

# SOCIAL SERVICES AND COMMUNITY BRIEFING PAPER

## New Zealand's Housing Crisis

According to the 2013 census, 1 in every 100 New Zealanders lives in severe housing deprivation.<sup>1</sup> Home ownership, nationwide, has dropped from 73.8% in 1991, to today's 63.2%,<sup>2</sup> while average house prices in towns and cities such as Auckland and Queenstown have sailed above the 1 million dollar mark.<sup>3</sup> As a result, students, young families and low-income households all over the country face an increasingly uncertain and unstable future.

The Government's primary response has been the development of construction initiatives such as KiwiBuild, promoting the construction of affordable houses for first-time buyers, as well as redevelopment projects such as that in Mangere, Auckland, which promises to yield 10,000 new homes.<sup>4</sup> However, with a current nationwide housing gap of 71,000,<sup>5</sup> merely increasing home construction seems far from a comprehensive solution. One alternative strategy put forward by the current government is to make better use of existing resources by pulling the plug on foreign buyers and instead offering Kiwis first pick.<sup>6</sup> In other words, they aim to reduce international competition in the New Zealand housing market, ultimately serving both to lower housing prices and to increase housing supply.

Foreign investment in New Zealand property is managed under the Overseas Investment Act 2005. This Act, whilst currently permitting 'overseas persons' (i.e. someone who is not 'ordinarily resident in New Zealand') to invest in residential property,<sup>7</sup> has more stringent approval criteria surrounding what is known as 'sensitive land'. The Act includes a comprehensive list of land types that constitute 'sensitive land', of which residential property is currently not one. This Bill proposes to add residential property to the definition of 'sensitive land', so that this more stringent purchase approval criteria is extended to homes. The Bill proposes, furthermore, to clarify the definition of a person who is 'ordinarily resident in New Zealand' as someone who has both been resident in New Zealand for the past year, and has spent at least half the year here. As such, the restrictions surrounding foreign purchase will potentially apply to a larger demographic. Finally, the Bill introduces two tests that allow exceptions to be made to this restriction, where the buyer displays either commitment (to remain in New Zealand indefinitely) or development potential (with plans to increase the housing capacity of a residential property and then to on-sell).

Whilst this proposed limit on foreign investment is not unforeseen, amidst rising support for similar 'protectionist' policies in other nations,<sup>8</sup> it is nevertheless widely criticized for being anti-business, with foreign investors being a significant driving force in New Zealand's economy. Furthermore, there are concerns that this disappearance of foreign capital in the development

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<sup>1</sup> "Homeless crisis: 80 percent to 90 percent of homeless people turned away from emergency housing", *NZ Herald*. [https://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11992371](https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11992371)

<sup>2</sup> "Home ownership rates lowest in 66 years according to Statistics NZ.

[https://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11779664](https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11779664)

<sup>3</sup> "Residential House Values, QV. <https://www.qv.co.nz/property-trends/residential-house-values>

<sup>4</sup> "Mangere redevelopment means 10,000 new homes", *Beehive*.

<https://www.beehive.govt.nz/release/mangere-redevelopment-means-10000-new-homes>

<sup>5</sup> "MBIE figures show nationwide housing gap of 71,000", *NZ Herald*.

[https://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11940328](https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11940328)

<sup>6</sup> "Government presses on with plan to shut door to foreign home buyers, OIO submissions to close today", Anne Gibson, *NZ Herald*. [https://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11981780](https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11981780)

<sup>7</sup> Overseas Investment Act (2005), NZ

<sup>8</sup> "New Zealand to ban foreign buyers snapping up existing homes", Richard Partington, *The Guardian*. <https://www.theguardian.com/world/2017/oct/25/new-zealand-to-ban-foreign-buyers-existing-homes-jacinda-ardern>

market could prove to be counterproductive and ultimately hamper the housing investment and development New Zealand so needs.<sup>9</sup>

## **New Zealand's Refugee Quota**

The United Nations High Commissioner for Refugees (UNHCR) defines a refugee as a person who has been forced to flee their own country in order to escape conflict or persecution. As a signatory to a number of international conventions that promote the reception and protection of refugees by countries capable of supporting them, and as one of the 26 countries that partake in the UNHCR regular resettlement programme, New Zealand has an obligation to accept a given number of refugees a year. For over 30 years, New Zealand's annual refugee quota has been only 750, this quota having been made official in 1987.<sup>10</sup> This was increased to 1000 in 2016.<sup>11</sup>

In the wake of catastrophic conflict and political turmoil in countries such as Syria, Afghanistan, South Sudan and Myanmar, the number of refugees, worldwide, has risen to 19.9 million,<sup>12</sup> at a time when many countries are looking to close their borders to refugees and migrants. Many therefore believe that New Zealand now has a heightened moral and international obligation, and should raise its annual refugee quota. The current Labour Government proposes to double New Zealand's original quota, for a total of 1500 refugees per year.<sup>13</sup>

Though commended by many humanitarians, some political opponents question whether this arguably 'arbitrary' increase is the right move, or whether it will simply put even more pressure on an already oversubscribed resettlement and social housing programme. With the country's ongoing housing crisis, reports have emerged of refugees being forced to remain at New Zealand's sole resettlement centre in Mangere for weeks, due to a nationwide shortage of permanent homes.<sup>14</sup> Conversely, Amnesty International and the Green Party have criticised this proposed increase as being insignificant relative to the 19.9 million refugees currently in need of protection.<sup>15</sup> In light of other nations' impressive efforts, with Germany, for example, accepting 56,000 refugees last year, they suggest a gradual increase to 6000.<sup>16</sup> It is vital that the government finds an appropriate balance between fulfilling its international and humanitarian obligations and being able to provide the support and services necessary to resettle its refugees effectively.

## **Refugee and Asylum Seeker Services and Support**

In New Zealand, the resettlement of refugees is managed by the Refugee and Protection Unit, which works to coordinate official and community support. Upon arrival or approval, accepted refugees - whether quota or spontaneous - are granted free health care, education, language

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<sup>9</sup> "Why the foreign buyer ban is bad law", Nikki Mandow, *Stuff*.

<https://www.stuff.co.nz/business/property/102614988/why-the-foreign-buyer-ban-is-bad-law>

<sup>10</sup> "New Zealand Refugee Quota Programme", *Immigration New Zealand*.

<https://www.immigration.govt.nz/about-us/what-we-do/our-strategies-and-projects/supporting-refugees-and-asylum-seekers/refugee-and-protection-unit/new-zealand-refugee-quota-programme>

<sup>11</sup> "NZ works to double refugee quota as others close their borders", Laura Walters, *Stuff*.

<https://www.stuff.co.nz/national/politics/104837520/nz-works-to-double-refugee-quota-as-others-close-their-borders>

<sup>12</sup> "Refugees", *UNHCR*. <http://www.unhcr.org/refugees.html>

<sup>13</sup> "Immigration", *Labour NZ*. <https://www.labour.org.nz/immigration>

<sup>14</sup> "NZ works to double refugee quota as others close their borders", Laura Walters, *Stuff*.

<https://www.stuff.co.nz/national/politics/104837520/nz-works-to-double-refugee-quota-as-others-close-their-borders>

<sup>15</sup> "NZ works to double refugee quota as others close their borders", Laura Walters, *Stuff*.

<https://www.stuff.co.nz/national/politics/104837520/nz-works-to-double-refugee-quota-as-others-close-their-borders>

<sup>16</sup> "NZ works to double refugee quota as others close their borders", Laura Walters, *Stuff*.

<https://www.stuff.co.nz/national/politics/104837520/nz-works-to-double-refugee-quota-as-others-close-their-borders>

classes, and support to find paying work.<sup>17</sup> Despite this aid, however, refugees in New Zealand still face huge financial difficulties. Unsurprisingly, finding a job as a refugee is no mean feat, and those secured are often low income and fail to cover the full cost of living.<sup>18</sup> Furthermore, on top of daily expenses, many refugees must pay thousands in order to fund applications for family reunification, turning to 'loan sharks' (bodies that offer loans at exceptionally high interest rates<sup>19</sup>) in order to secure the necessary funds. As a result, many refugees find themselves in debt.<sup>20</sup>

Article 9 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) sets out the universal entitlement to social assistance.<sup>21</sup> Having ratified the ICESCR in 1978, New Zealand is therefore committed to providing welfare support for its citizens.<sup>22</sup> With regard to refugees in particular, the *Michigan Guidelines on the Right to Work* has noted that "it may be difficult for asylum-seekers [and refugees] to obtain work and states must, in any event, provide adequate levels of social assistance in accordance with Article 9 of the ICESCR."<sup>23</sup>

Whilst refugees in New Zealand are able to apply for existing welfare benefits, it is important to acknowledge that they face additional challenges to the average New Zealander, including greater difficulty in finding work as well as the sheer psychological toll of complete upheaval and reintegration. This Bill would therefore set up a special class of benefit, specific to refugees, that takes into account these additional challenges, and provides increased financial support for the first three years after their arrival. This would ideally allow them to meet housing and living expenses, fund reunification applications, and to focus on integration and assimilation for an increased standard of living.

### Key questions to consider:

1. Does the proposed restriction on foreign investment do more bad than good for our economy and housing market?
2. With what refugee quota could New Zealand feasibly balance fulfilling its international obligations, with providing the services refugees need?
3. Should all refugees - regardless of income - be eligible to apply for this special class of benefit, or should exceptions be established?

### Further reading:

- <http://www.legislation.govt.nz/bill/government/2017/0005/latest/d56e6.html> (commentary section)
- <https://www.russellmcveagh.com/insights/january-2018/regulatory-update-overseas-investment-amendment>
- <https://www.newshub.co.nz/home/politics/2018/04/opinion-why-the-ban-on-foreign-homebuyers-is-so-very-dumb.html>
- <https://www.theguardian.com/world/2017/oct/25/new-zealand-to-ban-foreign-buyers-existing-homes-jacinda-ardern>
- <https://www.stuff.co.nz/national/politics/104837520/nz-works-to-double-refugee-quota-as-others-close-their-borders>

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<sup>17</sup> "Supporting refugees and asylum seekers", *Immigration NZ*.

<https://www.immigration.govt.nz/about-us/what-we-do/our-strategies-and-projects/supporting-refugees-and-asylum-seekers>

<sup>18</sup> "'I'll take any job': These Syrian Refugees are Struggling to Find Work in America", Willa Frej, *Huffington Post*. [https://www.huffingtonpost.com/entry/syrian-refugees-find-work\\_us\\_589378f4e4b05c775abe717c](https://www.huffingtonpost.com/entry/syrian-refugees-find-work_us_589378f4e4b05c775abe717c)

<sup>19</sup> "Debt and Loan Sharks", *New Zealand Council of Christian Social Services*.

<https://nzccss.org.nz/work/poverty/debt-loan-sharks/>

<sup>20</sup> "Wellington services struggle to support influx of refugees", Laura Dooney, *Stuff*.

<https://www.stuff.co.nz/dominion-post/news/79137758/wellington-services-struggle-to-support-influx-of-refugees>

<sup>21</sup> International Covenant on Economic, Social and Cultural Rights (1966), General Assembly

<sup>22</sup> "Constitutional Issues and Human Rights", *justice.govt.nz*.

<https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/human-rights/international-human-rights/international-covenant-on-economic-social-and-cultural-rights/>

<sup>23</sup> "The Michigan Guidelines on the Right to Work", University of Michigan Law School, 2010, <http://www.unhcr.org/refworld/docid/4bbaf1242.html>

- [https://www.amnesty.org.nz/sites/default/files/family\\_reunification\\_fact\\_sheet.pdf](https://www.amnesty.org.nz/sites/default/files/family_reunification_fact_sheet.pdf)
- [https://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11657794](https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11657794)

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