous number of properties being classed as unlawful, depending on how it is interpreted and acted on.