

Huge taxpayer cost to achieve the Green Party's housing policy

The Green Party has announced that, if it forms part of the next Government with Labour, it would build 5,000 new State Houses per year and create a sustainable, non-profit rental sector through Crown financial guarantees for community housing providers.

The real scale of the policy was confirmed in a speech by Marama Davidson to Parliament. She said, “more state homes will incentivise property owners to move on and get out of owning property for rental purposes”. The Greens obviously have greater plans than their current 5,000 state houses per year policy.

“As there has been an ongoing campaign to stigmatise private rental providers, many people may think getting rid of private rental providers is a good thing,” says Sharon Cullwick, Executive Officer of the NZ Property Investors Federation (NZPIF). “However, the public needs to know that it costs taxpayers considerably more to house people in state or community “not-for-profit” houses compared to housing them in private rental properties. It is also important to note that the extra cost does not translate into better accommodation for the tenants.”

The Welfare Expert Advisory Group confirms that public housing receives a significantly higher level of support than those in the private sector. The report says that “a family could receive between \$60 and \$100 more per week of Income Related Rent Subsidy (provided to state and community housing provider tenants) compared with Accommodation Supplement (provided to tenants in the private sector).”

This means that the Greens policy will cost \$105 million more taxpayer dollars than if these tenants remained housed by private providers. This is in addition to the \$5 billion of extra borrowing to build the state houses.

From Government data provided last year, approximately 80% (238,000) of private tenants receiving the Accommodation Supplement are beneficiaries. If the state or community housing providers became their landlords as well, this would cost tax-payers an extra \$990 million every year, for no extra benefit.

Another interesting point from the Welfare Expert Advisory Group is that the higher level of support for state tenants is a disincentive for them to leave their state houses and make way for others in greater need. The higher level of support for state tenants is the most likely reason for the extremely high state house waiting list.

Rather than trying to increase the number of state houses to reduce the waiting list, it would be better to align the support given to tenants in private rental housing to that given to those in state rental housing. The level of support low income families receive should not be dependent on the type of rental housing they have.

“While the Green Party is attempting to demonstrate that the state and community housing providers can provide cheaper accommodation options for low income tenants, in reality they can only do this by using a vastly higher level of taxpayer funds,” says Cullwick.

Sharon Cullwick
NZPIF Executive Officer
NZ Property Investors' Federation