

Sensitive

Office of the Minister of Housing

Cabinet Business Committee

Discharging the Residential Property Managers Bill

Proposal

- 1 This paper seeks approval to discharge the Residential Property Managers Bill (the Bill) once it is reported back from the Social Services and Community Committee (the Committee).

Background

- 2 Cabinet agreed to the policy for the Bill in October 2022 under the previous Government [SWC-22-MIN-0183 and CAB-22-MIN-0469 refer]. Cabinet agreed to introduce the Bill in August 2023 [LEG-23-MIN-0134 and CAB-23-MIN-0355 refer]. The Bill was referred to the Committee shortly before the House rose for the election.
- 3 The Bill was reinstated under the current Government in December 2023. Cabinet agreed in March 2024 that the Bill should remain before the House while further work takes place [LEG-24-MIN-0054 and CAB-24-MIN-0110 refer].

Policy

- 4 The Bill establishes a regulatory regime for residential property managers. The purpose of the regime is to protect both landlords and tenants. Key components of the Bill include:
 - 4.1 Compulsory licensing for residential property managers and residential property management organisations.
 - 4.2 Minimum qualification requirements and practice standards for residential property managers.
 - 4.3 An independent complaints and disciplinary process.
 - 4.4 Expanding the mandate of the Real Estate Agents Authority to regulate the residential property management sector and the Real Estate Agents Disciplinary Tribunal to hear complaints related to residential property managers.

- 5 In written submissions, the Bill was supported by 82 percent of submitters. However, some issues are contentious among some stakeholders. Key concerns include that:
- 5.1 the Bill should regulate landlords and not just residential property managers,
 - 5.2 the costs of the regime may be prohibitive for sole traders or small business owners,
 - 5.3 the Real Estate Agents Authority (REA) should not be the regulator of the regime, and that a new independent entity should be established as the regulator instead, and
 - 5.4 the penalty levels are too high and will deter people from entering the industry.
- 6 The National Party voted for the Bill at first reading because we wanted to hear what submitters had to say about the Bill at Committee. I have now had an opportunity to consider officials' recommended changes to the Bill and submissions from stakeholders. While Cabinet previously agreed the Bill should remain before the House, I am now seeking agreement that the Bill should be discharged once it is reported back from the Committee.
- 7 I am mindful of the need to strike the right balance in terms of adding cost and compliance burden to the sector. The Cost Benefit Analysis (CBA) carried out by MartinJenkins that was commissioned under the previous Government indicated a benefit to cost ratio of 1.07:1. This is a very marginal balance in favour of benefits. The CBA noted that the results were subject to significant uncertainty, especially in relation to incremental benefits, with costs being the most certain.
- 8 I have considered submissions from stakeholders, the risk of adding costs and compliance burdens to the sector at this time, and the marginal results from the CBA. I consider it would be a better use of officials' time to focus on delivering other Government priorities, and that the Bill should be discharged.

Financial implications

- 9 In August 2023 Cabinet under the previous Government agreed to provide \$7.810 million to fund the implementation of the new regulatory regime [LEG-23-MIN-0134 and CAB-23-MIN-0355 refer]. \$7.510 million of this funding was for Vote Housing and \$0.300 million was for Vote Courts. To date \$0.187 million has been paid to REA to cover personnel costs to begin work on implementation of the regime.

- 10 s 9(2)(f)(iv)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Consultation

- 11 Government parties were consulted. The Ministers of Finance, Social Development and Employment, Associate Housing, Building and Construction, Courts and Associate Justice were all consulted.

Next steps

The Bill is currently scheduled to report back from the Committee on 9 August 2024. However, it could be reported back earlier if the Committee decided to do so by majority.

Proactive Release

I propose to proactively release this paper within 30 business days. Proactive release will be subject to redaction under the Official Information Act 1982.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 note that the Residential Property Managers Bill establishes a regulatory regime for residential property managers;
- 2 note that the Residential Property Managers Bill is currently being considered by the Social Services and Community Committee;
- 3 agree that the Residential Property Managers Bill be discharged from the House once it is reported back by the Social Services and Community Committee;
- 4 note in August 2023 Cabinet agreed to reprioritise \$7.81 million of funding from Vote Housing and Urban Development for the purposes of implementing the regulatory regime (LEG-23-MIN-0134 refers);
- 5 note \$7.510 million of this funding was prioritised within Vote Housing and Urban Development with the responsible Minister for the funding being the Minister for Housing;
- 6 note \$0.300 million of this funding was prioritised into Vote Courts with the responsible Minister for the funding being the Minister for Courts;
- 7 note to date approximately \$0.187 million of expenditure has been incurred for the purposes of covering costs associated with the Real Estate Authority establishing its role as the Authority of the Residential Property Management regime;
- 8 s 9(2)(f)(iv)

9 s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]

Authorised for lodgement

Hon Chris Bishop

Minister of Housing