

# DRAFT FOR CONSULTATION

## **Residential Tenancies (Safe and Secure Rentals) Amendment Bill**

Member's Bill

### **Explanatory note**

#### **General policy statement**

This Bill amends the Residential Tenancies Act 1986.

The number of New Zealanders who rent the house they live in, as opposed to owning it, is increasing—home ownership in New Zealand is at its lowest since 1951. While there is a lot of political resource aimed at assisting home-owners and home-buyers, there has been comparatively little done to address issues faced by renters.

This Bill is designed to make incremental, positive changes to the lives of New Zealand renters. It seeks to strengthen tenants' rights and promote secure, long-term tenancies. By doing so, it will encourage renters to be good tenants and property owners to be good landlords; improve the relationship between tenant and landlord; and generally have a positive impact on the lives of renters.

This Bill encompasses several distinct changes to the Residential Tenancies Act 1986. The first of those is that there will be an addition to the Act that provides for all existing tenants to have the right of renewal/right of first refusal on the home they live in once their lease period has ended. Good tenants should be rewarded, and good relationships between landlords and tenants should be validated, by providing for that agreement to continue in a straightforward, timely manner.

The second change to the Act will also mean a change to standard tenancy forms. Under this Bill, any rental contract signed by a landlord and tenant must include an area where landlords must state what criteria they will use to calculate any future rental increase. This provides a degree of financial transparency for both tenants and landlords, and allows both parties to plan for the future accordingly.

The third change removes the obligation on tenants to pay any leasing fee that may arise from the renting out of a property. Leasing fees are an unfair surcharge on rent-

ers and are required to be paid at what can already be a very expensive time, when moving costs and bond payments are taken into consideration.

The fourth change provides that fixed-term tenancies are for a default term of three years on standard tenancy agreements, with a provision for the parties to opt out from that and set the fixed term of their choice. Creating a default tenancy term of three years, albeit one that can be opted out of, will encourage both landlords and tenants to think beyond the short-term tenancies (usually of a year) that currently dominate the renting landscape in New Zealand. Secure, long-term tenancies are particularly helpful to families who rent – they enable parents to make plans around finances and their children’s schooling and recreation, as well as allowing them to establish roots in a community.

The fifth change amends the Act so that rents cannot be increased more than once every 12 months. Currently, New Zealand renters with periodic tenancies can, legally, face rent increases every six months; renters on fixed-term tenancies can also face rent rises within the dates of the tenancy if a landlord chooses to include that provision in the rental agreement. This can cause undue financial insecurity and uncertainty for renters. Mandating that rent reviews can only be undertaken by landlords every 12 months, regardless of the type of tenancy, restores a level of security and certainty to renters’ lives.

The final change removes the ability of landlords to give a reduced notice period of 42 days in the event that they decide to sell their tenanted property, and restores the standard 90-day notice period. In high-turnover real estate markets, such as Auckland, tenants can sometimes face multiple evictions from multiple properties in the space of a short period. Extending the required notice period to the otherwise standard 90 days allows tenants more time to find somewhere new to live.

### Clause by clause analysis

*Clause 1* is the Title clause.

*Clause 2* is the commencement clause and provides that the Bill comes into force on the day after the date on which it receives the Royal assent.

*Clause 3* provides that the Bill amends the Residential Tenancies Act 1986 (the **principal Act**).

*Clause 4* amends section 13A, which relates to the contents of tenancy agreements, by—

- providing for existing tenants to have a right of renewal; and
- setting out the criteria for any future rent increase; and
- removing the legal obligation on tenants to pay the leasing fee; and
- setting a default 3 year term for a fixed term tenancy.

*Clause 5* amends section 24, which relates to rent increases, to make rent increases no more frequent than yearly.





*Metiria Turei*

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### **The Parliament of New Zealand enacts as follows:**

#### **1 Title**

This Act is the Residential Tenancies ( Safe and Secure Rentals) Amendment Act **2016**.

#### **2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent.

#### **3 Principal Act**

This Act amends the Residential Tenancies Act 1986 (the **principal Act**).

#### **4 Section 13A amended ( Contents of tenancy agreement)**

- (1) In section 13A(1), repeal paragraph (m).
- (2) In section 13A, after subsection (1), insert:

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- (1A) A tenancy agreement must include a statement that, when the tenancy terminates, the tenant has the right to renew the tenancy.
- (1B) A tenancy agreement must include a statement of the criteria the landlord must use to calculate any future rent increase.
- (1C) A tenancy agreement must not include a statement that the tenant is required to pay any fee or other charge for services rendered by any solicitor or letting agent relating to the grant or assignment of the tenancy.
- (1D) A tenancy agreement for a fixed-term tenancy must be for a 3 year term, unless the landlord and tenant agree otherwise.

**5 Section 24 amended (Rent increases)**

In section 24(1)(d), replace “180 days” with “1 year”.

**6 Section 51 amended (Termination by notice)**

In section 51(1), repeal paragraph (c).