

**Mandatory Rental Housing Warrant of Fitness – A Background Paper**

Department of Public Health, University of Otago, Wellington

[www.healthyhousing.org.nz](http://www.healthyhousing.org.nz)

July 2016

**BACKGROUND**

There is a clear association between cold, damp, hazardous housing and poor health outcomes. Installing heating and insulation has been shown to reduce hospitalisations and days of work and school, and making safety modifications reduces the incidence of injury. Improving housing has been shown to improve health and wellbeing, and save costs to the public by reducing hospital and pharmacy visits.

A third of New Zealand households and almost half the population now rent rather than own their houses. We spend most of our time indoors. Pre-schoolers and retired people spend more than 90 percent of their time indoors. Much of the rental housing stock is in poor condition. Current rental housing quality standards are unclear and largely unenforced.

To address the poor quality of rental housing *He Kainga Oranga* developed a rental housing warrant of fitness (WoF) that consists of 29 clearly described evidence-based housing requirements that have been shown to improve tenants' health and wellbeing and to have a positive benefit/cost ratio.

The WoF was refined in collaboration with five councils (Dunedin, Christchurch, Wellington, Tauranga and Auckland), the New Zealand Green Building Council and the Accident Compensation Cooperation. A pre-test was carried out in 2014 on 144 houses. This showed that the rental housing WoF was practical to use and appropriate for New Zealand housing. Trained inspectors with an environmental health or building background can administer the WoF in under an hour, at a cost of \$150-\$250.

**IMPLEMENTING THE WOF**

*He Kainga Oranga*/Housing and Health Research Programme has been funded by the Health Research Council of New Zealand to conduct a quasi-experimental policy study of the effects of introducing a rental housing WoF. Dunedin and Wellington city councils have provisionally agreed to pilot the rental housing WoF to determine the effect on the rental market and tenants' health. The rental market in these 'intervention' cities will be compared with comparable adjoining cities.

The requirements contained in the WoF already exist in current legislation, including the Health Act 1956 (Housing Improvement Regulations 1947) and the Building Act 2004. Under these Acts, councils are responsible for ensuring housing meets standards. The WoF checklist therefore provides a practical way to enforce existing standards that make a difference for health..

In order to implement the rental housing WoF, Wellington and Dunedin city councils will announce their intention to introduce a mandatory WoF. *He Kainga Oranga* will assist in training and accreditation of assessors, and will conduct a study of rental housing and the health of occupants and Dunedin, Wellington, and comparison cities.

Subsequently, Wellington and Dunedin city councils will introduce the mandatory rental housing WoF. Building inspectors will inspect properties. If they do not pass the inspection landlords are given an agreed period to bring their rental property up to standard and are then inspected again.

A year after the WoF is introduced, *He Kainga Oranga* will conduct a one-year post-introduction follow-up survey, and analyse its effects on rents; sales of rental properties; quality of rental properties; and the health of tenants.

## The case for a rental housing Warrant of Fitness

### **Tenants include New Zealand's most vulnerable.**

About half of all New Zealanders, across 35% of households, rent their homes. Seventy percent of children in poverty live in rental properties (50% in private rentals, 20% in state rentals).

### **Rental properties are in worse condition than owner-occupier properties.**

BRANZ and other research has shown that rental homes are in worse condition than owner-occupied homes. Rentals are less likely to have decent insulation, and more likely to be mouldy.

### **Only mandatory standards can fix the worst rental housing.**

The WoF needs to be mandatory. Incentives have had low take up by landlords. Only benevolent landlords will comply with a voluntary system. Landlords with the worst housing will not comply voluntarily, yet their tenants are in greatest need of a minimum standard requirement.

### **The rental housing WoF is evidence-based**

The University of Otago rental housing WoF is a 29-point checklist developed in collaboration with the NZ Green Building Council. Every item is based on solid research evidence from the Housing and Health Research Programme, the Wellington Asthma Research Group, and overseas studies.

### **The rental housing WoF is practical.**

The WoF trial found that the WoF could be administered within roughly an hour by inspectors with an environmental health or building background, after a day's training. The WoF checklist provides a practical way to enforce existing legislation on housing standards

### **Current housing standards are not enforced**

Current and planned rental housing regulation (including the insulation and smoke alarm standards to be introduced in 2019) requires tenants to report breaches of the standards to Tenancy Services. Research shows that under this type of enforcement regime, approximately a third of landlords will not comply. Requiring landlords to meet the rental WoF in order to rent out their homes will ensure that every rental home is a healthy home.

### **The Rental WoF is affordable**

The WoF trial found only 6% of volunteered properties passed, but 36% would pass with minor fixes, such as adjusting water temperature, installing smoke alarms and heaters, and fixing broken handrails..

Results from the WoF trial found the average cost to bring a property up to pass standard was \$2,474, with a range from \$0 to \$8,138. Properties with higher bills would have significant outstanding maintenance. This one-off cost of \$2,474 represents only 0.4% of New Zealand's average \$578,000 house value. Most items on the checklist cost less than \$500 to fix and are therefore tax deductible.

We estimate the inspection price in a system that is cost-neutral to councils to be in the range of \$150 - \$250 dollars.

Most landlords in the trial said they wouldn't put their rent up if their properties were required to pass the rental housing WoF.

### **Early adoption allows research**

Dunedin City Council and Wellington City Council leadership in implementing a rental housing WoF will allow early identification and amelioration of any unintended consequences of rental housing WoF rollout.