

Rent controls lifting . . .

Low income Canadians face new crisis

by Doug Smith
Canadian University Press

When Pierre Trudeau introduced wage and price controls in 1975, he asked provincial governments to bring in rent control legislation at the same time. As the anti-inflation board is being dismantled, many provinces are also taking steps to end rent controls. And they are under strong pressure to do so.

Representatives of the Housing and Urban Development Association of Canada, an association of developers and landlords, had been pressuring provincial governments throughout the life of the program, saying that rent controls cut their profits so badly they would not supply new buildings and that existing buildings were deteriorating because they could not maintain them.

The landlords and developers have been reassuring governments that there would be no rent explosion when controls are removed because the market would regulate the prices they could charge. In making this statement, they overlook the fact that the national vacancy rate is 2.3 per cent.

Most economists say that a minimum vacancy rate of at least four per cent is needed for the market to regulate apartment rents.

Even this four per cent figure is misleading, since in most cities, there are two very separate rental markets, one which caters to low-income people and one which deals with middle- and upper-income people who prefer to live in high-rent apartments. The vacancy rate for the first group is lower than for the second, and is in fact shrinking.

The removal of rent controls across Canada (the programs are coming off at different speeds in different areas, but they are coming off) will have different effects on different housing markets. The effect for many low-income Canadians could range from serious to disastrous.

The major problem low income people face is the fact that there is no profit to be made in supplying them with housing they can afford. No private developer in the country gives serious consideration to the idea of building an apartment block that will be in the price range of the low income earner. For this reason, they must depend on the present housing market, and mainly on older apartment blocks and government public housing.

Federal public housing, too often in the past, has merely

served to further ghettoize the poor by building large tracts of subsidized housing, often of poor quality and uninspired design. Since this summer, however, the federal government has indicated it will be cutting back even this limited amount of public housing.

It was once thought that, as cities expanded and the number of new homes and highrises increased, low-income people would move into the housing that the middle class was vacating for the suburbs. With the downturn in the economy in the last few years, however, exactly the opposite phenomenon has occurred. In many major cities across Canada, middle class people, frightened off by the high costs of new housing, are moving back into the inner city.

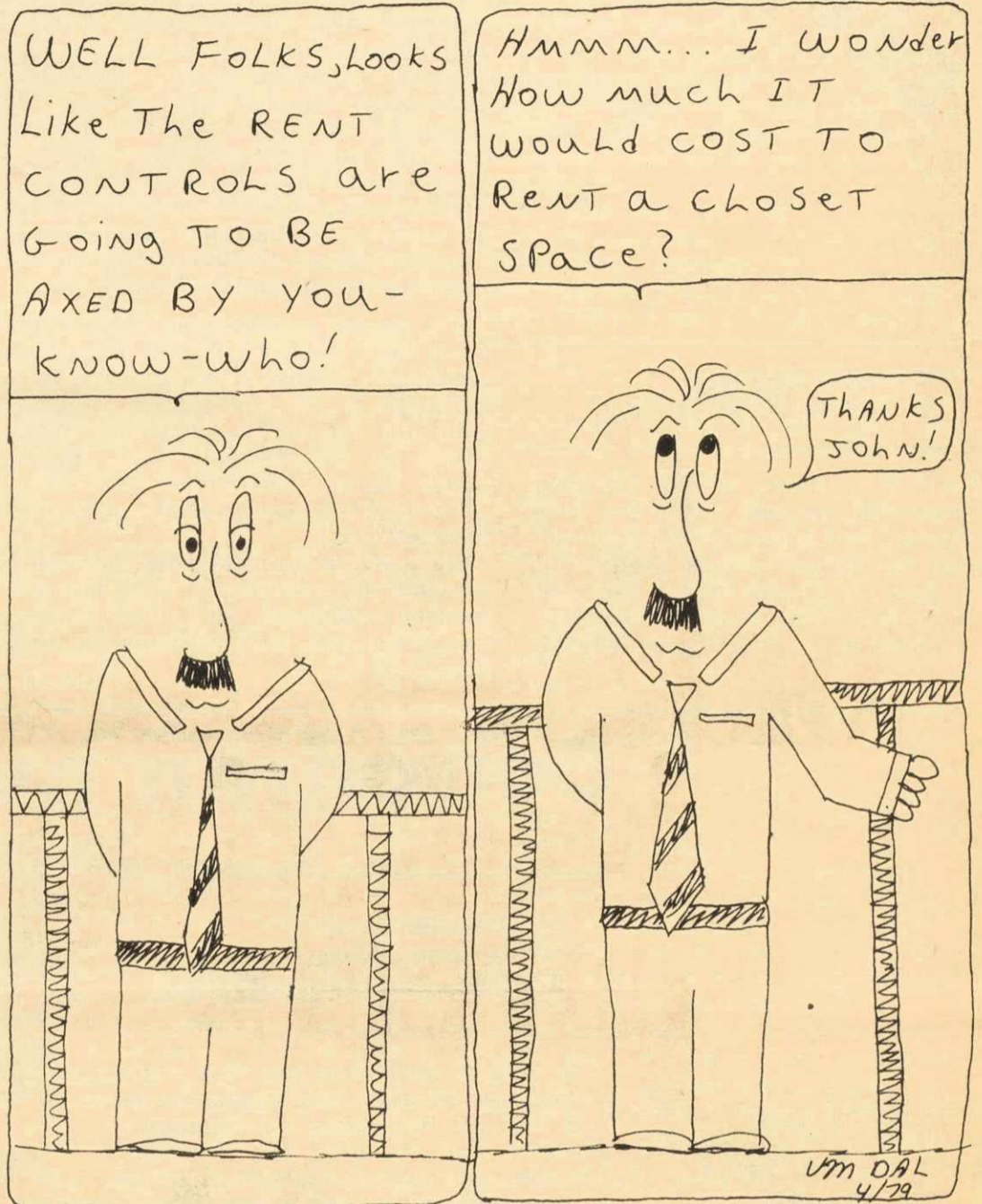
This has forced them into competition with low-income people. In Toronto, many older homes are being bought and converted into town houses for the middle class. While this move has been good for the life of the inner cities, it has added to the crisis of affordable housing.

One proposed solution to housing problems faced by low-income people is cooperative housing. In these arrangements, a large group of people buy or lease some land and put up a housing development. When the development is finished, the rents charged are only high enough to meet costs. However, the cost of joining a co-op is usually high, and, because of the high cost of urban land, even profit-free rents are beyond the means of many Canadian families.

Low-income people realize that rent controls are a very imperfect solution to their problems. During controls, landlords often reduce services—although this is usually illegal—and let buildings deteriorate. Despite this, they are only one of the few protections tenants have when vacancy levels are low.

In Edmonton and Calgary, for instance, the Financial Post has said that the vacancy rate is only 0.8 per cent. In Toronto and Windsor, it is 0.9 per cent, and, in Winnipeg, it is 2.8 per cent.

Landlords have said they will act responsibly when controls come off and not try to make up for the preceding three years. However, when Alberta first tried to eliminate controls completely, many tenants received increases of 25 per cent. the government was forced to back down and introduce a de-control program that would remove the controls slowly. In Manitoba, during de-controls, increases being asked are around 25 per cent.



In Nova Scotia Landlords eye rise in rent

by Valerie Mansour
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Canadian University Press

Rent controls are expected to be removed in Nova Scotia within the next few months although the provincial government has yet to make a final decision.

Consumer Affairs minister Bruce Cochran announced in late February that controls would be removed and the rent review board eliminated as a financial cutback. However, due to an outcry of protest in the Provincial Legislature, the final decision has been delayed.

"The controls were not instituted in the hopes they would go on forever", according to John MacCulloch of the Rent Review Commission. "There was always room for reconsideration."

MacCulloch said some landlords would take advantage of controls being removed, but the impact would be least now of any possible times.

"New construction in Halifax has been steadily upstream for a year now", Mac-

Culloch explained. "The new housing does not go under controls, but it makes the market competitive. And that pressure works to keep rents down."

"Landlords do want to increase their rents", MacCulloch said. "We are under some pressure."

Ellen Richardson, deputy minister of consumer affairs said the whole future of rent controls is under review. "When the controls were instituted they were temporary", she said. "Now that the AIB is phased out, is there still a rationale?"

"We're looking at different questions", Richardson said. "We'll see what happens in September."

Consumer Affairs had suggested some sort of watchdog agency in place of the Board. MacCulloch feels it would need real power to be useful. "It would certainly be effective in seeing the impact of removing rent controls", he said. "As well, unreasonable rent increases could be appealed."

"If things get really bad then rent controls could be re-instituted", MacCulloch said.

"The minister has requested a desire for input", said MacCulloch. "People should make their input now."

Bill Collins, the housing market analyst with Central Mortgage and Housing Corporation said the housing situation in Halifax is not bad right now. There are 2000 buildings on the market, according to Collins, and the demand is 1500 a year.

An October 1978 survey showed the vacancy rate in the city to be 2.2%. The survey, however, was confined to rental buildings of six or more self-contained rental apartments. Of 15,902 units, 339 were vacant.

The survey did not differentiate between lower and higher income housing. Collins said housing for lower-income people in Halifax was a problem because middle-income people are moving less, and older houses are not being filtered down to the lower-income people.