

Abolish Accommodation Supplement

It will be obvious to everyone on the commission that Accommodation Supplement has a negative effect on the housing market by underwriting rent increases, with the main beneficiaries being landlords and banks rather than the people who claim the benefit.

One local council recently raised rents to their tenants, and their spokesman excused the increases saying that they were advising their tenants on how to apply for Accommodation Supplement.

It's a well known scam in some communities to purchase a rental property for their parents, provide them with a rental agreement and encourage them to claim Accommodation Supplement.

You are well aware that the cost of Accommodation Supplement has risen from \$1.2b in 2018 to \$1.7b in 2020, and with the prospect of rising interest rates, the government has the prospect of Accommodation Supplement being claimed by an increasing number of mortgagees on top of further increasing rents on the back of increased landlord costs.

However any attempt to abolish Accommodation Supplement without providing some kind of replacement would cause real harm and distress to majority of claimants who would struggle to pay for food, and utilities due to the excessive rents charged by private landlords.

Cap rents to 30% of tenant's income

I propose that the fairest way to abolish Accommodation Supplement would be to first give the Tenancy Tribunal the power to cap a tenant's rent to no more than 30% of the tenants income.

This would place the financial burden of abolishing accommodation supplement fairly on the shoulders of those who have benefited most from accommodation supplement in the past.

Landlords who already charge a socially responsible rent would not be affected, as their tenants would not have been claiming accommodation supplement.

Implementing rent controls in this way could have a number of positive outcomes:

- a large number of tenants would receive a large boost to their disposable incomes, easing pressure on food banks, and the payment of other living costs
- that disposable income increase would be a big economic improvement to the poorest areas of New Zealand
- new landlords would be discouraged from competing against first home buyer for low value properties
- the reduction in demand for residential property as an investment could result in a drop in house values

and a number of negative outcomes:

- landlords would be discouraged from buying more properties to increase private rental stock
- investors may be discouraged from developing land to build new residential properties

To counteract the negative outcomes, the government would need to be prepared to step in and increase its investment in Kainga Ora

Give Kainga Ora compulsory purchase powers

I propose that to counteract the negative outcomes from rent caps, that Kainga Ora be given the powers and funding to compulsorily purchase:

- vacant land zoned for housing, or land close to areas of housing need that can be rezoned for housing
- residential properties that have been empty for six months or more
- tenanted properties, at the tenant's request, where the landlord has failed to comply with the healthy home standard, or has harassed or intimidated the tenant.

The power to purchase vacant land should discourage land bankers, and those who fail to develop zoned land.

The power to purchase empty residential properties is to discourage the hoarding of residential property where the owner fears tenancing it, and discourage 'lock and leave'.

The power to purchase tenanted properties is required to redress the power imbalance between landlords and tenants, and effectively give tenants the ability to change their landlord whilst remaining in the same community.

In practice, the granting of compulsory purchase powers is likely to have most of the desired effects even without the exercise of those powers.

In all cases, the current owner would be given notice during which time they would not be restricted from disposing of the property privately.

Abolish council's uniform general charge

The effect of the Uniform General Charge in calculating council rates is to calculate rates at a higher percentage rate for lower value properties. Occupiers of lower value properties are having to subsidise the rates of owners of higher value properties.

It is the equivalent of an income tax system where everyone pays \$2000 tax regardless of income, and then a flat percent on top of that.

With the abolishment of the uniform general charge, I propose that councils be required to calculate a percentage of rates in four bands based on the median property value, with the lowest quartile value properties having rates calculated at the lowest percentage, and the percentage rising with each higher quartile.

The higher rates charge for higher value properties would have a further friction effect on slowing house price rises.

The lower rates for lower value properties would have the similar beneficial effects as the capping of rents to a socially responsible level.