

What You Should Know About Rent Control

Urban Issues

edited by Pat Christie
February 1976

The Institute of Urban Studies





THE UNIVERSITY OF
WINNIPEG

FOR INFORMATION:

The Institute of Urban Studies

The University of Winnipeg
599 Portage Avenue, Winnipeg
phone: 204.982.1140
fax: 204.943.4695
general email: ius@uwinnipeg.ca

Mailing Address:

The Institute of Urban Studies

The University of Winnipeg
515 Portage Avenue
Winnipeg, Manitoba, R3B 2E9

WHAT YOU SHOULD KNOW ABOUT RENT CONTROL

Urban Issues

Published February 1976 by the Institute of Urban Studies, University of Winnipeg

© **THE INSTITUTE OF URBAN STUDIES**

Note: The cover page and this information page are new replacements, 2015.

The Institute of Urban Studies is an independent research arm of the University of Winnipeg. Since 1969, the IUS has been both an academic and an applied research centre, committed to examining urban development issues in a broad, non-partisan manner. The Institute examines inner city, environmental, Aboriginal and community development issues. In addition to its ongoing involvement in research, IUS brings in visiting scholars, hosts workshops, seminars and conferences, and acts in partnership with other organizations in the community to effect positive change.

INSTITUTE OF URBAN STUDIES
UNIVERSITY OF WINNIPEG
URBAN ISSUES, FEBRUARY, 1976

WHAT YOU SHOULD
KNOW ABOUT
RENT CONTROL

Editor - Pat Christie

This edition of Urban Issues is intended to provide a source of information on Rent Control for all Manitoba residents, and is provided free of charge as a public service to all interested persons.

Published by the Institute of Urban Studies in co-operation with The Uniter, University of Winnipeg.

Contributors

Pat Christie
David Miles
Gene Milgram

Pictures
Len Witko

On November 3, 1975, a nation-wide rent control agreement, allowing an average seven-to-eight percent rent increase a year, received tentative approval by all provinces. At that time, Quebec, British Columbia and Newfoundland had some form of rent controls and since then all provinces except Manitoba have implemented rent controls. A rent control bill will be introduced in the current session of the Manitoba Legislature.

WHAT ARE RENT CONTROLS?

Rent control may be defined as government regulation on rents of residential dwellings. The general goal of rent control is to protect all or some specified group of residential tenants from "unfair" rent increases in a tight housing market. Rent control is extremely controversial because of its control of individual property rights (profits, maintenance, evictions) and because of its involved administrative procedures. The various forms of control designed to limit rental increases range from an absolute rent "freeze" for an indefinite or definite period of time to less restrictive measures designed to arbitrate only the extreme cases of rental increase. The various forms within this continuum are almost unlimited.

RENT CONTROLS ARE NOT NEW

Rent control has been a mechanism cities have used periodically in the past to deal with the socioeconomic problems of housing costs. Traditionally, rent control has been employed as a temporary stopgap measure against rapidly rising rents. Its use has been restricted to periods of general housing shortage when a significant portion of the population is unable to secure housing of reasonable quality at affordable prices. In the past, shortages of this type have been closely associated with wartime and postwar construction slumps; hence rent control is commonly regarded as a temporary wartime measure.

RENT CONTROL IN CANADA

Rent regulation was introduced in Canada as part of the economic controls exercised by the Federal Government under the Second World War Wartime Measures legislation. By April 1951, the Federal Government terminated its role in the regulation of rents leaving the provinces responsible to assume their own positions on rent controls.

The current revival of demands for rent control has its roots in the severe housing problems now existing in many urban areas and rural communities. Inflation in the housing sector and in the construction industry has been more serious than in any other part of the economy. It is led by high prices for newly constructed housing, which in turn, sets the pattern for all housing.

Recent trends in land costs, costs of labour, materials and financing indicate little relief in the housing market in the next decade, a time when housing demand is expected to be at its highest level.

The Federal Government feels that a form of rent control to stabilize rents must be a part of any package of price and wage controls and a necessary component in the Federal anti-inflation program.

5 METHODS OF RENT CONTROL

- 1) Absolute freeze on rents. A rent freeze has the disadvantages of being unfair to landlords faced with rising costs and unworkable because maintenance requirements would be neglected.
- 2) Rents are set by a Commission based on rents charged at comparable accommodation. This method is unsatisfactory because a large administrative staff is required to assess comparable values. Moreover a base value is required to serve as a basis for comparison.
- 3) Rents are allowed to increase in an amount sufficient to allow a landlord a certain specified return on his investment. This method is unsatisfactory because maintenance might be discouraged and because the allowable rents would have to reflect the interest rate of the mortgage. There would be no incentive to encourage landlords to seek out the lowest mortgage rate.
- 4) Rents are allowed to increase by the amount which the actual operating costs of the landlord have increased. (Pass Through System)
For this system to work fairly and efficiently a costly bureaucracy is necessary because the financial records of each building must be examined individually.
- 5) Rents are allowed to increase by a certain fixed percentage which should cover the landlords increased costs including taxes and a certain amount for increased return on investments. This method is more satisfactory than the previous one mentioned, because relatively little administration is necessary. However it has the disadvantage of allowing the landlord to raise the rent the allowable amount even if he has incurred no additional expenses.

PROBLEMS IN THE ADMINISTRATION OF RENT CONTROL

- 1) Illegal rent increases are difficult to control. One survey conducted in British Columbia after the introduction of Rent Control indicated that nearly 1/3 of all rent increases in the province were illegal mainly because they were excessive. Many tenants, even if they are aware of the illegality of the increases, tend to tolerate it because of fear of retaliation or harassment by the landlord. Evidence of harassment including eviction threats, utility shut-offs, refusal to accept rent payments, and physical reprisals have been documented by investigators of the British Columbia Rent Review Commission. This can be partially eliminated by carefully scrutinizing any eviction notices issued after illegal rent increases have been found.
- 2) Hidden rent increases are costly and difficult to stop. A landlord can effectively raise rents by reducing services. This can often take an intangible form such as dirtier floors and windows. In short, the tenant pays more for less service. To burden the commission with this type of hidden increase would occupy all its time, leaving important issues unattended.
- 3) It is difficult to control rent increases imposed on tenants moving into an apartment block. The survey conducted in British Columbia referred to earlier revealed that only 1/3 of tenants moving into a new block were aware of the previous rent. This drawback could be overcome by requiring all rents and rent increases to be registered with the Commission.
- 4) An elaborate, undoubtedly expensive publicity campaign is necessary to ensure that most persons (landlords, tenants) are aware of rent control and know their rights under the system. In Quebec it has been estimated that only about 25 percent of the population are aware of the existence of the Commission and only about 4 percent of the cases of rent increases are placed before the Commission administrators. Without widespread knowledge, the system will help those who do not need help and the low income, uneducated, and uninformed will be victimized.

RENT CONTROL IN OTHER JURISDICTIONS

BRITISH COLUMBIA

When the government introduced temporary rent regulations in 1974, British Columbia was in the midst of a housing crisis, as was the rest of Canada. The average Vancouver home price had skyrocketed from \$30,000 to \$55,000 in two years while housing starts had dropped about 17%. Rising interest rates and taxes escalated the price of housing even further. A Burnaby bungalow which in 1972 had cost \$33,724 with carrying charges of \$408. monthly in 1974 cost \$64,388 with carrying charges of \$644. monthly.

The housing crisis was of grave concern to tenants. Although the average rent had not increased in proportion to the skyrocketing housing prices there was a pervasive fear among tenants that it was only a matter of time. Reports in the press and legislature of rent increases in the amount of 30% to 40% added fuel to the fire; moreover the vacancy rate in apartments had been steadily declining - creating a seller's market. It was in this background of fear and apprehension that rent controls were introduced.

In May of 1974 the allowable rent increase was limited to 8% and in November of 1974 the 8% rent increase ceiling was raised to 10.6%. A Rent Review Commission was established to study all aspects of rent control and to hear appeals from the landlords, who could appeal if their expenses increased more than the allotted 10.6%.

In February of 1975 a study group under the direction of the Commission was established to recommend policies to the Commission and in September of 1975 the study group recommended that a rent control system be implemented in British Columbia.

The objective of the proposed rent control system envisaged by the study group was to be as fair as possible to both landlords and tenants; to ensure that landlords would not neglect the maintenance aspect of their property; to avoid unnecessary administrative expense; and to keep the number of civil servants required to run the system at a minimum.

The study board concluded that the "pass through system" of rent control was the fairest but recommended modification in order to sidestep the high administrative costs. Because a great majority of landlords were experiencing about the same annual increase in operating expenses (11.6%) the study group recommended that a fixed base rent increase be allowed to cover operating expenses. This would be automatically allowed and therefore would require no administrative machinery except to accommodate appeals from landlords who incurred unusually high expenses and therefore required an exemption. Because taxes did not increase at a uniform rate as did expenses it was recommended that landlords pass the tax increase on to the tenant in the form of increased rent on an individual basis. Again little administrative work is necessary; the landlord merely gives a notice of increase in rent to the tenant and sends a copy of his tax bill to the Rent Review Commission. As stated previously a landlord incurring higher expenses than the norm can appeal to the Rent Review Commission for an exemption. Likewise a landlord who has been charging unusually low rents

can apply to the Commission for an adjustment based on the rents charged in comparable accommodation. A landlord who is renovating his premises can apply for an extra increase in rent to cover the borrowing charges on the money used for renovation. The study group also recommends that a landlord be allowed an additional increase in rents to ensure that he is receiving a fair rate of return on his investment. It is recognized that during times of inflation the landlord must be allowed to increase his rate of return or else the value of his investment in real dollars will decline. To determine the amount of increase which should be allowed, the inflation rate is multiplied by the percentage of rental revenue that the landlord applies to his return on investment (which includes his mortgage payments). For example, in British Columbia 46.2% of rental revenue is applied towards operating expenses, while 53.8% of rental revenue is applied to the owners return and mortgage payments. Therefore, in that situation, given a 9% inflation rate, the landlord would be allowed to increase his rent by $53.8\% \times 9\% = 4.8\%$. However it is pointed out that the government, with a view to controlling inflation, may wish not to compensate fully for the inflation bite. In fact the study board points out quite correctly that to allow the landlord the full amount for inflation would be unfair to the consumer. Most rents would increase at a faster rate than the rate of inflation. It is therefore recommended that the landlord be allowed only the difference between the inflation rate and his increased expenses as compensation for inflation.

Eg. Given an inflation rate of 9%, if the landlord's maintenance increased by 3.5% and his taxes went up by 2.9%, for a total percentage increase of $2.9\% + 3.5 = 6.4\%$. the landlord would then be allowed to increase his rental income by $9.0 - 6.4 = 2.6\%$

These recommendations were made to the cabinet at the end of October in 1975 but because of the election they have not yet been considered by the new government. The indication is that the present system will be continued until additional information is placed before cabinet.

QUEBEC

The British Columbia method of rent control may be contrasted to the Quebec system of Rent Review where individual tenants initiate the rent review procedure.

The rent review system is administered by a Rental Commission with the help of Rental administrators. Under the Quebec Act - "an act to promote conciliation between lessees and property owners" - the extent of any rent increase can be agreed upon by the landlord and tenant. The administrator and Commission only become involved if the tenant disagrees with the increase and refers the matter to the administrator to adjudicate on the matter.

Unlike the British Columbia legislation the administrator and Commission deal in individual cases. There is no power to lower the rents of an entire building on the complaint of one tenant. Moreover, each case is decided on its own merits. There has been no sweeping allowable rent increase fixed as in British Columbia. Thus the landlord must file forms to show how much his expenses and taxes have increased. Under this system much more administrative work is required.

The problems encountered by this system are even more acute than in British Columbia. Apparently only about 25% of the population even know about the

Commission and the administrators have dealt with only a relatively small number of cases. It is the hope of the national assembly that knowledge of the Commission will encourage landlords and tenants to bargain reasonably and in good faith and reach an amicable agreement without reference to the administrator.

ONTARIO

The Ontario legislation enacted in 1975, is similar to the British Columbia system. A landlord cannot increase the rent more than 8% unless he can demonstrate to the Rent Review Officer or to the board on appeal that his expenses have increased more than the allowable 8%. Unlike the British Columbia situation, however, a tenant can dispute any rent increase even if it is within the 8% guideline. Thus a landlord cannot raise the rent any amount unless he can demonstrate an increase in expense while in British Columbia he can, if it is within the 10.6% allowed by the Act.

UNITED STATES

For many years rent control was viewed by most of the country as just another unique aberration of New York City, which during the late 50's and early 60's, stood alone as the only major city in the country which had not repealed its war time rent control legislation.

The middle and late 60's however witnessed a growing organization of tenants who were encouraged by the increased emphasis on community participation by the Johnson administration's anti poverty programs. Militancy among tenant organizations increased as housing conditions deteriorated. In some cities more housing units were lost annually through abandonment, vandalism, poor maintenance, mortgage foreclosures, and fire destruction than were being constructed. Increased demand, shortage in supply, rising construction and operating costs along with the federal wage and price controls of 1971 contributed to an increasing pressure on local politicians to impose rent control. Presently, cities in Massachusetts, Connecticut, New Jersey, New York State, District of Columbia, California, and Maryland have implemented rent control in one form or another.

The success of the American experience cannot be determined because of lack of data, complicated cause and effect relationships and generally because it is a recent phenomenon. It should be noted that in one Massachusetts city, tenants have gone to court complaining that landlords are reaping greater profits under rent control than they were under the "free market" system.

WHY RENT CONTROL

By international standards most Canadians are well housed. Records indicate that housing standards for Canadians have steadily improved. In the past decade Canada has doubled national housing production and housing starts for 1975 reached a record annual rate of more than 230,000 units. The 1976 target is for 235,000 new starts. These figures exhibit a rather impressive record.

But, inflation in the Canadian economy has continued at an unusually high rate. As a result house prices have increased more rapidly than incomes over the past five years. Escalating real estate prices have placed the cost of a modest single family home beyond the reach of 50 percent of Canadian families.

Housing prices in Winnipeg increased by 30 percent between 1973 and 1974 and by 34 percent between 1974 and 1975. But that is not the only increase. Interest rates have climbed from 9 to $10\frac{1}{4}$ percent between 1973 and 1974 and up to $12\frac{1}{2}$ per cent in 1975. Rising land and construction costs have not only contributed to higher dwelling prices and rents but have also accounted for a reduction of average floor space per housing unit. Now the consumer is paying more for less living space. The three main components in the cost of housing - the land, the structure and the loan - have each contributed to the escalating costs of housing.

Housing construction in Manitoba in 1975 was the lowest since 1970. Housing starts in Manitoba declined by 24 percent in 1974 and by 10 percent in 1975. The decrease in construction reflects problems in the private housing industry, as Manitoba Housing and Renewal Corporation, the Government housing agency, had its best year in three or four years. The housing shortage in rural Manitoba is so acute it is hampering industrial development efforts. Rural industries cannot expand and entrepreneurs have been forced to hold back business plans because there is no housing available for people to move into. This problem exists even though land costs in rural areas are reasonable.

Apparently developers are still withholding large parcels of land from the housing market. When developers do build, they are more attracted to build single family homes because less money is tied up. Thus, for the private housing industry, the decline is mainly in rental accommodations as builders are hesitant to invest large sums necessary for apartments. Between 1973 and 1974 starts for apartment units declined by 50 percent in Manitoba and at the end of 1975 apartment construction was down by 26 percent from a year earlier. Yet the high cost of home ownership has resulted in a shift in consumer preferences from home ownership to the rental market. With fewer apartments being built, tightening of the rental market will persist.

At present the overall vacancy rate in the rental market is too low to provide adequate choice for new or immigrant households seeking to find a place to live, or for existing households looking for alternatives. The semi annual apartment vacancy survey conducted by Central Mortgage and Housing Corporation shows the vacancy rate in Winnipeg apartments has steadily declined since 1971. The survey showed a drop in the vacancy rate from 3.9 percent in December 1974 to 1.9 percent in December 1975. A vacancy rate of less than 3 percent is considered to reflect a tight market situation. In general the vacancy rate is lowest for 2 or 3 bedroom units and particularly in the inner city area where the CMHC survey indicates a rate of 0 for 2 or 3 bedroom units.

Under the present Manitoba Landlord and Tenant Act a tenant is guaranteed security of tenure - that is, he can only be evicted for good cause. However a landlord can indirectly evict a tenant by raising his rent to such an extent the tenant has no choice but to search for cheaper accommodations. Because of the low vacancy rate the landlord is holding all the aces, knowing full well that another tenant will be easily found.

The facts are however that rents have not increased as fast as other consumer items. While the consumer price index has risen from 129.7 in 1970 to 181.3 in 1975, average rents have risen only from 119.4 to 132.8. However isolated instances of rent gouging, the stronger voice of tenants associations, and a general fear of future unwarranted rent increases have prompted the Manitoba government to introduce rent control legislation at the coming session as urged by the Federal Government.

| <u>Year</u> | Consumer Price Index - All Items 1961 = 100 | Consumer Price Index - Rent 1961 = 100 |
|-------------|---|--|
| 1970 | 129.7 | 119.4 |
| 1971 | 133.4 | 121.4 |
| 1972 | 139.8 | 122.7 |
| 1973 | 150.4 | 124.5 |
| 1974 | 166.8 | 127.9 |
| 1975 May | 181.3 | 132.8 |

WHERE YOUR RENT MONEY GOES

For most people, "rent" simply means the fee they must pay to a landlord for occupying a dwelling. What this payment is in fact, is the sum total of 12 basic costs which, on the average, cover the following cost elements:

| | |
|--------------------------------------|-------|
| Real Property Taxes | 23% |
| Natural Gas | 4% |
| Electricity | 5% |
| Water and Sewer | 1% |
| Caretaker | 4% |
| Cablevision | 1% |
| Repayment of Mortgage (Debt service) | 45% |
| Management | 4% |
| Maintenance | 9% |
| Investment Return (Cash Flow) | 2% |
| Insurance | 2% |
| | <hr/> |
| | 100% |
| | <hr/> |

The following table illustrates some examples of rental increases which have caused complaints from Fort Rouge area tenants.

| | 1975 | - | 1976 | | |
|-----------------|---------------------|---|--------|-----------------|----------|
| | <u>Monthly Rent</u> | | | <u>Increase</u> | <u>%</u> |
| Bachelor Suite | \$110. | - | \$128. | \$18. | 16% |
| | \$142. | - | \$170. | \$28. | 20% |
| 1 Bedroom Suite | \$191. | - | \$236. | \$45. | 24% |
| | \$137. | - | \$185. | \$48. | 35% |
| 2 Bedroom Suite | \$165. | - | \$210. | \$45. | 27% |
| | \$156. | - | \$210. | \$54. | 35% |

Few people will deny that many landlords are facing increased costs. However, many tenants subject to substantial increases in their rent want some justification for the increase. They want to know - why so much? Tenants have little power to alleviate their situation. The choice they face is either pay up or move out. But this is not the only issue of concern. Discontent has been voiced against some landlords for poor maintenance, lack of repair work and generally unacceptable conditions in the apartment block. These kinds of conditions hardly serve as justification for paying higher rents.

YOUR RIGHTS UNDER THE LANDLORD AND TENANT ACT

The rights and obligations of landlords and tenants in Manitoba are governed by the Landlord and Tenant Act. Every landlord and tenant should be aware of the following regulations.

- A landlord may not demand post-dated cheques. A tenant, however, may voluntarily provide the landlord with post-dated cheques.
- A security or damage deposit may not exceed one half of one months rent.
- A landlord may not seize goods in payment of rent.
- A landlord may not enter a tenant's premises without notice or consent unless in a case of emergency.
- The landlord must maintain premises in good repair and is responsible for security of premises.
- The tenant is responsible for ordinary care and cleanliness of premises; repair of damage caused by negligence; payment of rent on time; and to conform to the landlord's regulations.
- A tenant may only be evicted for a certain specified cause.
- The notice of eviction must be a proper written notice stating reasons.
- A tenant must give proper notice of leave or termination of tenancy to the landlord - on or before the last day of the rental payment period.
- The landlord must notify the tenant in writing, at least three months before a rent increase.
- If a tenant has a tenancy agreement (lease) for a fixed period of time, the rent cannot be raised during that time unless a specific agreement to this effect was made beforehand.

The Office of the Rentalsman was created to mediate and act as arbitrator for disputes between landlords and tenants. The Rentalsman receives and investigates complaints and informs landlords and tenants of their rights and obligations. The Rentalsman does not have the power to review rent levels or rent increases, unless the rent increase was not carried out by the proper procedures as stated in the Landlord and Tenant Act.

The Office of the Rentalsman can be contacted by phone, mail or in person at:

The Manitoba Consumers' Bureau
Office of the Rentalsman
210 Osborne St. North
Winnipeg, Manitoba
R3C 1V5

Telephone : 956-1010

Maintenance and Occupancy By-Law

In 1975 the City of Winnipeg passed the Maintenance and Occupancy By-Law used to enforce minimum standards of health and safety for residential property. The by-law is in effect, a protection afforded to tenants against landlords who allow their buildings to fall into severe deterioration. The standards set by the city include maintenance of the yard, building foundation and exterior, doors, windows, walls, ceilings, floors, heating and electrical systems, ventilation, garbage disposal, plumbing, pest prevention, fire hazard prevention, over crowding etc. Through block-by-block surveys of housing conditions, city inspectors determine if a dwelling meets the minimum standards of health and safety. If a dwelling fails to conform to the standards, the owner is given an "Order to Repair" and if the necessary repairs are not carried out the owner will be charged and fined in court. Some cases of court action against slum landlords have already taken place.

Recently city council proposed to seek legislation from the provincial government for the authority to assess temporary relocation costs against landlords whose tenants are forced to move out while city ordered repairs are completed. With such authority, the city hopes to develop a short-term emergency housing program for tenants left homeless because of landlord neglect to their buildings. Landlords oppose city council's ruling arguing that many landlords cannot afford to pay tenants' relocation costs and that the landlord is being blamed in cases of tenant destruction or misuse of the building.

PROPOSED MANITOBA LEGISLATION

Manitoba's provincial government will introduce a rent control bill for approval during the next session of the legislature, due to start this February. The province is urged by the federal government to implement some form of rent control as part of the federal anti-inflation program.

Exactly what form the rent legislation will take has not yet been announced. Premier Schreyer has declined to specify at this time what percentage of rent increase will be allowed in the control program. However the federal guideline is an average seven-to-eight percent increase a year. The Premier has stated that the controls will be retroactive to October 1st, 1975. That means any rental increase above the limit allowed by the provincial controls must be refunded. It has also been disclosed that new apartment buildings will be exempt from controls during their first five years. This exemption to the controls is intended to ensure that developers are not discouraged from proceeding with new construction and the pace of construction does not slacken. Also exempt from the rent controls will be government subsidized public housing. Under the rent control legislation landlords having to cope with cost increases higher than the suggested average will be able to seek higher increases through an appeal system.

The issue of rent control has been extremely controversial in Manitoba with the most vocal being against the program. However, because 75 to 80 percent of inflation can be attributed to increased costs in housing, food and energy, and because price increases in all three areas are exempt from wage and price controls, rent control is viewed by government as a necessary component in the anti-inflation program.

RENT CONTROL - SOME ARGUMENTS FOR AND AGAINSTIS RENT CONTROL A CONSTRUCTION DETERRENT?YES

The imposition of rent control will discourage developers from constructing residential units. If investors are not guaranteed a fair return on investment in the housing sector they will turn to commercial and industrial construction. The solution to the housing problem is to build more homes so prices will stabilize. The facts are that as soon as the vacancy rate dropped to below 1 percent, rents started to escalate. But the problem is to provide housing at a price within reach of families. To increase housing supply will help diminish the need for rent control.

NO

There is no causal connection between the imposition of rent control and a decline in residential construction. In Manitoba there is no rent control, yet there is a housing shortage. The fact is that the availability and price of housing depends on many other factors such as cost of land, building, labour and material and mortgage rates. The developer must charge a hefty price to cover the expenses of constructing a new home and few people can afford this cost. Very little new moderately priced rental housing is being built because of high interest rates and relatively low profits available to builders in comparison with luxury housing and commercial profits. A fair system of rent control should exempt new units for five years or long enough to guarantee a fair return of investment.

DOES RENT CONTROL LEAD TO MAINTENANCE NEGLECT?YES

The imposition of rent controls will discourage landlords from maintaining and improving their property. In New York, which has had rent control for several decades, abandonment of residential property has been frequent and widespread. Even the enforcement of maintenance by-laws, such as Winnipeg's Maintenance and Occupancy By-Law, does not prevent the deterioration of housing. To the contrary, some landlords find it is cheaper to pay the fine and have the house demolished, hoping to sell his land to a developer at some future time. In the meantime the landlord minimizes the municipal taxes he has to pay.

NO

A fair rent control program will allow the landlord to pass on the increased maintenance costs, but will prevent excessive charges. Deterioration and abandonment of housing in New York was one ramification of the racial and economic upheaval experienced in New York's inner city and in other United States cities in the late 60's. The rent control system in New York did not allow all increased costs to be passed on to the tenant.

DOES RENT CONTROL CAUSE MARKET DISTORTION?YES

The imposition of rent control will distort the housing market and promote an inefficient use of space. For example, tenants in a rent controlled apartment will be reluctant to move a non controlled apartment even if another accommodation may be more suitable to their needs. Such a restriction on residential mobility will have a negative effect on turnover of apartments and vacancy rates. A landlord will tend to be selective when choosing his tenants and could be prone to demanding illegal payments from those trying to obtain accommodation.

NO

In New York part of the city is under rent control while other sections are not and some market distortion exists. However, the rent control legislation proposed for Manitoba will apply to all rental units. The only exemptions from the controls will be government subsidized public housing and new apartment units will be exempt for their first five years.

ARE RENT CONTROLS ONLY A SHORT TERM POLITICAL SOLUTION?YES

Rent control is a political solution which does little to solve the real housing problems of rising housing costs and the present shortage of affordable accommodation. Once imposed, rent controls are extremely difficult to remove even when their removal would be beneficial.

NO

Rent controls are a necessary and integral component in the federal government's anti-inflation program. To exclude the housing market from controls would be inconsistent with wage and price controls and the federal policy goals.

ARE THERE ALTERNATIVE SOLUTIONS?YES

One alternative to rent control is a program of rent subsidy. This would involve a subsidy to those people with less than the average annual income, to ensure that no person paid more than 25 percent of their income for shelter. This would reduce the impact of inflation on lower income people.

A second alternative to rent control, is a system of Rent Review similar to Quebec's program, where an individual tenant can complain of a rental increase to a Rent Review Board.

NO

A program of rent subsidy would increase government expenditure and do nothing to assist in the anti inflation program. In addition numerous administrative problems would be encountered from the necessity of income disclosure.

A Rent Review program would also require a bureaucracy and would be dependent upon the knowledge and initiative of individual tenants.

EDITORIAL

The task to be undertaken now is to establish a system of rent control which will not result in a construction halt or discourage maintenance of existing stock, and yet one which will work effectively. A control program must be fair to landlords who are undoubtedly facing rising costs and yet be administered inexpensively enough to ensure that its benefits are not undermined by an expensive bureaucracy.

The basic method proposed for implementation in British Columbia has much merit as a model for Manitoba legislators to follow. Similar to the British Columbia proposal, a study should be undertaken in Manitoba to specifically determine the increased costs being faced by landlords. The average amount could then be automatically permitted as an increase. If tenants were allowed the right to appeal this increase the administrative costs might outweigh the benefits.

It should also be ascertained if taxes are increasing at a rate sufficiently uniform to fix one allowable increase to cover increased taxation. If the situation in Manitoba is similar to British Columbia where there is a wide diversity in tax hikes, this item should be dealt with on an individual basis; otherwise a uniform rate of increase can be established on a city-wide or province-wide basis.

The basic implementation method of a rent control program is not complex or difficult; it is the administration of the program which will determine its success or failure. A rent control program cannot succeed if the people of Manitoba are unaware of the program, the Rentalsman, and the Rent Review Commission. Unfortunately, a mass media campaign will probably not reach the persons who are most in need of rent controls and have no notion of it. It is suggested that all landlords be required to post in a prominent place in the apartment building a notice stating that the building is under a rent control program and that information can be obtained from the Rentalsman or Commission office. This clause should also be mandatory in any lease agreement. In addition, the landlord should be required to post in each apartment suite a notice stating the rent charged in the previous year. A rent registration system must be established to enable a tenant to verify the figures with the Commission. The importance of this cannot be overstated. If persons are reluctant to move from their homes because of fear of unwarranted rent increases, limited mobility and an uneconomical use of space will develop - adding to our current housing problems.

In order to discourage illegal rent increases and landlord harassment, penalties must be administered swiftly and without hesitation. A common explanation of the pervasive illegality documented in British Columbia after implementation of rent controls is that few if any prosecutions were undertaken to enforce the provisions of the Act, which called for a \$500.00 dollar fine and/or 6 months imprisonment.

When the Commission does find that a certain landlord has illegally increased the rents, it must be given the power to order a return of rent not only to the complaining tenant but to all affected tenants. The Commission should be permitted to require the offending landlord to pay two or even three times the amount of the overcharge into a fund - to be used as the government sees fit.

To ensure equity of the system, landlords must be given the right to appeal to the Commission for increases over and above the established amount. Notice must be given to the affected tenants that an adjudicator will be convening a meeting of the landlord and tenants at which the landlord will be called upon to justify the extra increase. Either party should be able to appeal the decision to the Commission. A tenant must also be given the right to make a complaint of hidden rent increases to an adjudicator, with the right of appeal to the Commission.

To avoid administrative duplication, the office of the Rentalsman and Commission should be integrated as much as possible. The office of the Rentalsman, which already performs many functions in landlord and tenant relations, can serve as a vehicle for providing information to both tenants and landlords, mediating disputes concerning allowable or hidden rent increases, adjudicating on exemptions, and performing investigative work for the Commission. This would leave the Commission free to deal with appeals, advise on policy and allowable rent increases, and generally administer the rent control program.