TRANSPORT AND URBAN DEVELOPMENTCOMMITTEE
20 MAY 2014

REPORT 5

REPORT BACK ON THE WARRANT OF FITNESS FIELD TRIAL AND RECOMMENDED NEXT STEPS

1. Purpose of report

This report:

- outlines the results of the rental housing 'warrant of fitness' (WOF) field trial
- seeks the Committee's direction and agreement on the Council's future involvement in the development of a WOF.

2. Executive summary

In May 2013 Councillors, in response to concerns around the quality of housing in our city and the health related issues associated with poor housing, directed officers to provide advice on the development and potential implementation of a WOF for rental housing.

To progress this work officers developed a draft WOF in collaboration with a stakeholder group comprised of; Auckland, Tauranga, Christchurch and Dunedin councils, the Accident Compensation Corporation (ACC), the New Zealand Green Building Council and the University of Otago.

To determine whether the draft WOF was fit for purpose and to gather information to improve the assessment and customer experience a field trial was conducted. The field trial assessed 144 rental properties nation-wide. Properties varied in age and type and were located across Auckland, Wellington, Tauranga, Christchurch and Dunedin. In Wellington, 39 properties were assessed.

The key findings of the field trial include:

- that the majority of landlords surveyed:
    - had a positive experience and were satisfied that the draft WOF assessment provided a "fair and accurate assessment" of the quality of their houses
    - supported the implementation of a WOF under certain conditions[1]

[1] Two-thirds of the landlords interviewed supported the introduction of a WOF to improve housing quality, protect the vulnerable, increase tenant knowledge and improve housing provided by landlords. However, most landlords' support depends on factors such as the potential cost and frequency of a WOF, whether the WOF will be optional or mandatory, and on the exclusion of some minor/low cost items from the checklist.

    - said that they were going to undertake work to resolve issues identified as a result of information provided from the draft WOF assessment
- while 94 percent of the homes assessed failed at least one of the draft WOF criteria, 36 percent of the homes would have passed all of the draft WOF criteria with relatively minor fixes ($50 - $150 worth of materials/hardware perhaps).

Officers have also progressed work to understand the legislative framework associated with rental housing. Under current legislation the Council has no powers to impose a mandatory WOF on landlords and therefore this paper recommends that officers continue to progress work on the WOF on the premise that it is voluntary (at this stage).

Officers view that there is a significant opportunity to transform housing quality in Wellington and New Zealand through the introduction of a WOF scheme in the medium and long-term. Ensuring Wellington's housing stock meets minimum quality standards will be a factor if Wellington aims to continue to grow its reputation nationally and internationally as a place to live and work. Having warm, dry and healthy homes aligns with one of the Council's "8 big ideas", which is to make Wellington more liveable.

The full report containing the results of the field trial will be reported on the councillors' hub and the report will also be made public on our website.

Next steps
Your direction is required on whether officers should continue to work on the development of a WOF.

Officers are seeking your agreement for Council to:

- continue to work with the stakeholder group to develop a new improved version of the WOF based on the findings of the field trial
- develop options with partners around implementation of a voluntary WOF
- continue to seek the cooperation of the Minister of Housing to develop a joint nationwide WOF tool
- report back the Transport and Urban Development Committee following the completion of the above actions.

3. Recommendations

Officers recommend that the Transport and Urban Development Committee:

1. *Receive the information.*

2. *Agree that officers work with partners to:*

    a. *develop and test the next version of the warrant of fitness (WOF) checklist and criteria*

    b. *develop options for an implementation model for a warrant of fitness (WOF) system that would be presented to the Transport and Urban Development Committee for consideration*

    c. *expand, where possible, the warrant of fitness (WOF) development work to other local authority areas who are interested in partnering.*

3. *Note that officers are developing the current warrant of fitness (WOF) tool under a voluntary model and that there should be an opportunity to consider whether a warrant of fitness (WOF) (or a similar housing quality standard) should be mandatory or voluntary if and when the Healthy Homes Guarantees Bill goes through the legislative process.*

4. *Note that:*

    a. *Housing New Zealand has plans to implement a warrant of fitness (WOF) system across its 69,000 properties, which includes its Wellington portfolio; and*

    b. *that the Housing Minister has indicated that the Housing New Zealand warrant of fitness (WOF) project would likely be extended to other social housing providers such as the Council's City Housing properties.*

5. *Note that:*

    a. *there are two draft warrant of fitness (WOF) assessment tools being tested currently - the draft warrant of fitness (WOF) version tested in the council-led field trial and a separate draft warrant of fitness (WOF) being tested in Housing New Zealand properties; and*

    b. *the two draft warrant of fitness (WOF) assessment tools largely overlap with each other and assess the same criteria.*

6. *Agree that Council seek agreement from the Minister of Housing to direct the Ministry of Business Innovation and Employment to work with Council and its partners to develop one warrant of fitness WOF assessment tool for all of New Zealand.*

4. Background

Housing quality is a major determinant of health, quality of life, energy use and energy poverty. New Zealand housing has well-established quality issues of being cold, damp and hard-to-heat. Living in substandard housing can result in serious health issues and raising housing quality standards is proven to improve health, living standards and energy performance.

On 15 May 2013, the Strategy and Policy Committee agreed that officers should investigate the implementation of a WOF scheme for rental housing as part of the Council's housing work programme. The action was linked to a recommendation by the Children Commissioner's expert advisory group on child poverty, which recommended the establishment of a WOF for all rental housing to ensure minimum health and safety standards.

Shortly after this directive, in June 2013 Auckland Council, along with Wellington and Christchurch City Councils engaged with a broad stakeholder group consisting of key sector organisations to discuss the concept of a voluntary housing WOF for rental properties. At this workshop there was extensive support from across the sector for local government action.

After follow-up technical workshops, Auckland, Tauranga, Wellington, Christchurch and Dunedin councils, the Accident Compensation Corporation (ACC), New Zealand Green Building Council and the University of Otago agreed to terms for implementing a WOF field trial that aimed to:

- establish the practicalities, utility and cost of a draft rental housing WOF assessment
- test whether draft WOF checklist and method were workable, fit-for-purpose and practical for landlords, assessors and tenants
- gather evidence to help to make decisions about changes to the WOF checklist/criteria and the customer experience.

5. Discussion

5.1 Results of the field trial

The trial enabled the WOF checklist and criteria to be tested on 144 homes across New Zealand. Table 1 below provides more information on the number, age and size of houses assessed by region.

Table 1 – Houses assessed by region

Region	*Number of houses*	*House age mean (range) years*	*House size Mean m^2*	*Length of time to conduct assessment*
Auckland	*34*	*1973 (1950-2013)*	*77*	*41 minutes*
Tauranga	*25*	*1992 (1960-2013)*	*109*	*59 minutes*
Wellington	*39*	*1957 (1900-1998)*	*93*	*52 minutes*
Christchurch	*22*	*1967 (1930-1993)*	*71*	*43 minutes*
Dunedin	*24*	*1959 (1880-2009)*	*109*	*60 minutes*
Total sample	*144*	*1968 (1880- 2013)*	*91*	*51 minutes*

No homes were actually issued with a WOF as part of the field trial. The purpose of the field trial was not to "pass or fail" homes but to test a draft WOF assessment tool and make improvements. The WOF field trial fulfilled its core objectives and the key summary points from the field trial include:

- the average assessment time was kept to less than an hour, which was a key goal for the project
- the majority of landlords surveyed had a positive experience of the WOF field trial
- the majority of landlords surveyed provided conditional support of a WOF in New Zealand
- the majority of landlords surveyed said that they were going to undertake work as a result of the new information from the draft WOF assessment
- around half of the landlords thought that the WOF had checklist items that should not be assessed
- there are some items such as window security stays and balustrade checks, which landlords felt were unnecessary for a minimum standard check
- more effort needs to be made to provide information to landlords on the checklist prior to inspection
- in general, landlords value the feedback as part of the WOF assessment

- 94% of the homes assessed failed at least one criteria
- 36% of the homes that went through field trial would pass all of the draft WOF criteria with relatively minor fixes ($50 - $150 worth of materials/hardware perhaps).

The most common items that did not pass were:

- 40% of houses did not pass the water temperature check
- 38% of houses did not pass the window security stays check
- 37% of houses did not pass the check for having a fixed form of heating
- 31% of houses did not pass the check for having handrails or balustrades
- [2]30% of houses did not have a working smoke alarm.

The results from the trial suggest that with some relatively minor modifications and improvements, the councils now possess an assessment checklist that provides a decent minimum performance standard that has the potential to provide value to both landlords and tenants alike. The full report containing the results of the field trial will be reported on the councillors' hub and the report will also be made public.

Officers view that there is a significant opportunity to transform housing quality in Wellington and New Zealand through the introduction of a WOF scheme in the medium-term. Ensuring Wellington's housing stock meets minimum quality standards will be a factor if Wellington aims to continue to grow its reputation nationally and internationally as a place to live and work. Having warm, dry and healthy homes aligns with one of the Council's "8 big ideas", which is to make Wellington more liveable.

Based on the results and experience of the field trial it is recommended that officers:

- continue to work with the stakeholder group to develop a new improved version of the WOF based on the findings of the field trial
- develop options around implementation of a WOF (at this stage on a voluntary basis given councils have no legislative mandate to introduce a mandatory system).

5.1.1 Field trial costs

The Council's financial contribution to the field trial was just over $13k, which was roughly matched by the four other partner councils and ACC. Half of councils costs were directed toward the analysis, surveying and report writing and the other half were directed toward the actual assessments.

[2] Up to Building Code standards.

It would likely cost around $15k for the Council to undertake a similar scale field trial in 2014/15 for further testing and development. This can likely be funded from the Smart Energy Capital in 2014/15. Any Council-led activity on the WOF beyond 2014/15 is unfunded and costs for actions and commitments beyond this would need to be considered as part of the LTP.

5.2 Housing New Zealand WOF trial

The council-led field trial has been conducted in parallel (but not in cooperation with) a Government-led WOF trial on 500 Housing NZ properties, which was announced after the council-led trial was initiated. Though both projects are using different draft WOF checklists, the checklists largely overlap and mostly assess the same items (with a few key differences).

The councils are eager to work with the Government on developing "one" WOF tool for all of New Zealand but as of this stage, we have made little progress with getting agreement to a multi-stakeholder process. This report recommends that the Council formally seeks the agreement of the Minister of Housing to develop a joint nationwide WOF tool in cooperation with key parties.

5.2.1 City Housing implications

Housing Minister Nick Smith has indicated that eventually, all 69,000 Housing NZ properties will undergo a WOF assessment and have to meet the WOF standard. The Minister has also indicated that it's likely that other social housing providers, such as the City Housing portfolio, will likely eventually have to meet a WOF standard. City Housing already uses a housing condition survey to assess its portfolio that is much more detailed than the draft WOF checklist.

Officers will continue to engage with the Ministry of Business Innovation and Employment to get a better understanding of the potential timing, cost and resourcing implications of any Government decision to roll-out a WOF scheme across all social housing providers in New Zealand.

5.3 Healthy Homes Guarantee Bill

One of the big questions relating to the WOF (and housing quality standards in general) is whether a WOF should be voluntary or mandatory. Officers believe that this question will likely be answered when the Healthy Homes Guarantee Bill is eventually debated by Parliament. The private member's Bill, written by Phil Twyford, could have its first reading between July and October 2014 however the Government may choose to delay this based on its own legislative priorities.

The Healthy Homes Guarantee Bill has very similar objectives as a WOF, which is to ensure all New Zealanders have access to healthy housing. The Bill, if enacted, would ensure all New Zealand rental properties meet minimum standards of insulation and efficient heating. Landlords would need to make a declaration, or guarantee as part of any new tenancy agreement that their property complies with the standards. The acceptable levels of insulation and

choices as to heating would be set by the Energy Efficiency and Conservation Authority.

Officers believe the Bill presents an ideal opportunity for the Council and other stakeholders to determine how a WOF (or similar housing standards) would be implemented on a mandatory basis and over what timeframes.

5.4 Consultation and Engagement

The WOF field test and the scoping of this project involved extensive engagement from field test participants (i.e. landlords, tenants and assessors) as well as interested stakeholders.

The Council has been working on a communication strategy with the four other partner councils, ACC, NZ Green Building Council and University of Otago.

Auckland workshop in June 2013

The WOF project was initiated with a workshop hosted by Auckland Council in June 2013 involving representatives from councils and other groups. There was mostly strong support behind the concept of a WOF but this was tempered by a desire to ensure that a WOF would actually deliver the desired outcomes (e.g. improving health) and not result in unintended consequences. The workshop in June 2013 provided the impetus for the councils, ACC, NZ Green Building Council and University of Otago to eventually collaborate on the field test.

Wellington landlord associations

Officers engaged early with the Wellington Investor's Property Association (WIPA) and the WIPA subsequently provided most of the private landlords volunteers for the Wellington component of the field trial. The Mayor and Philippa Howden-Chapman (University of Otago) also presented to the Capital Investors Association in March 2014 and answered questions from the audience of the national field trial.

The majority of individual landlords surveyed in the field trial showed conditional support for a WOF scheme and they also had a positive experience of the draft WOF assessment. In contrast, the representatives both Wellington landlord association groups are not supportive about the implementation of a WOF. Their key concerns are:

- the focus around housing quality should be on incentives to get more homes retrofitted with insulation and clean-heat rather than introducing a WOF
- the costs of a WOF assessment will be expensive and a WOF scheme will only end-up driving up rent costs for tenants
- tenant behaviour is sometimes the cause of housing quality issue and this needs to be taken into consideration
- uncertainty about how the WOF would be implemented.

Victoria University Students' Association
The Victoria University Student's Association are advocating for the introduction of a mandatory WOF for rental housing. They have indicated that they are interested in being involved with further testing.

5.5 Financial considerations
Resourcing of continuing involvement in the WOF development will be done within existing budgets for 2014/15.

5.6 Climate change impacts and considerations
Energy use in the residential sector is a significant contributor to Wellington's emissions making up an estimated 15-25% of Wellington's greenhouse gas emissions. Should a WOF be introduced, the insulation requirement would lift the energy performance of those homes assessed.

5.7 Long-term plan considerations
There is a possibility proposals may feed into the draft Long Term Plan for the Council's ongoing involvement in a WOF scheme.

6. Conclusion
The WOF field trial provided useful information and data for developing a second version of the draft WOF checklist.

This report seeks the Committee's approval for Council to continue to work with other local authorities and strategic partners to develop a fit-for-purpose WOF tool for New Zealand.

Contact Officer: *Zach Rissel, Programme Manager – Our Living City*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The pproject supports Council's overall vision of Wellington Towards 2040: Smart Capital (Eco City and People Centred) and fits with the Council's "8 big ideas" of making Wellington more liveable.

2) LTP/Annual Plan reference and long term financial impact

This project is being funded through existing budgets however future funding proposals may be presented to the draft 2015/25 LTP.

3) Treaty of Waitangi considerations

There are no treaty considerations of this paper.

4) Decision-making

This is not a significant decision.

5) Consultation
a) General consultation

This project has involved extensive engagement with interested parties including landlords, housing assessors, Government, universities, housing experts, health groups, tenancy groups, student associations and other councils.

b) Consultation with Maori

Mana whenua have not been consulted as part of this project.

6) Legal implications

Liability implications of conducting home assessments were managed as part of the field trial.

7) Consistency with existing policy

This report is consistent with existing policy.