In Confidence

Office of the Minister of Housing and Urban Development

Chair, Cabinet Social Wellbeing Committee

Release of discussion document: Healthy Homes Standards

Proposal

1 This paper seeks agreement to release the attached *Healthy Homes Standards* discussion document and summary material for public consultation in late August 2018 supported by a cost benefit analysis (CBA) on the proposed standards by the New Zealand Institute of Economic Research (NZIER) and an input for the CBA from the University of Otago.

Executive Summary

2 Nearly a third of households (588,700) rent in New Zealand and a significant proportion of these rental homes are cold and damp.[1,2]

3 Evidence shows that rental homes are more likely to be in poorer condition than owner-occupied homes with low indoor temperatures and a high incidence of mould.[3] Renters lack the means to make particular changes to make their rental homes warmer and drier and there is little incentive for landlords to lift the quality and value of rental homes.

4 Poor housing quality is associated with ill health, particularly cardiovascular and respiratory illnesses, and other negative social outcomes.[4] Poor quality homes particularly affect at-risk groups such as children, the elderly, low income households, Māori and Pacific peoples, and people with disabilities.[5]

5 I consider that the high number of cold, damp rental homes in New Zealand, which are associated with poor health and other negative social outcomes, means intervention is required.

6 Last year, this Government passed the Healthy Homes Guarantee Act 2017 (the HHG Act). The HHG Act enables healthy homes standards to be made for rental homes.

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[1] Statistics New Zealand estimate 588,700 households in private occupied dwellings, as at quarter ended June 2018.
[2] White, V. Jones, M., (2017) Warm, dry, healthy? *Insights from the 2015 House Condition Survey on insulation, ventilation, heating and mould in New Zealand houses*. SR372. BRANZ Ltd.
[3] White, V. Jones, M., (2017) Warm, dry, healthy? *Insights from the 2015 House Condition Survey on insulation, ventilation, heating and mould in New Zealand houses*. SR372. BRANZ Ltd.
[4] Heseltine, E., & Rosen, J. (2009). WHO guidelines for indoor air quality: dampness and mould. WHO Regional Office Europe, p. 3; available at: http://www.euro.who.int/__data/assets/pdf_file/0017/43325/E92645.pdf?ua=1
[5] Telfar Barnard, L. F. (2010). Home truths and cool admissions: New Zealand housing attributes and excess winter hospitalization (University of Otago); Hirvonen, M.R., Huttunen, K., & Roponen, M (2005), Bacterial strains from mouldy buildings are highly potent inducers of inflammatory and cytotoxic effects. Indoor Air, 15(s9), 65-70; Ormandy, D. Ezratty, V. (2012). Health and thermal comfort: from WHO guidance to housing strategies, Energy Policy 49 (2012), p. 118; Wilkinson D. (1999). Poor housing and ill health: a summary of research evidence. Scottish Office. Central Research Unit.

7 In March of this year, Cabinet agreed that ensuring everyone has a warm and dry home is a priority in order to improve the wellbeing of New Zealanders and their families [CPC-18-MIN-0001 refers].

8 The system to make a home warm and dry is complex. A number of elements – insulation, heating, draught stopping, ventilation, efficient drainage and moisture prevention – can have a cumulative effect to reduce moisture and increase indoor temperature to achieve a warmer, drier home. My intention is that the healthy homes standards will establish clear and modern requirements for rental homes to improve the quality of rental homes in New Zealand and recognise the integrated nature of a home system.

9 The proposed standards aim to be pragmatic and enduring without imposing unreasonable burden on landlords or tenants. I recognise that landlords and suppliers need time to build resources to successfully implement the standards. However, the benefits to tenants and wider society need to be realised at the earliest opportunity.

10 I seek approval to release the discussion document to obtain feedback from stakeholders on the proposed standards. The options proposed in the discussion document are underpinned by a cost benefit analysis to ensure robust proposals are put forward.

11 The release of a discussion document for public consultation is the first step in developing the healthy homes standards. Following public consultation, I intend to bring policy proposals to Cabinet for consideration before the end of 2018 to ensure the healthy homes standards can be made and are in force from 1 July 2019.

Healthy homes standards to improve the quality of rental homes

The current law for rental homes

12 Rental homes are primarily regulated under the *Housing Improvement Regulations 1947* (the HI Regulations), the *Building Act 2004*, and the *Residential Tenancies Act 1986* (RTA).

13 The HHG Act amends the RTA to enable healthy homes standards to be made about the indoor temperature, heating, insulation, ventilation, moisture ingress and drainage and draught stopping to improve the quality of rental homes.

14 The development of the healthy homes standards to make rental homes warmer and drier is also consistent with New Zealand's commitment to the United Nations Committee on Economic, Social and Cultural Rights on the right to adequate housing. New Zealand has signed and ratified the International Covenant on Economic, Social and Cultural Rights that recognises the right of everyone to an adequate standard of living including, but not limited to, the right to adequate housing and the continuous improvement of living conditions.[6]

[6] United Nations Human Rights, Office of the High Commissioner, https://www.ohchr.org/en/hrbodies/cescr/pages/cescrindex.aspx; UN Committee on Economic, Social and Cultural Rights (2018), Concluding observations on the fourth periodic report of New Zealand, Report of the Committee at its sixty-third session, 12-29 March 2018.

At-risk groups will benefit from the healthy homes standards

15 Damp, cold and mouldy rental homes are associated with ill health and other negative social outcomes.[7] Poor quality homes raise the likelihood of contracting respiratory infections and increase the severity of some existing conditions (e.g. asthma) contributing to higher medical costs, more avoidable hospitalisations and winter deaths. At-risk groups are particularly affected by cold and damp rental homes, therefore, these groups are at greater risk of negative social outcomes:

15.1 A substantial portion of tenants are in **low-income** households. These tenants may be afraid to raise issues if they fear losing their tenancy or risk higher rent. Low-income tenants often cannot afford to heat their homes adequately because they spend a larger proportion of their income on energy bills than those on higher incomes.[8,9,10] New Zealand mortality records over the period 1980-2001 show over 1,600 people die in the winter time, and an increased risk of dying for most New Zealanders, particularly more so for low-income people and those living in rented accommodation and in cities.[11]

15.2 Local and international studies show that the **elderly** are more likely to die in winter when living in a cold house.[12] A 2018 assessment of the data for the *Warm Up New Zealand* programme for insulation installations found a significant benefit from reduced mortality for those aged 64 years and older with a prior circulatory hospitalisation.[13]

15.3 A higher percentage of **children** live in rental homes in New Zealand compared to thirty years ago.[14] The WHO has identified that low indoor temperatures have adverse effects in children and recommend a higher indoor temperature than the general population (of 20°C) to achieve an optimal environment.[15] Ministry of Health data (2018) shows that there are approximately 10,800 children or 13,000 events with potentially housing related conditions presented to the hospitals in New Zealand each year.[16] A British report shows that installing central heating

[7] Telfar Barnard, L. F. (2010); Hirvonen, (2005), 65-70; Ormandy, D. (2012). 118; Wilkinson D. (1999).

[8] Witten K, Wall M, Carroll P, Telfar-Barnard TL, Asiasiga L, Graydon-Guy T, Huckle T & Scott K (2017), The New Zealand Rental Sector. Study Report ER22. BRANZ Ltd and Massey University SHORE and Whariki Research Centre.

[9] Howden-Chapman P., Viggers, H., Chapman, R., O'Sullivan, K., Barnard, L.T., & Lloyd, B. (2012). Tackling cold housing and fuel poverty in New Zealand: a review of policies, research and health impacts. Energy Policy, 49, p. 135-136.

[10] Statistics New Zealand (2017) Investigating different measures of energy hardship in New Zealand. Wellington: Statistics New Zealand.

[11] Davie GS, Baker MG, Hales S & Carlin JB (2007), Trends and determinants of excess winter mortality in New Zealand: 1980-2000; BMC Public Health 2007,7.

[12] World Health Organization, (1987), Health Impact of Low Indoor Temperatures: Report on a WHO meeting Copenhagen 11-14 November 1985. Copenhagen: WHO.

[13] Telfar Barnard L & Preval N (2018) *Healthy Homes Guarantee Standard Cost Benefit Input: Warm Up New Zealand evaluation rental sector sub-analysis: differences in health events and costs by existing insulation status;* Housing and Health Research Programme, University of Otago Medical School, Wellington May 2018.

[14] Statistics New Zealand (2016) Changes in home ownership patterns 1986-2013: Focus on Maori and Pacific people. Wellington: Statistics New Zealand, p. 30.

[15] World Health Organization (1987) Health Impact of Low Indoor Temperatures: Report on a WHO meeting Copenhagen 11-14 November 1985. Copenhagen: WHO, p. 2.

[16] Ministry of Health data as at 8 August 2018; "children" are counted as 'individual person' by the Ministry of Health and are aged under 15 years old in this dataset. "Hospitalisations" are counted as 'hospital events' by the Ministry of Health. A person can have more than one hospitalisation in a year. This figure has been relatively stable since 2014. To note, only the medical conditions of 'Pneumonia', 'Acute bronciolitis', 'Unspecified LRTI+Bronchiti', 'Broncietasis' and 'Asthma' are "potentially housing related" rather than all respiratory diseases in children.

raised indoor temperatures and controlled moisture, respiratory symptoms of children were significantly reduced and school-days lost to asthma fell for school-age children.[17]

15.4 **Disabled persons** are more likely to rent than own their own home than non-disabled persons in New Zealand.[18] More disabled renters report having difficulty keeping their home warm than non-renters. Disabled renters are also more likely to experience damp homes than non-disabled renters.[19]

15.5 **Māori and Pacific peoples** have the highest rates of renting, so are more likely to be impacted by cold, damp homes.[20]

16 I anticipate that raising the quality of rental homes will help to address the needs of identified at-risk groups. Other benefits to tenants and society may also result from an improved quality of rental homes, such as improved overall health (including mental health and wellbeing) and reduced pressure on publicly funded services (e.g. hospitals), improved school and work attendance, and reduced atmospheric carbon emissions.

The healthy homes standards discussion document and cost-benefit analysis

17 The discussion document seeks feedback on a range of options for the heathy homes standards that aim to improve the quality of rental homes.

18 With the proposed options, a balance has been struck between the costs and the benefits of these proposals to ensure the regulations are enduring and fit-for-purpose:

18.1 tenants need to benefit from warmer and drier homes, and have the means to raise issues with their landlord or through mediation, the Tenancy Tribunal or other channels

18.2 landlords need to find their obligations clear and easy to comply with, and costs on landlords should be reasonable

18.3 suppliers need to have clear and certain requirements to build capacity to assist with implementation of the standards

18.4 Government can benefit from warmer, drier homes and less reliance on publicly funded services, such as hospital care, and clear requirements could ensure higher compliance and reduce administrative burden.

19 The policy options canvassed in the discussion document are underpinned by a cost benefit analysis undertaken by the NZIER.

20 Although the proposed options are intended to link together to make a warm and dry home, the cost benefit analysis was unable to assess the inter-linking nature of the proposals due to the challenges of available quantifiable data.

[17] Somerville M, Mackenzie I, Owen P & Miles D (2000) Housing and health: does installing heating in their homes improve health of children with asthma? Public Health, 114(6).
[18] Statistics New Zealand (2013) Disability and housing conditions: 2013: Wellington: Statistics New Zealand, p. 2.
[19] Statistics New Zealand (2013) Disability and housing conditions: 2013, Wellington: Statistics New Zealand, p.7.
[20] Statistics New Zealand Census data 2013; Europeans have the higher homeownership rate at 57% compared with Māori at 28% and Pacific peoples at 19% as at 2013.

21 NZIER used a particular model for the insulation and heating standard where quantifiable inputs are available. However, it was necessary to carry out side calculations for the standards for ventilation, moisture ingress and drainage, and draught stopping because of the lack of quantifiable data, particularly quantifiable benefits.

22 In addition to the quantifiable costs used to determine the cost-benefit ratios by NZIER set out below, a number of non-quantifiable benefits exist that need to be considered in making robust policy decisions. Qualitative benefits could include subjective wellbeing and comfort, effects on mental health, potential productivity or educational benefits and reduced maintenance of the property for a landlord.

Indoor temperature standard

23 A standard can be set for an indoor temperature that must be capable of being achieved in the premises. The discussion document seeks feedback on whether an indoor temperature level should be set that is capable of being achieved in the rental home and, if so, what the temperature should be.

24 New Zealand rental homes are often below recommended World Health Organization (WHO) temperatures of 18°C degrees for the general population and 20°C degrees for elderly people and children.[21]

25 The discussion document seeks feedback on whether an indoor temperature should be set that must be capable of being achieved in a home and, if so, what the appropriate indoor temperature should be (18°C degrees or 20°C degrees).

Insulation standard

26 Ceiling and underfloor insulation prevents heat loss and makes it easier to heat a home to an appropriate indoor temperature.

27 The RTA was amended in 2016 to enable regulations to require smoke alarms and ceiling and underfloor insulation in rental homes. The *Residential Tenancies (Smoke Alarms and Insulation) Regulations 2016* set out requirements for landlords to meet for ceiling and underfloor insulation.[22]

28 The 2016 Regulations mean about 200,000[23] properties with little or no insulation were estimated to need to install or upgrade ceiling and underfloor insulation by 1 July 2019. However, the Ministry of Business, Innovation and Employment (MBIE) estimates that, as at March 2018, about 170,000 rental homes still require insulation before 1 July 2019 to be compliant with the 2016 Regulations.[24] An active information and education plan is underway to raise awareness and publicise the penalties for non-compliance. Central government (MBIE) is responsible for enforcing regulations under the RTA.

29 The discussion document explores options to have the existing requirement under the 2016 Regulations extended to an additional group of homes that have insulation at

[21] BRANZ, (2010), Energy Use in New Zealand Households: Final Report on the Household Energy End-use Project. BRANZ Study Report SR 221: the Household Energy End-Use Project.

[22] The requirement for ceiling and underfloor insulation will fully come into force on 1 July 2019.

[23] Due to small sample sizes in data, the margins of error mean baseline estimates of non-compliant private rentals are between 155,500 and 249,300.

[24] Due to small sample sizes in data, the margins of error mean estimates of non-compliant private rentals are between 125,800 and 219,600.

below current levels. Tenants could experience better health outcomes and energy cost savings from additional insulation and a higher threshold for the ongoing condition of the insulation and the acceptable degradation levels.

30 Table 1 below outlines the proposed insulation options and the advantages and disadvantages of each option. The estimates and costings are based on NZIER's cost benefit analysis for the proposed healthy homes standards.

Table 1 Summary of insulation options

Option	Description of standard	Advantages[25]	Disadvantages
Option One (status quo) **(Akin to 1978 Building Code)**	The requirements under the 2016 regulations would continue.[26] Landlords must retrofit insulation to meet the 2008 Building Code ceiling and underfloor benchmarks if the existing insulation is not in a reasonable condition or, when originally installed, did not meet **the 1978 Building Code** ceiling and underfloor insulation benchmarks.	• Landlords incur less capital costs than options two and three and do not need to understand new obligations. • Most tenants will at least have some level of ceiling and underfloor insulation in their rental home and experience some health benefits and some energy saving benefits compared to those without insulation. • Government may incur less cost compared to the other options to communicate the requirements • Government may benefit from less demand on publicly funded services.	• Tenants in rental homes with some, but not optimal, levels of insulation are not targeted under this option so may miss out on the benefits from insulation improvements to their home. This could have more negative health outcomes and higher heating costs for this group of tenants compared to the other proposed options.
Option Two **(Akin to 2001 Building Code)**	As for insulation option 1 but an insulation retrofit is required if the existing insulation does not meet the **2001 Building Code** benchmarks for the ceiling and underfloor.	• Estimate of 10,000-70,000 rental homes will be warmer and drier depending on allowances for degradation level under reasonable condition than option one with estimated benefits per affected household of about $2,065. Cost benefit ratio of 1.54. • Tenants in homes where insulation has been "topped up" under this option may gain substantial health benefits and reduced energy bills. • Government / taxpayers likely to benefit from less demand on publicly funded services (e.g. hospitals) and reductions in carbon emissions.	• Landlords would incur costs to insulate an additional 10,000 to 70,000 homes with 'top ups', compared to the status quo depending on allowances for insulation degradation at an average cost of $1,665[27] including GST per household. • Government likely to incur more cost to develop and deliver information and education campaign than option one to explain the new requirement.

[25] Estimates and costings based on NZIER (2018) Cost Benefit Analysis of proposed healthy homes standards.
[26] Any homes with no insulation, or insulation that is not in reasonable condition, will need to retrofit where practicable by 1 July 2019.
[27] As a present value this cost would be about $1,340 GST exclusive per affected household.

Option	Description of standard	Advantages[25]	Disadvantages
Option Three **(Akin to 2008 Building Code)**	As for insulation option 1 but an insulation retrofit is required if the existing insulation does not meet the **2008 Building Code** benchmarks for the ceiling and underfloor.	• The highest number of rental homes (80,000-190,000) will be warmer and drier with benefits per affected household of $2,017-2,025. Cost benefit ratio for this option is 1.50-1.51; slightly lower than option two. However, as this option covers more homes it produces greater *total* benefits than option two. • Tenants in homes where insulation has been "topped up" under this option may gain substantial health benefits and reduced cost of energy bills.[28] • Landlords and government have a single standard that is clear and applies to all rental homes, which may reduce the likelihood of disputes and enforcement costs. • Government / taxpayers likely to benefit from less demand on publicly funded services and reductions in carbon emissions.	• More landlords than options one and two would incur costs to insulate with an additional 80,000 to 190,000 homes needing insulation 'top ups, depending on allowances for insulation degradation. Average cost of insulation top-ups at an average cost of $1,665[29] including GST per household. • With a higher number of rental homes to be insulated, suppliers' capacity constraints could mean longer compliance implementation timeframes are required. • Government likely to incur more cost to develop and deliver information and education campaign than option one.

Heating standard

31 A large portion of New Zealand rental homes have no, inadequate, costly to operate or unhealthy heating available for tenants to reach a required indoor temperature.[30]

32 The discussion document seeks feedback on where landlords should provide heating in the rental home: in the living room only or the living room and bedrooms. Both options have costs and benefits. For instance, the landlord would incur less cost by providing heating devices only in the living room. However, there is a risk that some tenants will (functionally) crowd into the living room and risk infectious disease transmission.

33 If landlords are required to provide heating devices in bedrooms, in addition to providing devices in the living room, landlords will incur greater costs. Tenants can keep the home warmer and are likely to experience health benefits with less risk of household crowding. However, tenants may also incur higher energy bills.

34 The discussion document also asks whether landlords should only be required to provide fixed heating devices where portable electric heaters are insufficient to achieve the required indoor temperature. Fixed heating devices with heating capacities higher than portable electric heaters would include, for example, heat pumps, wood burners, wood pellet burners and flued gas heaters.

35 BRANZ research shows almost a quarter of New Zealand rental homes have no fixed source of heating or no source of heating at all.[31,32] Many tenants will be able to provide

[28] Research to date has not quantified the health benefits for insulation above 120mm thick and therefore health benefits for 140,000 tenants affected are unknown.
[29] As a present value this cost would be about $1,340 GST exclusive per affected household.
[30] White, V. Jones, M (2017) BRANZ Study Report SR372.

their own portable plug-in heaters for rooms that require less heating to reach an appropriate indoor temperature. However, for larger (living) spaces electric portable heaters are typically insufficient to achieve a healthy indoor temperature. Therefore large areas require fixed heating that tenants typically cannot provide themselves.

36 If the option of only requiring installation of fixed heating in larger spaces is pursued, landlords would incur the cost of providing and maintaining a fixed heating device(s) and potentially avoid landlords investing in the types of heaters many tenants own already and can generally afford to provide themselves. A risk of this option is that some low income households may not be able to afford to purchase and/or run a portable heater(s). These tenants will need to explore options to purchase or operate portable heaters, such as grants and assistance from the Ministry of Social Development.

37 A further question under the heating standard proposals in the discussion document is whether certain heating devices should be deemed 'acceptable' and not others. Acceptable devices would be heating devices that are considered efficient, affordable and healthy, such as heat pumps and wood burners. Devices that are not included may be devices that release moisture and toxic gases during operation and can be expensive to run.

38 The types of devices that could be considered as "not acceptable" include:

38.1 **unflued combustion heaters (including unflued gas and kerosene heaters)**: unflued gas heaters release moisture and toxic gases and are one of the most expensive heating options. Reduced use of these devices could lead to fewer illnesses that are associated with exposure to mould and pollutants.[33]

38.2 **open fires:** open fires generally operate at approximately between 5 percent and 15 percent efficiency with the majority of the heat they produce escaping through the chimney.[34] This makes them ineffective and expensive to run. They also significantly contribute to indoor and outdoor air pollution.

38.3 **all electric heaters (except heat pumps) with a heating capacity of greater than 2.4 kilowatts**: electric heaters greater than 2.4 kilowatts are expensive to run and reduce the likelihood of tenants using them. This would include electric night-store heaters which do not provide consistent heating capacity at all times and which provide tenants with limited control over when they heat the room.

38.4 **using multiple portable electric heaters in one room:** multiple portable plug-in heaters with a combined capacity greater than 2.4 kilowatts in one room because they could overload electrical wiring and cause fire hazards.

39 Table 2 below summarises the proposed heating options and the advantages and disadvantages of each option.

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[31] White, V. Jones, M., (2017) Warm, dry, healthy? *Insights from the 2015 House Condition Survey on insulation, ventilation, heating and mould in New Zealand houses*. SR372. BRANZ Ltd.

[32] White, V. Jones, M. Cowen, V Chun, S. (2017) *BRANZ 2015 House Condition Survey: Comparison of house condition by tenure.* SR370.

[33] Ferrari, L., et al. (2004) "Unflued Gas Appliances and Air Quality in Australian Homes." Department of Environment and Heritage.

[34] Ministry for Environment, Warm Homes Technical Report: Detailed Study of Heating Options in New Zealand, Phase One, p. 4.

Table 2: Summary of heating options

Options	Description of standard	Advantages[35]	Disadvantages
Option One (status quo) No minimum achievable temperature	Landlords continue to be required to provide a form of heating in the "living room". No requirements for heating capacity or type unless specified by the local authority.	• No additional costs to landlords, tenants and government if no change to existing requirements.	• Rental homes are less likely to be warmer and drier and the overall objective is unlikely to be met. • Tenants may continue to live in cold, damp and mouldy homes and be exposed to associated health risks. • Tenants continue to experience higher energy costs if they need to supplement heating provided with less effective, and more costly to operate, portable heating devices.
Option Two Heating capacity to be able to achieve and maintain 18ºC	Landlords provide efficient heating devices to be able to achieve **18ºC** (WHO recommendation for general population) in **living rooms only.**	• Estimate of 179,071 homes would receive new heaters or use their existing heating more. Benefits per affected household of $3,741.[36] Cost benefit ratio of 1.34. Some benefits could not be quantified.[37] • Fewer landlords are likely to need to incur costs compared to option three. • Tenants in homes where heating has been upgraded are likely to meet a healthy temperature under this option and are likely to benefit from improved health and lower energy bills. • Landlords will have a clear and modern standard to comply with. • Government / taxpayers likely to benefit from less demand on publicly funded services and reductions in carbon emissions.	• Landlords incur cost for new heating if not already provided. The average installed cost for a medium-sized heat pump of 5 – 7 kilowatts is about $3,000-3,500 including GST.[38] • At risk groups - children and the elderly - may continue to live in rental homes that are not able to achieve the necessary temperature for their particular needs. • A risk that people will (functionally) crowd into one heated room to live and sleep increasing the risk of infectious disease transmission.

[35] Estimates and costings based on NZIER (2018) Cost Benefit Analysis of proposed healthy homes standards.
[36] The total benefit is calculated using NZIER (2018) Cost Benefit Analysis for the heating standard. Total benefit (669,950 divided by 179,071) equals $3,741.
[37] CBA does not include some benefits that were unquantifiable such as subjective wellbeing, effects on mental health and reductions in property maintenance.
[38] As a present value, discounted over 15 years at 4% this cost including maintenance would be $2,800 GST exclusive per affected household.

	Landlords provide efficient heating capacity to be able to achieve **18°C** in **living rooms and bedrooms.**	• **Living rooms:** see above under "option two" for benefits of heating living rooms. **Bedrooms:** an estimate of 71,373 homes would receive new heaters in bedrooms or use existing bedroom heating more. Benefits per affected household from bedroom heaters are $58 with a benefit cost ratio of 0.26.[39] **Combined living/bedroom:** cost benefit ratio of 1.30. Some benefits could not be quantified.[40] • Tenants in homes where heating is provided in bedrooms gain health benefits but increases in energy costs.[41] • Landlords will have a clear, modern standard to comply with. • Government / taxpayers likely to benefit from less demand on publicly funded services and reductions in carbon emissions.	• Landlords incur cost for new heating if not already provided. Larger living rooms will require fixed heating (e.g. heat pump) at about $3,000-3,500 including GST. Portable electric heaters will be sufficient for most bedrooms (average cost is $30-50 including GST).
Option Three Heating capacity to be able to achieve 20°C	Landlords to provide efficient heating capacity to be able to achieve **20°C** (WHO recommendation for elderly and children) in **living rooms only.**	• Estimate of 285,219 homes would receive heating. Benefits per affected household of $2,681. Cost benefit ratio of 1.28. Some benefits could not be quantified.[42] • Tenants in homes where heating has been upgraded under this option gain health benefits and energy saving benefits. • Tenants, including at-risk groups, will have heating capable of achieving the necessary temperature for their particular needs. • Landlords will have a clear, modern standard to comply with. • Government / taxpayers likely to benefit from less demand on publicly funded services and reductions in carbon emissions.	• Landlords incur cost for new heating if not already provided. The average installed cost for a medium-sized heat pump of 5 – 7 kilowatts is about $3,000-3,500 including GST. • Adds risk that people will (functionally) crowd into one heated room to live and sleep, increasing the risk of infectious disease transmission.

[39] See Table 8, p. 21 of NZIER (2018) Cost Benefit Analysis for the heating standard. The total benefits ($4,155m) have been divided by the properties affected (71,373) = $58.

[40] CBA does not include some benefits that were unquantifiable such as subjective wellbeing, effects on mental health and reductions in property maintenance.

[41] Modelling assumes 50% of households pursue target temperature.

[42] The CBA does not include unquantifiable benefits such as subjective wellbeing, effects on mental health and reductions in school absences and property maintenance.

Option Three	Landlords provide efficient heating capacity to be able to achieve **20°C** in **living rooms and bedrooms**.	• **Living rooms:** Estimate of 285,219 homes would receive new heaters in living rooms, or use their existing living room heating more. Benefits per affected household of $2,681. Cost benefit ratio of 1.28. Some benefits could not be quantified.[43] • **Bedrooms:** Estimate of 125,951 homes would receive new heaters in living rooms, or use their existing living room heating more. Benefits per affected household $194 with a benefit cost ratio of 0.80. • **Combined living/bedroom:** cost benefit ratio of 1.26. Some benefits could not be quantified.[44] • Tenants that use heating may gain health benefits but may see increases in energy costs. • Landlords will have a clear, modern standard to comply with. • Government / taxpayers likely to benefit from less demand on publicly funded services and reductions in carbon emissions.	• Landlords incur cost for new heating if not already provided. Larger living rooms will require fixed heating (e.g. heat pump) at about $3,000-3,500 including GST.[45] Portable electric heaters will be sufficient for most bedrooms (average cost is $30-50 including GST).

Draught stopping

40 Many New Zealand rental homes are draughty, particularly those built before 1960. Draughts increase the risk of a cold indoor temperature.[46]

41 Homes need to be well ventilated but reducing draughts prevents uncontrolled heat loss making a home warmer and likely more affordable for the tenant to heat. Homes that are draughty can also limit the benefits of improved insulation and heating.

[43] The CBA does not include unquantifiable benefits such as subjective wellbeing, effects on mental health and reductions in school absences and property maintenance.
[44] Ibid.
[45] As a present value discounted over 15 years at 4%, this cost including maintenance, would be $2,800 GST exclusive per affected household.
[46] McNeil, S. Plagman, M. McDowall, P. Bassett, M. (2015): The role of ventilation in managing moisture inside New Zealand homes. BRANZ Study Report SR341. BRANZ Ltd. p1-3.

Table 3 Summary of draught stopping options

Options	Advantages[47]	Disadvantages
Option One (status quo) Landlords are responsible for maintaining the rental home in a good or reasonable state of repair, sheathed to the satisfaction of the local authority and floors are kept in a good or reasonable state of repair, and free from crevices, holes and depression.	• No additional costs to landlords, tenants and government if no change to existing requirements.	• Rental homes are less likely to be warmer and drier. • Tenants may continue to live in cold, damp and mouldy homes and be exposed to associated health risks. • Tenants will continue to experience higher energy costs.
Option Two Require landlords to stop any unnecessary gaps or holes that cause noticeable draughts and a colder rental home, and: • are 3 millimetres or greater in and around windows, doors, walls, ceilings, floors and access hatches • block any decommissioned chimneys and fireplaces.	• 172,200[48] homes that receive draught stopping would receive benefits per affected household of $782. Cost benefit ratio of 3.37.[49] • Tenants in homes where draught stopping has occurred may gain health benefits and energy saving benefits. • Landlords and government will have a clear, modern and simple standard for draught stopping to comply with. • Homes that use less heating can lead to fewer carbon emissions. • Government / taxpayers likely to benefit from less demand on publicly funded services from improved health and other positive social outcomes.	• Landlords would incur costs to draught stop an estimated 172,200 of approximately $124 to $250 including GST per household.[50] • Landlords may misunderstand the requirements and seal drainage and ventilation openings causing damage to the home or reduce airflow to the extent that the home is not adequately ventilated. • Government has a higher administrative cost to educate landlords and tenants.

Ventilation

42 Rental homes should be dry as well as warm. Warm homes that are damp are still likely to develop mould. To prevent that, moisture that is generated inside the home needs to be ventilated to the outside.

43 A body of evidence exists that links inadequate ventilation and the presence of harmful moulds and mildews from excess dampness with poor health outcomes, particularly respiratory diseases.[51]

44 Openable windows or mechanical extract fans can be effective at removing moisture. However, mechanical extract fans are considered a more effective option than openable

[47] Estimates and costings based on NZIER (2018) Cost Benefit Analysis of proposed healthy homes standards.
[48] NZIER (2018) Healthy Homes Standards CBA, p. 36, results are based on 30% of houses requiring draught stopping measures and a 1°C gain. The cost benefit ratio is still positive if 30% of houses require draught stopping measures and there is a 0.28°C gain.
[49] Assumed potential health benefits from a temperature gain of 1°C across 30% of rental properties in the NZIER (2018) Healthy Homes Standards CBA.
[50] As a present value, this cost would be $232 GST exclusive per affected household.
[51] Heseltine, E., & Rosen, J. (2009), WHO guidelines for indoor air quality: dampness and mould. WHO Regional Office Europe.

windows because they do not require a natural driving force, such as wind, to be present and can be operated without risking home security.[52] BRANZ research found bathrooms without extract fans were twice as likely to have significant mould. Research also found that kitchens without extract fans were three times as likely to have mould.[53]

45 NZIER found no reliable evidence for translating the effect of reducing excessive moisture in homes into quantifiable benefits. This has affected the cost benefit ratios. All options relating to moisture - ventilation, moisture ingress and drainage - therefore produced net costs in the analysis. Nevertheless, NZIER found that despite all ventilation options deriving a negative net present value, the options would require relatively little additional benefit to "break even".

46 Window security stays were explored in NZIER's cost benefit analysis as a potential low-cost option for ventilation in rental homes. Analysis showed security stays were less likely to effectively increase ventilation rates at times of high moisture events and costs were comparable to mechanical ventilation. Security stays were therefore omitted as an option in the discussion document.

Table 4: Summary of ventilation options

Options	Advantages[54]	Disadvantages
Option One (status quo) Every bathroom has at least one window that directly opens to the outside air and each habitable room must be constructed that windows with an area amounting to no less than one twentieth part of the area of the floor of the room can be opened for the admission of air	• No additional costs to landlords, tenants and government if no change to existing requirements.	• Some rental homes in New Zealand will continue to be damp and mouldy as ventilation will not be improved. • Landlords do not have a clear, modern standard to comply with, compared to the other ventilation options.

[52] McNeil, S (2016) Ventilation options. Build 152. BRANZ Ltd.
[53] White, V. Jones, M. (2017). Warm, dry, healthy? Insights from the 2015 House Condition Survey on insulation, ventilation, heating and mould in New Zealand houses. Study Report SR372. BRANZ Ltd.
[54] Estimates and costings based on NZIER (2018) Cost Benefit Analysis of proposed healthy homes standards.

Option Two Openable windows and mechanical extraction in rooms with showers and baths vented to the outside.	• Estimate of 252,560 homes would require new bathroom fans, resulting in the most moisture prone area in a home likely to be drier with less mould with associated health benefits (particularly respiratory conditions). • Landlords will incur less capital cost to install extractor fans only in bathrooms compared to option three (both bathrooms and kitchens). • Tenants who are able to use mechanical ventilation in rooms with showers and baths will have a drier, less mouldy home and will be less likely to encounter poor health outcomes, such as respiratory illnesses.	• 252,560 homes would require new bathroom fans costing approximately $211 – 301 GST inclusive per household.[55] • Landlords incur more cost than option one but less than option three. • The CBA could not quantify the benefits of the proposed ventilation options on health, reduced heating costs, school absences and productivity, decreased maintenance and subjective well-being. A cost benefit ratio of 0.05 was calculated, but only additional benefits of $19.43 per year per household is required to 'break even'. • Higher costs to government to educate landlords and tenants and enforce compliance. • Rooms with an indoor cooktop may continue to be inadequately ventilated and potentially damp and mouldy.
Option Three Openable windows and mechanical extraction in rooms with showers, baths and indoor cooktops vented to the outside.	• This option is most likely to achieve the objective of a warm, dry home compared to the other ventilation options because mechanical ventilation, if used, will vent rooms with an indoor cooktop as well as rooms with a bath or shower. It is likely to impact 212,380 homes, in addition to option two. • Tenants who are able to use mechanical ventilation in rooms with showers, baths and indoor cooktops will have a drier, less mouldy home and will be less likely to encounter poor health outcomes, such as respiratory illnesses.	• Landlords for an estimated additional 212,280 homes would incur costs to purchase and install new kitchen fans if not already provided, in addition to fans required under option two at a present value of about $211 – 301 GST inclusive per household.[56] • The CBA could not quantify the benefits of the proposed ventilation options on health, reduced heating costs, school absences and productivity, decreased maintenance and subjective well-being. The cost benefit ratio was calculated as 0.04, but only additional benefits of $48.36 ($28.93 and $19.43) per year per household required for this option to 'break even'. • Tenants may not use the equipment, however, information and education can be targeted to educate tenants to overcome this issue.

[55] As a present value, this cost would be $216 GST exclusive per affected household.
[56] As a present value, this cost would be $322 GST exclusive per affected household.

Moisture ingress and drainage

47 Moisture entering the home contributes to damp and mould issues. Evidence shows an association between indoor dampness-related factors and respiratory health effects including developing or exacerbating asthma, wheeze and respiratory infections.[57]

48 Local research shows that installing a ground moisture barrier (black polythene) under houses with a suspended floor is the most effective method at stopping ground moisture from entering the home.[58,59] Subfloor moisture is potentially the largest source of moisture in the home, dependent on occupant habits. BRANZ research shows this could be up to 40 litres each day under a 100m^2 house.[60]

49 The option proposed in the discussion document aims to prevent moisture coming into the home by targeting the typically largest moisture source in homes: rising dampness from under the home.

50 A third option was tested in NZIER's cost benefit analysis for all landlords to install a ground moisture barrier in their rental home. It was found that this was not a viable option because some houses would be fitted with a barrier even if they did not need it therefore incurring cost for negligible benefit. It was consequently omitted from the discussion document.

Table 5: Summary of moisture ingress and drainage options

Options	Advantages[61]	Disadvantages
Option One (status quo) Landlord maintains the premises in a reasonable state of repair with adequate subfloor vents and efficient drainage and storm water removal from the property.	• No additional costs to landlords, tenants and government if no change to existing requirements.	• Some rental homes in New Zealand will continue to be damp and mouldy as subfloor moisture will not be addressed.

[57] WHO (2009), Dampness and Mould: Guidelines for Indoor Temperature, p. 77, available at: http://www.euro.who.int/__data/assets/pdf_file/0017/43325/E92645.pdf?ua=1
[58] McNeil, S., Li, Z., Cox-Smith,I.and Marston,N.(2016), *Managing subfloor moisture, corrosion and insulation performance.* Study Report SR354, BRANZ Ltd, Judgeford, New Zealand.
[59] Trethowen H.A., Middlemass G. (1988). A survey of moisture damage in southern New Zealand buildings. Study Report SR007.BRANZ Ltd.
[60] McNeill, S. (2015). BRANZ Build 149 August/September 2015: Ventilation and subfloors.
[61] Estimates and costings based on NZIER (2018) Cost Benefit Analysis of proposed healthy homes standards.

Option Two Additional to the status quo landlords must ensure a suspended floor has a ground moisture barrier, unless there is already adequate subfloor ventilation.	• The objective for drier rental homes is more likely to be met compared to option one. 191,946 homes would require ground moisture barriers or additional subfloor ventilation so will be less mouldy with less moisture damage. • Tenants will benefit from a drier, less damp and mouldy home with potentially fewer illnesses and hospitalisations (including wheeze for children) and less damage to their property compared to the status quo. • Landlords may incur lower maintenance costs because of reduced decay of the floor and underfloor insulation and less mould damage inside the home. • Tenants may experience energy savings if a rental home has reduced moisture levels making it easier to heat.	• 191,946 homes would require ground moisture barriers costing approximately $800 GST inclusive per household.[62] • The CBA could not quantify the benefits of the proposed moisture ingress and drainage options on health, reduced heating costs, school absences and productivity, decreased maintenance and subjective well-being. The cost benefit ratio was calculated as 0.08.The CBA calculated that, if these benefits only had a value of $52 per year per household, this option would 'break even'.

Compliance dates

51 The HHG Act allows for the healthy homes standards to be implemented between 1 July 2019 and 1 July 2024. The discussion document seeks feedback on timing to implement the healthy homes standards. This is to ensure private landlords and suppliers have sufficient time to prepare resources to enable a successful implementation of the standards and tenants benefit from improvements to their rental homes at the earliest opportunity.

52 I intend to recommend a single date for all Housing New Zealand Corporation (HNZC) rental homes and Community Housing Providers to comply with the standards once policy decisions are settled. The date will need to balance government being held as an example in acting in a timely way to implement the standards with agencies requiring sufficient time to procure the materials and services needed to upgrade their properties. The date will likely differ from the compliance date for private landlords to ensure demand for resources can be staggered to increase the likelihood of successful implementation of the standards.

53 Other relevant government agencies that hold tenanted properties (New Zealand Defence Force, the Ministry of Education, Land Information New Zealand and the Department of Corrections) will likely have the same compliance date as HNZC to implement the standards.

Consultation on proposed healthy homes standards

54 I propose the discussion document be made publicly available on MBIE's website in late August. The consultation process will last for seven weeks until early October 2018.

[62] As a present value this cost would be $583 GST exclusive per affected household.

55 The key target groups for the healthy homes standards are private landlords and tenants, as well as insulation and heating installers, tradespeople, researchers, investors and technical building experts.

56 After the discussion document is released to the public for submissions, officials will also run six targeted stakeholder workshops to seek feedback on the proposed standards. Two workshops are planned to be held in Auckland, one in Wellington, one in Christchurch, one in Whangarei and one in Gisborne during the month of September 2018.

57 Workshops will be conducted with groups such as the New Zealand Property Investors Federation, tenant advocacy groups, researchers, the Real Estate Institute of New Zealand, the Independent Property Managers Association, community housing providers, and key building industry representatives.

Related government initiatives

58 Other government initiatives that impact on the rental sector are underway:

58.1 **Residential Tenancies Act (RTA) reform:** public consultation on the RTA reform commences in August 2018. The RTA reform proposals focus on key areas, such as improving a tenant's security and stability of tenure, modernising the law to appropriately balance the rights and responsibilities of tenants and landlords and implementing a more efficient and proportionate enforcement regime

58.2 **Tier one statistic:** Statistics New Zealand, in partnership with MBIE, will undertake a targeted public consultation on the definition of housing quality later this year to support the development of a tier one statistic

58.3 **Winter Energy Payment:** introduced on 1 July 2018 to help New Zealanders receiving New Zealand Superannuation or a Veterans' Pension and beneficiaries to heat their homes by increasing the amount of money available to them over the winter months

58.4 **"Warmer Kiwi Homes":** a new four year government programme offering grants from 1 July 2018 to cover two thirds of the cost of ceiling and underfloor insulation and ground moisture barriers to low income home owners. Heating grants will be added from 1 July 2019. (The "Warm Up New Zealand: Healthy Homes" programme that targeted low income owner occupiers and landlords with low income tenants ended on 30 June 2018)

58.5 **Healthy Homes Initiative (HHI):** the Ministry of Health's HHI was established in December 2013. The HHI identifies at-risk families and undertakes housing assessments and facilitates access to interventions creating warmer, drier homes. Interventions include insulation, curtains, beds/bedding, floor coverings, heating sources and relocation. MBIE and HNZC have agreed to contribute to a comprehensive evaluation of the programme led by Ministry of Health[63]

[63] A reported case study from Ministry of Health's "Healthy Homes Initiative" (HHI) involves a whānau of four in 2016 with a child with positive strep throat swabs and a mother who previously had rheumatic fever. The whānau was living in a house with mould, poor ventilation and no insulation. After the HHI assessment, ceiling insulation, draught stoppers, and kitchen ventilation was installed. The whānau reported a significant improvement in their health with fewer doctor visits

58.6 **Te Puni Kōkiri community-led housing repair projects:** supports community led housing repair projects aimed at whānau-owned homes in serious disrepair or without basic utilities. Whānau report these projects enable them to stay in their homes and contribute to immediate improvements in their health, including fewer doctor visits and lower use of asthma medication, improved self-esteem and stronger connections to whakapapa, whānau and whenua.

Next Steps

59 Once consultation is complete, officials will analyse feedback from the stakeholder workshops and submissions to inform the development of final policy decisions for the healthy homes standards. I expect to bring final policy proposals to Cabinet before the end of 2018.

60 I propose the timeline set out in the table below to develop the healthy homes standards.

Deliverable	Date
Discussion Document announced and released (submissions open for seven weeks)	Late August 2018
Discussion Document consultation closes	Early October 2018
Cabinet Social Wellbeing Committee Consideration	Early December 2018
LEG considers draft regulations	March 2019
Regulations are made	April 2019
Regulations come into force	1 July 2019

Compliance for the healthy homes standards

61 As part of the HHG Act four year budget allocation, MBIE's Compliance and Investigations team will undertake 2,000 risk-based interventions every year. The interventions will be based on those properties, individuals or organisations that pose the highest risk of non-compliance through risk profiling. The degree of risk will determine the approach as well as any enforcement response.

Consultation

62 To develop the policy options canvassed in the discussion document, MBIE established an inter-agency working group in February 2018. Agencies of the working group include the Energy Efficiency and Conservation Authority, the Ministry of Health, the Ministry of Social Development, Housing New Zealand, the Ministry for the Environment, Te Puni Kōkiri and the Treasury. MBIE also consulted Inland Revenue Department and the Department of the Prime Minister and Cabinet in developing the options for the proposed standards.

63 MBIE officials have also consulted with relevant agencies on the potential impacts of the healthy homes standards on their housing stock, including Housing New Zealand Corporation, the Ministry of Social Development, the New Zealand Defence Force, the Ministry of Education, Land Information New Zealand and the Department of

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and no hospital visits and a small but noticeable saving on power bills. The mother reportedly now manages her asthma well and the child is no longer constantly sick and is attending school regularly.

Corrections. Detailed information is set out below under the 'Financial Implications' section.

64 Government agencies have been consulted on the discussion document and the Cabinet paper reflects their comments where possible.

Financial Implications

65 The healthy homes standards are likely to have financial implications on private and public landlords and tenants.

66 Costs to implement the standards[64] will likely fall on landlords in the first instance. Landlords may pass on their costs by increasing the rent of their rental properties. Tenants may face costs to run an increased number of heating devices. However, more efficient devices will be encouraged through the standards and use of more efficient devices could reduce energy bills (as well as atmospheric carbon emissions) compared to use of less efficient devices. Most of the quantifiable benefits of the standards accrue to tenants through improved health and potential energy savings as well as the unquantifiable benefit of comfort.

67 Tenants may be eligible for hardship assistance to meet the cost of heating their homes through the Winter Energy Payment and recoverable or non-recoverable assistance from the Ministry of Social Development (e.g. through a "Special Needs Grant").

68 Depending on the final decisions of the proposed healthy homes standards, the standards will likely have financial implications on Crown agencies who hold rental housing stock. MBIE officials will provide a more detailed assessment of the financial implications before Cabinet considers final policy decisions. However, MBIE has commenced consultation with potentially affected agencies who advise the following impacts based on the proposed options for the healthy homes standards:

68.1 **Housing New Zealand Corporation (HNZC)**: HNZC has the largest rental housing stock in the country, owning around 61,400 units and managing an additional 2,600 leased properties. Of these, around 63,350 are used as either State Housing or Community Group Housing and are predominantly subject to the RTA.

68.2 HNZC, using information provided by MBIE and NZIER's cost benefit analysis, estimates new capital costs for HNZC of $109 to $133 million. This is modelled off mid-range options of insulating to 2001 levels, heating to be capable of achieving 18°C in living rooms, installing a moisture barrier and draught stopping. This estimate does not include the cost of installing bathroom and kitchen extractor fans which have already been costed and are currently being installed across the HNZC stock as part of the "Warm and Dry" programme.

68.3 In addition, there are around 650 properties used for Emergency or Transitional Housing, which are not subject to the RTA. The estimated new capital costs for HNZC for these properties is approximately $2 million.

68.4 These estimates are based on a number of assumptions for the HNZC stock. Property records in most cases do not have enough detail to confirm the number

[64] The costs outlined in the cost benefit analysis are modelled for an average-sized New Zealand home.

of affected properties for each standard. Increasing the insulation standard above 2001 requirements increases the total cost by up to $38 million.

68.5 HNZ considers it can fund the required upgrades from its baseline. Given the uncertainty around the combination of requirements and timeframes that will be set, it will need to confirm feasibility once firm proposals are in place. Actual costs incurred are also likely to be higher because individual feasibility assessments may result in decisions to substantially retrofit or redevelop properties rather than incur additional cost for an aging or unsuitable asset.

68.6 **Ministry of Social Development (MSD):** Very initial estimates suggest that it could cost between $12 million and $16 million to ensure that the public housing provided by registered Community Housing Providers (CHPs) meets the proposed standards. Further, it is estimated that it could cost between $13 million and $18 million to ensure that other housing provided by Community Housing Organisations (including non-public housing provided by registered Community Housing Providers) which responded to Community Housing Aotearoa's (CHA) supply survey meets the proposed standards. This estimate is modelled off mid-range options of insulating to 2001 levels, heating to 18°C in living rooms, installing a moisture barrier, installing fans in bathrooms and kitchens and draught stopping. Due to limited data on the community housing stock there is a high margin of error in cost estimates. Further analysis on potential costs to community housing providers will be available following public consultation.

68.7 There is no single and up-to-date source of information on the stock and quality of properties held by local authorities and this is not covered by CHA's supply survey unless a local authority has transferred its stock to a registered CHP. Based on a stocktake completed in 2014, and known transfers which have occurred since that time, MSD estimates that local authorities currently operate approximately 9,011 rental properties serving vulnerable tenants. It is estimated that it will cost upwards of between $19 million and $27 million to ensure these properties, which are considered to be of generally lower standard than CHP housing, meet the proposed standards.

68.8 The estimates above will cover the vast majority of "Housing First" places contracted by MSD. A small number of Housing First Places are properties leased from the private sector but generally Housing First Providers already ensure these properties are of a high quality standard.

68.9 Transitional housing is likely not to be covered under the Residential Tenancies Act. However, if transitional housing reverts to longer term rental housing then MSD estimates 1,170 of the 2,341 houses are likely to need to be upgraded to meet the proposed standards. No source of reliable data is available on the current standard of housing operated by transitional housing providers. If, however, the houses are similar in quality to those provided by Community Housing Organisations, it could cost around $2.5 million and $3.5 million to upgrade them.

68.10 **New Zealand Defence Force (NZDF):** Over the next 5 years, NZDF intends to regenerate its housing estate and change the way it provides and manages housing. NZDF currently owns and manages 1,900 houses and estimates 200 to 300 of these houses are rented to private tenants. The balance of the NZDF

housing estate supports Regular Force members of NZDF in order to maintain operational effectiveness. NZDF has set up a Housing Programme to assess the need to invest in NZDF housing s 9(2)(g)(i), s 9(2)(i) The Housing Programme is conducting assessments of the condition and functionality of the current NZDF houses along with the cost of retrofitting or upgrading existing houses keeping in mind the healthy homes standards. This will be compared with the cost of building new homes for NZDF. Until the healthy homes standards are confirmed, NZDF is unable to assess or commit to a required transition time.

68.11 **Ministry of Education (MoE):** The MoE or school Board of Trustees owns 1599 school houses. Most school houses are in small towns with low rents and a limited rental market. The houses help to attract teachers to more remote areas. Board of Trustees have a limited ability to upgrade houses due to the low rent received and getting tradespeople to the houses can be costly. Board of Trustees may request government funding to help meet the standards. MoE would prefer a longer transition for any new standards. The portfolio includes:

68.11.1 482 MoE houses managed by Land Information New Zealand: MoE pays for upgrades to these houses. LINZ considers most have been insulated to a basic standard with working heat pumps / wood burners but the houses would likely not meet the proposed ventilation, draught stopping, moisture ingress and drainage standards.

68.11.2 188 caretaker houses: MoE funds the maintenance and capital upgrades.

68.11.3 929 Board of Trustee owned houses: Board of Trustee's cover all costs through the rent they receive. Most of these houses are in a basic condition.

68.12 **Treaty Settlements Landbank and Land Information New Zealand (LINZ):** LINZ oversees a total of 430 residential houses in the Treaty Settlements Landbank. LINZ is working to reduce the number of houses as they transfer across to Iwi through the Treaty settlement process. Many of these houses have been held in the portfolio with years of deferred maintenance. LINZ would prefer a longer transition for any new standards to help fund the upgrade of houses in its portfolio and either transfer houses of a fair standard to Iwi through Treaty settlements or look to dispose of houses on the open market if overlapping claims in the area are completed. LINZ has not carried out costings of the proposed standards for their portfolio. These houses are predominantly in rural areas with a limited rental market. Most of the 430 residential houses managed by LINZ are insulated to a basic standard with working heat pumps/wood burners but the houses would likely not meet the proposed ventilation, draught stopping, moisture ingress and drainage standards. LINZ would need additional government funding to help meet any new standards.

68.13 **Department of Corrections:** The Department of Corrections (Corrections) is responsible for 97 tenanted houses in the Auckland Prison Village of Paremoremo. Most of these houses are tenanted by non-Corrections staff, and around eight houses are vacant and available for rent at any one time. The Auckland Prison Village estate is managed by Colliers, under a contract with LINZ, and Colliers undertakes an inspection of this estate each year. The houses

were built around 1960, in the state house style and constructed of wood; there is insulation beneath the floors and ceiling, and smoke alarms have been installed as a standard. Corrections notes the need to review existing ventilation within the bathrooms and kitchens if this becomes a requirement under the healthy home standards.

Human Rights

69 The proposals contained in this paper appear to be consistent with the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993*. A final view as to whether the proposals will be consistent with the Bill of Rights Act will be made when the regulations are drafted.

Legislative Implications

70 The proposed discussion document will inform the making of the healthy homes standards under the HHG Act.

71 A technical amendment to the RTA is being progressed under the Residential Tenancies Amendment Bill (No 2) [BN 3722 17-18 refers] to allow the healthy homes standards to apply to rental premises instead of certain provisions within the Housing Improvement Regulations made under section 120C of the Health Act 1956 where necessary.

Regulatory Impact Analysis

72 The Regulatory Quality Team at the Treasury has determined that the decisions sought in this paper are exempt from the requirement to provide an Impact Assessment as the relevant issues have been addressed in the discussion document.

73 MBIE's Regulatory Impact Analysis Review Panel (RIARP) noted that, while the discussion document is lengthy, this reflects the range of issues and options being considered. Some sections of the discussion document are also technical, for example, the section on insulation, limiting the accessibility of the document for tenants and landlords. RIARP also noted that summary documents have been prepared to make the discussion document more accessible to readers.

Gender Implications

74 The proposals contained in this Cabinet paper have no gender implications.

Disability perspective

75 People with disabilities, and their families, including children, have a critical need for housing which is safe and healthy. They are also more likely to live in rental housing, including boarding houses, due to low incomes. Where people with disabilities, including people with age-related disabilities and those who spend longer indoors because they are house-bound, rent unhealthy housing, they are more likely to experience illnesses. The proposed healthy homes standards proposed in this paper will help to ensure that the needs of people with disabilities for healthy housing are better met.

Publicity

76 Consultation about the proposed standards for healthy homes during August to October 2018 will provide an opportunity for a range of perspectives on the issues raised in the attached discussion document to be considered.

77 The Office of the Minister for Housing and Urban Development, in consultation with the Prime Minister's Office, will release the discussion document and manage any publicity. A media release will accompany the release of the discussion document.

78 A communications plan and stakeholder engagement plan has been prepared.

79 MBIE intends to undertake research in 2018/19 to identify the channels, collateral and timing of campaigns. This research will help enable MBIE to determine the most effective way to communicate the standards to the diverse landlord / tenant markets.

Recommendations

I recommend the Committee:

1 **agree** to release the following documents to seek feedback on the proposed options for the healthy homes standards:

1.1 the healthy homes standards discussion document

1.2 the discussion document summary material

1.3 the NZIER cost benefit analysis on healthy home standards

1.4 the University of Otago healthy homes standards cost benefit analysisinput

2 **note** that, subject to Cabinet approval to release the discussion document for public consultation, it is intended to release the discussion document in late August 2018 with a consultation period of seven weeks ending in early October 2018

3 **note** that I expect to bring policy proposals for healthy homes standards to Cabinet for consideration by December 2018

4 **note** the healthy homes standards are likely to have financial implications for Housing New Zealand Corporation, the Ministry of Social Development, the Ministry of Education and Land Information New Zealand, Corrections and the New Zealand Defence Force.

Authorised for lodgement

Hon Phil Twyford

Minister of Housing and Urban Development

Annex One: Healthy Homes Standards – Discussion Document

Annex Two: Healthy Homes Standards – Summary Documents

Annex Three: Healthy Homes Standards – Cost Benefit Analysis of proposed standards on rental home insulation, heating, ventilation, draught stopping, moisture ingress and drainage

Annex Four: Otago University - Healthy Homes Guarantee Standard Cost Benefit