



Residential Tenancies (Prohibiting Letting Fees) Amendment Bill
Social Services and Community Select Committee

The Salvation Army New Zealand, Fiji and Tonga Territory (with Samoa) Submission

EXECUTIVE SUMMARY:

1. The Salvation Army **supports** this Bill, specifically the prohibition of letting fees or any other fee charged in relation to the grant, extension, variation or renewal of a tenancy agreement.
 - a. In our experience, letting fees often act as a barrier for those who are looking to rent because of the significant cost of the bond and advance rent which is required when renting a property. This is even more of a financial challenge for poorer households, particularly those who have lower incomes but are forced into the private rental market because of social housing shortages, or they are ineligible for this housing.
 - b. This pressure is compounded by the urgent lack of housing stock in Aotearoa, the rising costs of renting, and the existing housing stock being damp, cold and often inadequate.
 - c. We acknowledge that there is a possibility that landlords could pass on any loss of income from letting fees into rent increases for tenants. We would challenge landlords and other landlord associations to not undertake this course of action, particularly for vulnerable tenants renting their premises. Additionally, The Salvation Army acknowledges that there are many reasonable, ethical and fair landlords operating in our nation. We believe this Bill will help strengthen the rental sector, and provide assurances that the relationship between landlord and tenant remain just and practical.

BACKGROUND:

2. The Salvation Army is an international Christian church and social services organisation that has worked in New Zealand for over one hundred and thirty years. The Salvation Army provides a wide-range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten and marginalised by mainstream society. We are passionately committed to our communities as we aim to fulfil our mission of caring for people, transforming lives and reforming society through God in Christ by the Holy Spirit's power.¹
3. We have over 90 Community Ministry centres and Churches (Corps) across the nation, serving local families and communities. Many of our social services have some form of interaction with housing issues and the rental market. These include our Salvation Army Social Housing (SASH) service, our Transitional Housing contracts with the Ministry of Social

¹ <http://www.salvationarmy.org.nz/our-community/mission/>

Development, and our foodbanks and financial mentors that often work with people in housing crisis and/or living in a private rental situations but who are struggling to make ends meet in this position.

4. This submission has been prepared by the Social Policy and Parliamentary Unit of The Salvation Army. This Unit works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. This submission has also been informed by other parts of The Salvation Army, particularly SASH and our Community Ministries staff. This submission has been approved by Commissioner Andrew Westrupp, Territorial Commander of The Salvation Army's New Zealand, Fiji and Tonga Territory (with Samoa).

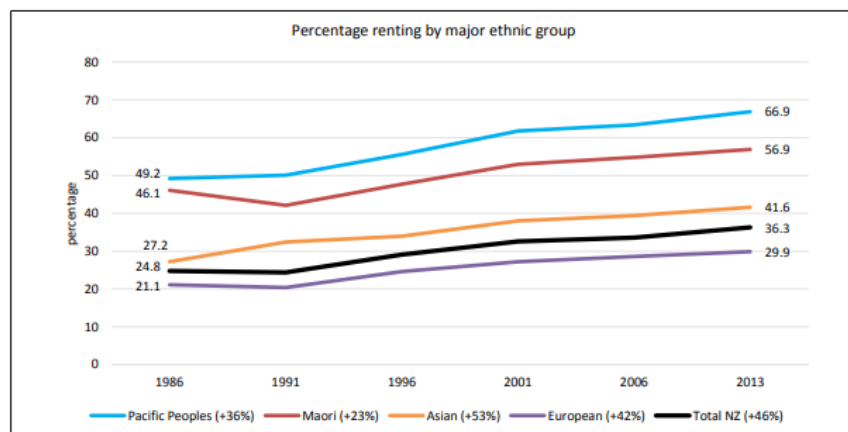
GENERAL COMMENTS:

5. We submit that property owners and landlords have a social, ethical and legal responsibility for fairness in their dealings with tenants. Generally, these landlords fulfil these obligations. However, in the case of letting fees, these have frequently emerged as an excessive cost for renters, especially the poorer households.
 - a. For example, our Tauranga Community Ministries centre reported that the charging of letting fees is often a huge barrier to low income families securing housing affordable and adequate. The significant shifts in house prices and house availability has meant securing affordable private rental in Tauranga in recent times for example is extremely difficult.
 - b. Our Tauranga staff report that the letting fees in their area were often between one to four week's rent and people were unable to access WINZ assistance for this fee. This fee is not refundable and is not attributed to any specific cost like how bonds are. This Tauranga team also stated these costs were disproportionate and stopped often vulnerable Kiwis from getting into good, safe and healthy housing.
6. The Salvation Army is committed to every New Zealander having a healthy, dry and safe home.
 - a. A healthy, dry and safe home is vitally important for health outcomes. Respiratory diseases, rheumatic fever and skin infections are all associated with substandard housing, overcrowding and homelessness. Allowing families and individuals access to healthy housing encourages better health outcomes and therefore better education and productivity.
 - b. This Bill means that at least one barrier is removed for those seeking housing. But there are other chronic obstacles that exist, including:
 - i. Rising rent throughout New Zealand, particularly in Auckland, which is locking many people out of the rental market;
 - ii. The lack of housing stock across the housing spectrum;
 - iii. The inability for those coming from prison to find adequate housing;
 - iv. The reality for those rough sleeping, living in cars and garages.

Renting Landscape

7. Renting is on the rise as outlined in *A Stocktake of New Zealand Housing*, with 36.3% of our population living in private rental situations.² This Bill therefore impacts a wide variety of people from various cultures, ages and socioeconomic groups. For example, the impact is substantial for Pacific people, with 66.9% not owning their dwelling. For Maori the impact is also significant with 56.9% not owning their own dwelling as illustrated by the figure below.³

FIGURE 1.2: PROPORTION OF PEOPLE IN HOUSEHOLDS THAT DID NOT OWN THEIR DWELLING BY ETHNICITY – 1986 TO 2013²



Students, young families, elderly and single workers are also impacted. Therefore, letting fees, affect a large portion of the population. Removing them will benefit people across cultural and socioeconomic boundaries. But the reality is that the removal of letting fees affects lower socioeconomic groups more who are less likely to own their own home and more likely to rent. The question of making renting more affordable, and ensuring that letting fees are removed is an issue of equity. Ensuring that those already trapped out of the housing market as buyers can enter the renting market, moving within this market fairly and with minimal extra costs, is an important step.

8. Letting fees are generally one week's rent plus GST. The landscape for renting varies throughout New Zealand, with the cost of a week's rent also varying quite drastically throughout the country.
 - a. The cost of the letting fee is a large portion of the weekly income of many families throughout New Zealand. This is not doable for many families particularly those who already live week to week with minimal incomes. By removing letting fees, a financial barrier is removed for many families.

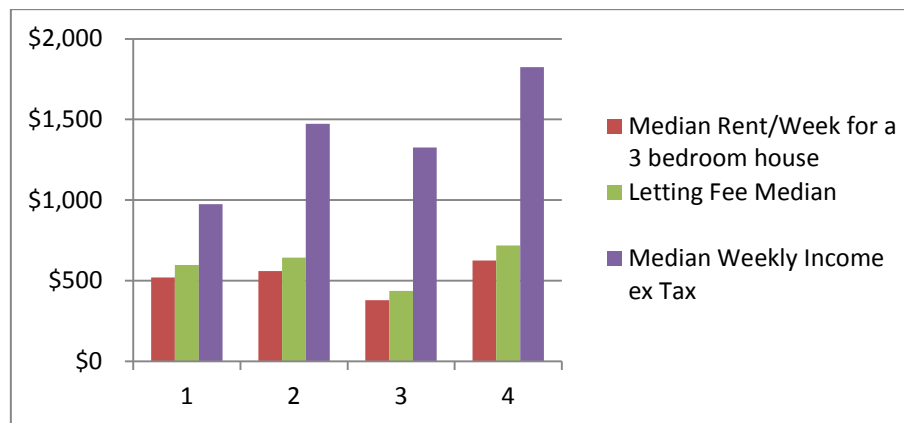
² <https://www.beehive.govt.nz/sites/default/files/2018-02/A%20Stocktake%20Of%20New%20Zealand%27s%20Housing.pdf>

³ Ibid.

- b. In the Table below the cost of a week’s rent and the associated costs of a normal letting fee is outlined by MBIE.⁴ These are provided alongside the average household weekly income for four suburbs: two in Auckland, one in Wellington and one in Christchurch.

These figures give some insight to the renting landscape within New Zealand. They also give important examples of how much letting fees are and how much of an average household weekly income is required to pay this fee. The graph shows that in these suburbs, a letting fee takes a large portion of weekly income. For Manukau an average letting fee for a 3 bedroom house would take 61.3% of a household’s income. This is simply not affordable for many households that we work with in The Salvation Army. Having affordable rentals, alongside social housing is vital to address the chronic housing problems we face as a nation.

Comparison of Household Income, Rent and Letting Fees in 4 Suburbs:



1. Manukau- Mangere East⁵
2. Auckland- Mt Roskill/Wesley⁶
3. Christchurch- Linwood/Phillipstown⁷
4. Wellington-Vogeltown/Berhampore/Newtown⁸

RECOMMENDATIONS:

9. **Removing letting fees** – We fully support this Bill. However, we acknowledge that the barriers for housing are not limited to a letting fee. For many Kiwis, affordable access to

⁴ <https://www.tenancy.govt.nz/rent-bond-and-bills/letting-fees-and-key-money/>
⁵ https://www.parliament.nz/en/mps-and-electoral/electorate-profiles/electorate-profiles-data/document/DBHOH_Lib_EP_Manukau_East_Households/manukau-east-households
⁶ https://www.parliament.nz/en/mps-and-electoral/electorate-profiles/electorate-profiles-data/document/DBHOH_Lib_EP_Mt_Roskill_Households/mt-roskill-households
⁷ https://www.parliament.nz/en/mps-and-electoral/electorate-profiles/electorate-profiles-data/document/DBHOH_Lib_EP_Christchurch_East_Households/christchurch-east-households
⁸ https://www.parliament.nz/en/mps-and-electoral/electorate-profiles/electorate-profiles-data/document/DBHOH_Lib_EP_Rongotai_Households/rongotai-households

housing is beyond their reach, whether this social housing, private rental or home ownership.

- a. The strain that letting fees cause financially and emotionally concerns The Salvation Army. The reality for many is that in order to finance this, they may have to turn to loan sharks or borrow money from their family and friend network. The Salvation Army knows the effect this toxic and crippling debt has on families and individuals, and works to minimise this with the clients we work with. Securing money for letting fees, bonds or the rental cost itself should not force people to turn to unscrupulous lenders for this money.
- b. The cost of renting is too much for many people and families because the wage and salary increases have been fairly stagnant given our economic and GDP growth. Ensuring that there is affordable housing, which is available for lower and middle income families, is crucial.

10. The lack of housing stock is also of concern – We clearly need more social housing. The Salvation Army is moving forward with several social housing projects with our own financial investment and also in partnership with the Government. The underlying causes of the housing shortage will not be addressed in this Bill. But we do want to take this opportunity to implore the Government to keep working towards expanding the social housing stock. Some households using private rentals should really be moving into social housing. But there are massive pressures on the social housing register and transitional housing programme. If social housing is unavailable for these households, the ensuring they have affordable private rental is a short-term solution for their housing need.

11. Passing on the cost – As stated above, The Salvation Army believes most landlords and property managers are fair in their dealings with tenants. But with this potential passing of this Bill, there is a possibility that these costs will be moved from letting fee costs to increases in the rent people are paying. We challenge the landlords to not increase the rent they charge because (1) rents are increasing throughout our nation, (2) private rental is becoming unaffordable for many households, particularly poorer and/or vulnerable families, and (3) there are very limited housing options for poorer Kiwis, creating more inequity and worsening critical areas of social need such as homelessness, health issues and relative poverty. Surely this cannot be the fair and just nation we strive for. Landlords have an important role to ensure that their own financial needs are met, but that these needs are also balanced with the serious social needs and challenges that many of their tenants are facing.

CONCLUSION:

12. In short, we strongly support the passing of this Bill into legislation. We hope there are more important reforms of our tenancy law coming in the near future to ensure our poorest and most vulnerable Kiwis are getting a fair go in the housing spectrum.