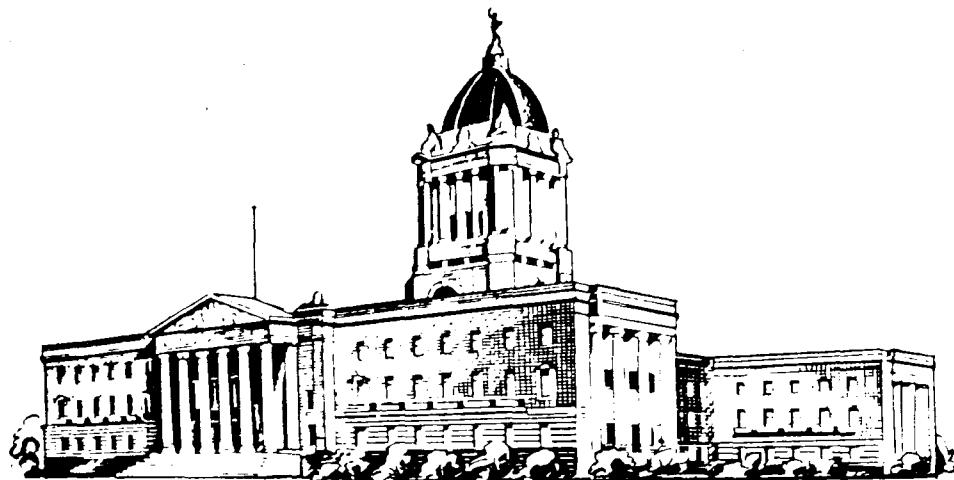




Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE ON LAW AMENDMENTS

**Chairman
Mr. William Jenkins, M.L.A.
Constituency of Logan**



10:00 a.m., Thursday, April 1, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON LAW AMENDMENTS
10 a.m., Thursday, April 1, 1976.

CHAIRMAN: Mr. William Jenkins.

MR. CHAIRMAN: Mr. Benjamin Wall, Eden Realty. Mr. Wall here? Mr. Thomas Kolba. Do you have copies of a brief?

MR. KOLBA: Mr. Chairman, Honourable Ministers, members, ladies and gentlemen. My name is Tom Kolba. I am a small landlord and I'm quite nervous to appear before this hallowed body of lawmakers. It's very unusual for me.

MR. CHAIRMAN: Don't be nervous. These gentlemen won't hurt you, and I'll see that they don't.

MR. KOLBA: Well I see Mr. Green isn't here. I am a small landlord and I have made a lot of improvements on a house that I rent, not counting my own labour which in the last two years I spent about continuous six months of work. 1974, I lost - not counting the work mind you, \$844.99 and in 1975, I lost \$427.60 and I had to borrow some money to make up the loss. There are other small landlords who had made substantial improvements on their rental premises, I know them personally, not from profits derived from rentals but from other sources such as wages, like myself, or self-employed ventures and have devoted their spare time to making improvements on their properties with the view in mind that he'll be able to recoup the cost by increasing the rent and at the same time make a habitat attractive and comfortable for their tenants.

The Honourable Minister was well aware of the impending increases of taxes, hydro, water and other high maintenance costs. These were forecast in the news media months ago. They must have had concrete evidence in advance as the increases did come about, in spite of that, the Honourable Minister came out with proposed legislation to freeze and rollback the rent to July 1, 1975, without appeal of course. Since, the Honourable Minister has somewhat relented, but to what degree remains to be seen. The Honourable Minister, it seems that way to me anyway, was vehemently discriminating with sort of vengeance against a certain segment of the citizens of this province, namely the landlords; and the reason, some of them were and are gougers, and these should be investigated. There are other segments of tradesmen, such as painters, plumbers and professionals who also have gougers among them and legislators no doubt will gear to punish the majority who are honest, by the same legislation as Bill 19.

The Honourable Minister has on a number of occasions said that the Government of Ontario rolled back the rent and set a ceiling at eight percent on the yearly increase. The Minister did not state whether there was a provision for appeal in Ontario, I don't know whether there is or not. At any rate, we elected this party to power in Manitoba for two consecutive terms, not to follow the examples of the Conservative party of Ontario or the Liberals of Nova Scotia or any other party in Canada, but to have a fair government for all segments of the population of Manitoba including the landlords who are providing one of the most essential services, and that is homes for thousands of tenants. We should not follow the examples of other governments. We should have enough talent and expertise to govern our province from within. I wonder if we have? To quote an old saying - "If we follow the crowd, we'll get nowhere." If the price freeze should stand, January 1st, 1976, should be the proper date, but not any further back than October 14th if this government has to conform with the Federal anti-inflation legislation and this should contain an appeal for both landlord and tenant.

A few weeks ago there was a landlord here with a petition who presented the fact that he was losing money, and it makes sense, and after he was through, the Honourable Minister Green came up and painted us a rosy picture of a paid for in full walk-up 20-suite apartment block where a man did all his own work, all his cleaning, the rent collecting, and at the end of the year, he had \$22,000 profit. Well that is not the case. It's a misleading statement because no landlord can go ahead and make improvements, no matter how wise he is or how smart, on such things as electrical, plumbing, heating, and he cannot go out in the street and hire a friend who is an electrician journeyman and say come on and put in extra plugs for me, because it's not allowed by law. You have

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(MR. KOLBA cont'd) to get a licensed contractor and then he sends a journeyman electrician to do that work, and that goes for plumbers or heating experts. And just to give you an example of the cost involved; he gets paid from the time he leaves the shop and if it happens to be coffee time, he has his coffee, then he goes to the place of work and does that work and when he comes back to the office he puts in so many hours of time spent and so much for this.

And another thing, you have to replace water tanks, because I've had some experience with them and I know that they're guaranteed, but usually as soon as the guarantee expires they go on the blink. So those things have to be replaced and for a 20-suite apartment block, they cost quite a bit of hay. And I've had my own personal experience - not for myself, but I'm a carpet layer and tile setter - where we put carpeting in a three-room suite in a brand new apartment block, high-rise, and in just a little over a year I was hired to strip it all out and throw it away, you couldn't save one yard of it, because it stank, was stained, and you can imagine the cost involved. And the tenant - you might think why did he take that tenant - was a well-known, in fact you might call him a semi-celebrity because he wrote for the paper and also was a TV, - Oh; I'm not mentioning names, but you have to deal with people like that, not just that one that I know but there are hundreds, and I've seen, I've re-tiled floors after a year's wear, you know, and you can just imagine that it was impossible to clean it. So the \$22,000, there's quite a bit to take out of that and besides that, you have to pay income tax, every three months you have to remit the money, so you don't end up with that nice rosy thing that Mr. Green brought up, in order to lessen the impact of what the petitioner petitioned with all his woes, you know, I'm sure that it was a psychology way of putting it. It was also suggested, you know, that the tenants don't keep good bookkeeping, that they show a loss, usually due to a depreciation, things like that, and of course Mr. Green also claimed that each block that was built five years ago, or older than that, usually appreciated in value so actually there is a profit no matter if you lose on the rent.

But to make it simple because I am a simple man, I just went through a little bit of elementary school and whatever I say, I guess you'll have to excuse me because I'm just a plain Joe and maybe a little plainer. You get so many dollars for your rent each month and you divide the money and you pay all the services, and then you find out you're a dollar short to pay your water bill so it doesn't matter which column of the ledger you try to manipulate it, you're still a dollar short, and you can't write no cheques on your appreciated property because there is a replacement value for it and of course banks just don't go for that.

So I guess I haven't got much more to say but except for our friend Pierre Trudeau, he did shift some figures and I guess he is much smarter than we are and I think he short-changed our province for 10 million dollars or more, something to that effect about us getting the grant. It was in the paper anyway that they used different types of bookkeeping. At any rate, too bad Mr. Green isn't here, or is he? I was just hoping that in the next election he gets re-elected, and just by chance that he won't, he can rest assured that I'll hire him for a lawyer, my attorney. Thank you very much.

MR. CHAIRMAN: Thank you Mr. Kolba. Mr. Henderson has some questions.

MR. HENDERSON: Yes, I'd like to ask Mr. Kolba, since he said that he lost money during the year, did you take your depreciation off of this . . . ?

MR. KOLBA: No, I absolutely did not.

MR. HENDERSON: You lost money without taking any . . . ?

MR. KOLBA: Without taking the depreciation, no.

MR. HENDERSON: Without taking depreciation?

MR. KOLBA: Yes.

MR. HENDERSON: What type of apartments do you own?

MR. KOLBA: I don't own apartments. I said I am a small landlord, I own one house, it has six suites in it. But I did a lot of improving because I am a handyman, except for the wiring and the plumbing, you know, but a little carpentry work and installing, knocking out old plaster and installing gyproc, that's what I did and all these necessary things that have to be done.

MR. HENDERSON: When you did this repairing yourself, the material that was used, I understand you did the work yourself. Did you write that off as an expense in

(MR. HENDERSON cont'd) that year?

MR. KOLBA: Yes, of course. I mean that as far as the income tax was concerned, I had to. You see the reason is - it's not an addition - is because when you take some broken-down plaster down, you replace it with something else, it's not as though there was an addition to the building.

MR. HENDERSON: There's been no major additions like outside structures or anything, you know?

MR. KOLBA: No. No.

MR. HENDERSON: It's just repair work.

MR. KOLBA: Just repair, yes. The major structure work that I have done is not included in here because it's not relevant to what I was renting before.

MR. HENDERSON: You mentioned January 1, 1976 as the adjustment date or else back to the 14th. Did you say January 1st because your income tax year is January 1st and that it would be a convenience to you that way. That would be the main reason you said it would . . . ?

MR. KOLBA: Well I mean it's the first of the year. I don't know whether it's invested appropriately or not, I mean it's just my own opinion.

MR. HENDERSON: That's all, thank you very much.

MR. CHAIRMAN: Any further questions? Hearing none, thank you Mr. Kolba.

MR. KOLBA: Thank you very much for listening to me.

MR. CHAIRMAN: Mr. Gerhard Jensen. --(Interjection)-- Oh, I see, he's out of town. Mrs. K.C. Martinson. Mrs. Martinson.

MRS. K. MARTINSON: I might add, too, that I'm not used to doing this.

Mr. Chairman, members of the Committee, my name is Kay Martinson, I am here to speak to Bill 19, to present a personal hardship and confusion. On December 22nd, I received a 19-suite apartment as a divorce settlement and became a new landlord in January, 1976. Due to poor management, I found the building had had very little repair (my goodness I'm nervous) and maintenance in the past five years, also rents had not been increased according to increased costs until June, 1975 when the past landlord raised rents twice. Rents are not equal for the same accommodations. In December, I made a thorough survey of apartments of equal accommodations in the surrounding districts and found my rents low, very low in comparison. I phoned the utilities and got exact costs and increases, realty tax, building insurance, and I felt I had no choice but to increase the rent for April being certain my rising costs and previous neglect in rent increases would be considered. If I roll back to June, the rent would be \$2,678 a month plus ten percent making it \$2,942. Costs increased by 23 percent in expenses; with realty taxes coming up in June, I've inquired for a loan. I have a letter of refusal from the Bank of Montreal, so I'll be faced with tax arrears and this will increase my expenses again.

I'm living in a rented house, and have been able to rent two rooms to university students. This has helped me with personal costs. The house has been sold, I will need to move in June or sooner, therefore I'll need to depend on the income I can make from this apartment building. If I were to sell, I'd be faced with selling at a loss.

I would recommend strongly that rising costs be taken into consideration. I have a real need to have my building considered by the rent review before September.

I think you'll notice, those of you who have copies, that some of these rents are very low, that in fact some of the two-bedroom suites with parking are lower than those without. The bachelor apartments are as low as \$90 and they have been increased but I would have to roll them back, and \$90 for a bachelor apartment, parking and cable is pretty good rent. My costs for '75 had been, from what I could get, were \$28,559 and in 1976 I projected that the income tax would be increased by 17 percent, perhaps more, and gas 35, hydro 20, water 50, it comes to \$32,727. My income if I roll it back to June, that is July 1st, and increased it by ten percent, and then if in October I project it ten percent again, my revenue would be \$36,114, expenses 32 to 27, I would realize an income of \$3,787.00. That doesn't allow too much money for living for myself and in the event that anything happened, any major expenses come up, I really would have to borrow again. That's my problem.

MR. CHAIRMAN: Thank you, Mrs. Martinson. Mr. Bilton.

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MR. BILTON: I wonder if I may direct a question. Mr. Chairman, through you to Mrs. Martinson. I notice you talk of a 19-suite apartment and you found it with very little repair or maintenance over the past five years. Do you anticipate that you're going to be faced with considerable repairs to these 19 . . .

MRS. MARTINSON: Yes, I have cracked windows, and I also have plaster in very bad condition and there's leaning on one side of the building. I'm having an engineer looking into that now.

MR. BILTON: Would you say at this particular stage that there is harmony between you and your tenants?

MRS. MARTINSON: Yes.

MR. BILTON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Bilton. Mr. Craik.

MR. CRAIK: I just wanted to find out the history of increases that you had brought in in '75, what increases did you . . .

MRS. MARTINSON: I raised the rents to the bachelor suites to \$135 with cable, \$10 for parking. The one-bedroom suites to \$165 with \$10 for parking, that includes cable, and the two-bedrooms to \$185 with the same \$10 for parking, cable included.

MR. CRAIK: What percentage increase in '76 would you be looking at in addition to that?

MRS. MARTINSON: At this point I'd be satisfied to leave it at that.

MR. CRAIK: Force it right through '76? What percentage increase does that represent in '75?

MRS. MARTINSON: I don't think I worked that out.

MR. CRAIK: But your bachelors, for instance, were \$90 at one stage.

MRS. MARTINSON: Yes. That really would be . . .

MR. CRAIK: So some of them would have gone up \$40 - \$45?

MRS. MARTINSON: There had been two increases between June and January, like when I took over, and then I gave them a 90-day notice and as of April 1st, these are the increases that would be coming in. I'm not looking at those as being able to keep them because I'm just projecting on what may happen.

MR. CRAIK: When do your leases change?

MRS. MARTINSON: They're on a month-to-month basis. And I might also add that I have been floored at some of the conditions that the apartments are left in. --(Interruption) -- Yes.

MR. CRAIK: You run your own apartment just through a caretaker, I presume you don't . . .

MRS. MARTINSON: Yes.

MR. CRAIK: You don't have a management firm as such?

MRS. MARTINSON: No. No.

MR. CRAIK: How old is your building?

MRS. MARTINSON: It's 14 years old I believe, yes.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well just in terms of the cash flow and the amount that you suggested would be the amount, you have a mortgage payment and I assume it's with a standard mortgage company, are you applying an amount each month towards taxes?

MRS. MARTINSON: An amount each month towards taxes? No.

MR. SPIVAK: You pay the taxes yourself?

MRS. MARTINSON: Yes.

MR. SPIVAK: All right. In terms of your cash flow, you had a rise of taxes from '75, your estimating taxes of \$9,000 for this year, or is that maybe from last year?

MRS. MARTINSON: No. No. I estimated assuming that it went up 17 percent.

MR. SPIVAK: All right. Okay. But you will have in the year 1977 an equivalent amount if not more to pay. In terms of your cash flow by the spring of '77, you'll have pretty well evened up your complete cash flow by the increased taxes that will have to be paid in '77 prior to any increase for the year '77-'78. So in effect, although you suggested that you have a cash flow of some \$3,000 which you claim for living, if you were to pay your taxes on time, and you've already got penalties, which you have but if you were to pay your taxes on time, next year, when the tax bills come out next year, which

(MR. SPIVAK cont'd) will be three months prior to the actual increase in rentals that will be allowed at that time or will take place, the likelihood is that you will have to, unless you have the city finance you, which is what you're doing now, you're going to have to pay out the money directly yourself. So I don't think that the pro forma statement that you have is really an accurate reflection of what your cash flow really will be, and from your own point of view, I think that your position will be one of probably nil, without any question of any additional maintenance and repair. And that doesn't take into consideration any additional basic costs that may arise from utility costs going up that could take place within the next year, because in effect, your catch-up period will be in your leasing on October of 1977 and by that time, you're already behind.

MRS. MARTINSON: I'm still working a great deal in the dark. I've had very little experience and I realize that I could be really running into problems, so . . .

MR. SPIVAK: Can I ask one thing about your mortgage payments. Have you a long term mortgage or short term mortgage?

MRS. MARTINSON: What do you mean?

MR. SPIVAK: Well what interest rate are you paying on your mortgage now?

MRS. MARTINSON: 7 $\frac{1}{2}$ percent.

MR. SPIVAK: When does that mortgage become due, payable?

MRS. MARTINSON: It's completed in '81.

MR. SPIVAK: And you have 7 $\frac{1}{2}$ percent until then?

MRS. MARTINSON: Yes.

MR. SPIVAK: You're very fortunate.

MRS. MARTINSON: I would like to have the equity in it.

MR. CHAIRMAN: One more. Mr. Osland.

MR. OSLAND: Mr. Chairman, through you to Mrs. Martinson, I would just like to compliment you on your brief and that you and the gentleman that preceded you have brought a sense of humannesshere of the problem that exists and that's what we're here to really hear. Thank you.

MR. CHAIRMAN: Is that a question?

MR. OSLAND: No there is no question at all. I just wanted to make a comment.

MRS. MARTINSON: Am I . . .

MR. CHAIRMAN: You're excused. Thank you very much. Mr. Henry Thiessen. Mr. R. Sures. Mr. Michael N. Brousseau. Mr. John Schroeder. Mr. W.S. Robbins. Mr. W. Malcom. Mr. Herbert A. Foster. Mr. Ben Mandell. Mr. Sam Linhart. I don't know, it's either Miss or Mrs. Marjorie W. Muir. Mr. Sidney Silverman.

MR. SILVERMAN: Mr. Chairman, and members of the Committee, I would like to ask for a postponement. I wasn't actually prepared to appear before you today in the face which these briefs were presented to you, which were three, four a morning, and as a result since I was 23 on the list I wasn't prepared to go on today and I haven't brought with me the brief and I would like to have this postponed for the next sitting when I will be able to come all prepared with all the ammunition to present it to you. So with your permission, would you please allow me this courtesy to appear at the next sitting.

MR. CHAIRMAN: Well . . . well

MR. HENDERSON: Mr. Chairman, I think he's making a very good point because we only did do about three briefs a day and the gentleman was number 23 on the list so he'd naturally think that he wouldn't be presenting a brief today. We only got to our sixth brief I think, and I would think even other members that might be called today but are not here that they be given a chance to appear at a later hearing.

MR. CHAIRMAN: Well the process that we're doing, we're going down through the list and I don't think it's very fair to people that are following. I mean I would put you on the bottom of the list to appear.

MR. SILVERMAN: Well if that is your decision, you can put me anywhere you wish but I would ask this board to allow me for the next meeting. All I've been informed there were only seven out of the list and I couldn't possibly think that 14 people would be called this morning and as a result I'm asking to be allowed to appear at the next sitting, if possible.

MR. HENDERSON: Mr. Chairman, then could we have anybody that's called

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(MR. HENDERSON cont'd) have their name go to the bottom and then they would be called again and given one more chance.

MR. CHAIRMAN: That's right. If they're not here, their names go to the bottom of the list. But we're going through this list, so your name would be added at the bottom of the list.

MR. SILVERMAN: Well if that is your decision I would like to thank you for this decision and you'll hear from me at a time when my name will come up again and it will be quite interesting to you people, I have quite a number of facts to present to you. Thank you.

MR. CHAIRMAN: Thank you, Mr. Silverman. Mr. Rubin Spletzer. You're representing Crystal Builders. I believe there are copies of your brief.

MR. SPLETZER: I didn't expect to appear either today, however, a brief submitted by Rubin Spletzer, Crystal Builders, subject to Bill 19 that we have been discussing.

The purpose of this brief is to bring to the attention of the Honourable Members of this Committee some of the major issues facing the owners of rental properties if Bill 19 in its present form becomes law. I, as an owner of apartment buildings, am faced with rapidly rising costs. Hydro costs increased 33 percent in 1975, will increase 28 percent in 1976; taxes increased 28 percent in 1975 and will increase more than 20 percent in 1976; water will increase 50 percent in 1976; insurance increased 25 percent. With increases such as that, a rent increase of only 10 percent over 15 months is economic suicide. It seems that the landlord is being skewered by one level of government and barbequed by the other.

The effect of the increases I have just mentioned is more severe for the owners of newer buildings. New buildings do not show a return the first few years. You gentlemen no doubt are aware of the obvious, however, we ask that you consider the start-up costs involved for example on a new apartment block. During the first approximate eighteen months the owner of an apartment block is met with extremely heavy expenses for advertising as well as the usual utility expenses, caretaking services and so forth while at the same time struggling for a 100 percent occupancy. You will no doubt appreciate that the basic expense involved in servicing ten rented suites is basically the same as that involved in a fully occupied apartment block.

It is respectfully suggested that the same five-year period of exemption be allowed to any multiple family dwelling or apartment complex which became available for occupancy at any time after June 30th, 1972, such that the five-year exemption would run up to June 30th, 1977.

Certain situations will develop which will be extremely unfair to the landlord. For example, the landlord is forced by the Landlord and Tenant Act to renew lease agreements for the same term. This would mean that a two year lease agreement expiring between July 1st, 1975 and September, 1976 would have to be renewed for another two years with only a 10 percent increase in the rent. Many landlords will suffer economic consequences.

By putting forth Bill 19, the Government has acted impulsively, motivated only by the short-run political gains it hopes to achieve. This government has not taken the time to study the effect of rent controls in Europe, Montreal, British Columbia or New York. Roger Starr, Director of the New York Citizens Planning and Housing Council says, "Nothing kills new housing constructions more quickly than rent control. Rent stabilization also discourages anyone from making investments in houses in the New York area. Thus, there is no private construction in New York City."

Bill 19 will hurt most those very same people that the government is trying to help. Dr. Frank Kristof, Chief Housing Economist of New York States' Urban Development Corporation says: "The best way to drive low income groups out of the city is to institute rent control because rent control buildings are being abandoned at an incredible rate and rent control and rent stabilization regulations completely discourage private construction . . . The public sector can't afford to replace the buildings that are no longer being produced by the private sector. Thus, rent control is the worst solution possible."

This government has ignored the many studies that have been made on rent controls. The Natural Resource Institute of the University of Manitoba have prepared a study

(MR. SPLETZER cont'd) on the Problems and Issues of Rent Controls. Their conclusion is and I quote, "Rent controls of the type discussed in this paper (with specified rent increase ceilings) are not an effective response to the problems created by rising rents. Although rent controls do have political appeal, the spin-off effects incurred and the inevitably political problems these entail tip even the political benefit/cost equation heavily to the cost side. Controls have serious negative economic and social consequences, and they are difficult and costly to administer.

We strongly urge this Committee to recommend to the government that Bill 19 in its present form not be proceeded with. Some of the effects this Bill will have on our provincial economy, if unaltered, are very serious and we cite a few:

a) An economical imbalance will result from a 10 percent freeze on rents while government-owned utility corporations for example will be allowed to ever increase the costs of providing their respective services.

b) Protection against increased shelter costs will result to the tenant with an absolute lack of control on costs to homeowners who form a majority of the citizens of our province.

c) Rent controls will provide a means of guaranteeing certain fixed living costs to tenants without, at the same time, providing any guarantees whatsoever to the landlord of a fixed return on his marketable investment.

d) Rental rollbacks should not take place without first having the opportunity of satisfying the Rental Review Board that, with good management, the increases in rents are warranted by increased expenses to the owners of rental property. Without this review, owners of rental properties will be subsidizing tenants' income to the financial detriment of the owner; in essence, highway robbery at the owner's expense and sanctioned by the provincial government.

e) The Rental Review Board must be established and operative the day that rent stabilization is pronounced and all applications, whether by tenant or owner, should and must be heard and adjudicated upon within a short specified time frame.

f) The provisions of proposed Bill 19 clearly indicate that further multiple family shelter accommodation construction will be economically unfeasible with a resulting reduction of employment of trades people, suppliers, manufacturers and distributors supplying the construction industry, which will only further contribute to the present general economic instability of our economy.

It is respectfully suggested that the proposed Bill 19 be carefully considered and, as necessary, amendments be made to provide for an equitable position for both tenant and owner. I herewith submit my brief.

MR. CHAIRMAN: Thank you Mr. Spletzer. There are some questions. Mr. Craik.

MR. CRAIK: Mr. Spletzer, how many units do you own and operate?

MR. SPLETZER: At present, 400.

MR. CRAIK: You seem to emphasize some consideration for those buildings that are less than five years old. Are quite a few of those new buildings?

MR. SPLETZER: Mostly.

MR. CRAIK: What sort of increases have you had over the last couple of years . . . ?

MR. SPLETZER: Well, we had less than ten percent before, and last year we were about 15 percent.

MR. CRAIK: What would you be looking at in 1976 the way things are?

MR. SPLETZER: It looks as if we have another 15 percent by the cost increases that we are faced with, that we have no control over.

MR. CRAIK: Do your rents, your leases expire at a given time?

MR. SPLETZER: Well, basically, yes. We actually rotate our leases. We've found that a specific time would be suicide - to keep to a specific time. There are tenants that like to budget their time and I think we consider this very much.

MR. CRAIK: Yes. So the rollback period would not necessarily hit 100 percent of your leases but would hit part of them?

MR. SPLETZER: Part of it, because by the time you get taxes on everything, and you realize that you're faced with a tremendous increase, you then start trying to

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(MR. SPLETZER cont'd) recover whatever you have already spent, so you're behind in collecting of rent. That's all we're really doing, we're passing through, the money is just passing on.

MR. CRAIK: Would you know offhand, if you added up all those factors that are really the decision of government one way or another, taxes, gas, hydro, sewer, water, those charges, would a ten percent increase cover those costs?

MR. SPLETZER: If you would have been in a good return position, like return on your equity, even that would be too short, would not be enough to provide for the increase, because everything else is going up ten percent, your labor and so on. You have to consider the maintenance of the building is definitely costing you ten percent more than the previous year; then Hydro taking 28 percent tax, we don't know, 20 percent; water 50 percent and so on, you definitely will not be, you couldn't account, you know, ten percent will not be able to. Then the other thing, what we are faced with on some of the apartment blocks, this year we have to re-mortgage it - in October is one, for instance. We were hoping that the interest rate would come down and what we are experiencing right now, it's going up, so it's not $11\frac{1}{2}$ percent, it's 12 percent.

MR. CRAIK: What was your old interest rate?

MR. SPLETZER: 9 1/8.

MR. CRAIK: So you'd be going up probably $2\frac{1}{2}$ percent.

MR. SPLETZER: More than that.

MR. CRAIK: More than that?

MR. SPLETZER: At least 3.

MR. CRAIK: Over $2\frac{1}{2}$ percent to the new interest rate.

MR. SPLETZER: Right.

MR. CRAIK: Somebody else indicated your units probably run you now \$20,000 new construction costs per unit.

MR. SPLETZER: I would say that's an optimistic figure, I would even say it's higher than that, anything right now that you build will be over \$25,000.

MR. CRAIK: So if you apply $2\frac{1}{2}$ percent to that, you're talking about \$500 a year more, probably \$700 a year in additional interest charges per unit if you had a mortgage on the total amount, if you had it, say, fully mortgaged.

MR. SPLETZER: Yes, well, I don't think we probably will fully mortgage that anyway.

MR. CRAIK: So you get caught on one of your buildings with this 5-year expiry date or your term normally now is five years on your mortgages?

MR. SPLETZER: That's right. You don't get any other mortgage than a five-year term.

MR. CRAIK: That's all the questions I have.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Spletzer. In your brief you indicated that if you had a two-year lease agreement expiring prior to July 1st or after July 1st, 1975 that you're committed to provide another two-year lease. I wonder if you could advise us how many of your apartment blocks or suites that you have would you have two year leases with?

MR. SPLETZER: Probably only about ten percent. It's not a major - percentage-wise, not exceeding ten percent.

MR. MINAKER: So that ten percent of your particular leases could be more than one year, they could run two?

MR. SPLETZER: Yes.

MR. MINAKER: Do you think that's a good average of percentage that other developers or apartment owners would have?

MR. SPLETZER: I really couldn't say but I think some owners from previous years thought if you can have a tenant stay for two or three years, you will save on maintenance, but at that time it was stable - cost increases of hydro, very small cost increases. That rapidly changed and has escalated to a point where you can't recover it and you cannot get out of it because of the Landlord and Tenant Act so you have to provide them with the same base lease as what you had before.

MR. MINAKER: Also, Mr. Spletzer, through you, Mr. Chairman, would two

(MR. MINAKER cont'd) years be the maximum lease that you would have in your facilities? Would you even have a longer one than two years?

MR. SPLETZER: No, two years is the maximum.

MR. MINAKER: Thank you very much.

MR. CHAIRMAN: Mr. Toupin.

MR. TOUPIN: Mr. Spletzer, what would be your base rent on a one-bedroom suite and what would it include in regards to additional coverage either for hydro, water, any other included services?

MR. SPLETZER: Well, our base rent now stands, for one-bedroom, at \$198.00. That includes heating, hydro; in some it includes cablevision; we have carpets in the living room, dining room and corridors; we have air-conditioning; in some we have a balcony.

MR. TOUPIN: Mr. Chairman, could I ask . . .

MR. SPLETZER: Oh, parking is included.

MR. TOUPIN: Parking included at \$198.00.

MR. SPLETZER: Yes.

MR. TOUPIN: Could I ask Mr. Spletzer why you say that in some cases certain services, or added services are included and not in others?

MR. SPLETZER: Well there was a time when cablevision became known in Winnipeg, it then was added as an expense which you only paid \$2.35 and we thought that this was an attractive feature to rent under and that was included. Later on we felt that if a tenant needs cable t.v. we can provide that but he can hook it up personally like a telephone.

MR. TOUPIN: Mr. Chairman, the \$198.00 is the rent for 1976. How much was it in 1975?

MR. SPLETZER: In 1975 it was \$180.00. And we find we are running short on that. We had an increase of ten percent but we find over 15 months it's not ten percent, it's basically seven and a half percent, so we'll be short. We had a deficit before, and now we'll be facing more of a deficit. You're behind no matter when. By the time you take the tax, when you calculate ten percent as your tax increase and a hydro increase of ten percent, and then you are surprised with 28 percent and 20 percent, there's no way to recover over a short term. It takes a couple of years.

MR. TOUPIN: Could I ask, Mr. Chairman, if Mr. Spletzer is an owner-operator?

MR. SPLETZER: Owner-operator?

MR. TOUPIN: Owner and operator of your apartment block?

MR. SPLETZER: Yes.

MR. TOUPIN: Thank you.

MR. CHAIRMAN: Any further question. Mr. McKenzie.

MR. MCKENZIE: Mr. Chairman, Mr. Spletzer, in this legislation you suggest on the first and second page you want the five-year exemption included in the legislation. You spell that out.

MR. SPLETZER: Yes.

MR. MCKENZIE: So it will run up to June 1977, then you say we shouldn't proceed with the legislation in its present form. What other things do you want us to hopefully get into the bill?

MR. SPLETZER: Well, I'd like to abandon the whole thing if I possibly can.

MR. MCKENZIE: But we've got it on the desk here and we've got to try and make good legislation if we can. Other than that, I can see your point there, what else would you like us to . . . ?

MR. SPLETZER: I was basically concerned with my company and I have heard since that each one is in a different position or dilemma or has a different problem. We were trying to provide accommodation for people, tenants, and we had new apartment blocks, we did not anticipate increases like 28 percent and 20 percent and we definitely have to look at it as a pass through situation where I have to pass on the cost or else I'll be, you know, have to be bankrupt. I cannot carry on and take out of one pocket and put it in there all the time because that becomes empty after a while. I would strongly suggest that January 1976 should be the date that it should be reviewed, or in October 1976 where then people, like it was suggested before, people that have been maybe increased too much and the tenants are unhappy, can go before the Review Board and have

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(MR. SPLETZER cont'd) the books checked of that landlord or whoever, to see that he is not excessively increasing it but has a pass through and has a return of the mortgage rate or bank rate plus 2 percent or 3 percent. This is really what we have to look into.

MR. McKENZIE: Yes. The ten percent, you feel that each case will have to be dealt with individually?

MR. SPLETZER: Oh, yes.

MR. McKENZIE: That's about all then you think we should incorporate into the bill?

MR. SPLETZER: Well I think there were many suggestions made and each one has to be evaluated and I feel that at its present form it's a suicide to be a landlord. And I cannot support this whatsoever. We have tried our best to keep the increases down and we were surprised year after year over the last two years that the increases we had projected, in fact, were more than double. When you project increases for 1976, in this case we're trying to project increases for 1977 already because your leases go into 1977, so anything that's going to be re-rented or rented goes into 1977, you have to know what to project for. So if you project ten percent, you have another disaster on your hands, so you project 20 percent because this is what has happened the last few years. Now then I have to have an increase of 15 percent in order to be able to meet and pay the bills, and if you don't pay your bills, they turn off the hydro. Now if that's the case, if I have budgeted and then are not allowed more, then I will just not be able to pay the bills and eventually they'll come and turn off the hydro. Now who's going to suffer? All of us will suffer.

MR. McKENZIE: Well then, Mr. Spletzer, if the Review Board then has wide powers and is able to deal with each case on its own merit, then we may come out with not bad legislation.

MR. SPLETZER: Yes. I think the way it was suggested October 1st or October 14th, 1976 and then any problems that, you know, the landlord or the tenant has, whoever feels they cannot live with the bill or legislation then files a complaint with the Review Board, it has to be effective from that day on, and will be reviewed, so you don't run into more difficulties.

MR. McKENZIE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Further questions? Mr. Graham.

MR. GRAHAM: Thank you, Mr. Chairman, through you to Mr. Spletzer. You told me, or you told the committee, Mr. Spletzer, that you had about 400 units in operation. Is that correct?

MR. SPLETZER: Yes.

MR. GRAHAM: Can you indicate how many of those units came onstream in the year 1975.

MR. SPLETZER: In the year 1975, we had a rent-up on two units in 1974 which carried into 1975, but we have not built anything for 1975.

MR. GRAHAM: In the present buildings that you have, what would be the time span from the inception of a program on the drawing boards to the point where you reached 85 percent occupancy? Would that be three years, two years?

MR. SPLETZER: Well, maybe I should go to steps of planning. You purchase a piece of property, you start your land drawings and go to the City of Winnipeg for a building permit and make arrangements for mortgages. That will take at least a year and as it's shaping up right now with the City being unable to provide you with services the way they used to, it probably takes a year and a half, so you're facing an expense already building up for about a year and a half. Then it takes a year to build any kind of a million dollar project, so now you're facing about 2 to 2 1/2 years to the time you're finished actually for this first tenant to move in, and I say you add another 18 months, if not two years to bring it into a workable rental position where you can pay your bills. So all in all you're talking four to five years where you really think you have everything looked after and you now can make your payments and pay your mortgage payments and so on, but in five years you're faced usually with a new, where the last mortgages that we have placed you have to refinance, so you're starting all over again, and now with this bill, definitely will discourage. I build about 300 units per year. This my operation

(MR. SPLETZER cont'd) was geared up to. Last year we started quite a number of blocks which will be completed in 1976. I am not planning for 1977, any.

MR. MCKENZIE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, I've heard a lot of the points that have been made by landlords in the past, but Mr. Spletzer did say earlier I thought that he had no starts in 1975.

MR. SPLETZER: Yes, I had no completions. The question was whether we had completions. I had no completions in '75. I had completions in '74 but the rent up period went into 1975.

MR. TURNBULL: So if you had no completions in '75, you had no starts in '74?

MR. SPLETZER: I had no starts. I had starts in late '73.

MR. TURNBULL: You had no starts in '74, no starts in '75.

MR. SPLETZER: I had starts in '75.

MR. TURNBULL: How many?

MR. SPLETZER: I had 400 starts in '75 which will be completed in '76. We have 400 rental units, 400 under construction right now, some of them are just completed in February and some will be completed by August, September. But I have no plans, I have plans completed but I have not made any arrangements for any starts till I see what this bill is going to do.

MR. TURNBULL: On Page 3, item (d) you talk about rent rollbacks should not take place without first having the opportunity of satisfying the Rent Review Board. I would think that . . .

MR. SPLETZER: That has been outdated, I understand.

MR. TURNBULL: That's all.

MR. CHAIRMAN: Further questions. Mr. Craik.

MR. CRAIK: That last comment you made, Mr. Spletzer, you said that you have no plans for starts in '76 until you see what happens on this legislation. Would it have been your attempt to proceed with starts this year had it not been for this legislation?

MR. SPLETZER: Well, it's not only one factor, there's a few other factors in our economy, you know, first of all, is there a return on your investment. The mortgage situation which I was anticipating at 11 1/2 percent, maybe level off at 10 3/4 or 11 percent, which is not materializing, in fact it's going up. The costs have gone up tremendously. A unit that cost \$12,000 or \$14,000 three or four or five years ago, cost 25 at the minimum, the same unit cost 25 to build right now, plus now the Landlord Tenant Act came in and there were some changes made, that's been in existence for some time and we're starting to live with it because there were some changes made. Now Bill 19 which is really, you know, a further stumbling block and I say with all these disadvantages why should I go in and have more problems, and everybody telling me what to do and what not to do and subsidizing and losing money because I have here right now, apartment block in one year, we have a net loss of \$32,000. And if I can't recover that through rent increase - and this was the first year in full operation - but with the vacancy we had and tax increases that we didn't dream of and hydro increases that we didn't think of as high, we have a net loss on a new block of \$32,000. I cannot carry this in the future.

MR. CRAIK: I gather that you haven't any reservations about making all your books available to a Review Board.

MR. SPLETZER: Oh any time. Any time.

MR. CRAIK: One further question. Have you looked at limited dividend housing?

MR. SPLETZER: The present ones that we are right now constructing is under limited dividend.

MR. CRAIK: Doesn't that ease your situation though, you're guaranteed a return by CMHC in that case aren't you?

MR. SPLETZER: Yes, you have a guaranteed return but you don't . . . they were just as much surprised of the increases by hydro, by taxes, by water, by all utilities as we were, when at one time they projected with us and when we asked for 15 percent they said no, it's going to be ten percent. We settled at ten percent and then we're faced with 20 percent, so it did not ease our cash flow situation, as a matter of fact,

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(MR. SPLETZER cont'd) some of the blocks when we broke even we were pretty lucky. Even under Section 15 this is what

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Spletzer. Staying on the subject of limited dividend housing, could you advise the committee, have you in the past year, or the ones that you are presently renting out, reached the objective of the proposed limited dividend? Are some of them paying the expected dividend or what is the situation? Because if I understood you correctly in the answer to Mr. Craik that you weren't getting the expected dividend return that you thought you would, because I think there is a general thinking by, I know myself as a member of the committee that in most limited dividend accommodations that the property owners are getting their return and is being guaranteed, but now you answer back that this is not the case.

MR. SPLETZER: No, you work together with CMHC in this case and basically it's a rent control. Where you establish in 1975, September, October, you project 1976 costs based on your agreement with them with a ten percent of 12 percent return on your investment, and you establish or project a cost that you have to collect rent in order to meet the cost. The last two years especially the increases were such that nobody could project them. You couldn't project them because of the previous record that you had where there were only five percent increases on taxes or hydro or something like that, even less than that, then you're going into 20 percent increases. Nobody wanted to believe that, nobody was going to accept that. CMHC wasn't going to accept that, definitely, so you figured, well, okay, maybe I'm wrong, maybe CMHC is right, we will settle at ten percent. That was projected in September, let's say '74. Now '75, you receive a tax bill, and when we receive the tax bill it's in May or June. We then find out it's 20 percent. Now we're behind. We have to catch up. Now added to that is your rent up time, where you're actually faced with the Landlord Tenant Act, because you received the tax bill that you cannot increase your rent any time you wish to. So you're faced with that problem. So you're staying behind. Now for 1976 it was projected we may be having 18 percent hydro increase because at one time the Premier said that it will not be more than 20 percent, and that was only a year ago. Now we find out it's 28 percent . . .

MR. MINAKER: We heard him say that quite often as a matter of fact.

MR. SPLETZER: Right. Well, we call it and I have documents that we can go back on. Now it's 28 percent. Now there's not only 28 percent as we had mentioned that it was 20 percent the previous year, the calculation has changed; at one time hydro calculated a kilowatt at a certain rate, now they changed the kilowatt to the individual rate at the higher rate, so in fact it's not 20 percent increase, it's something like 33 percent increase. So this question of increase in 1976 of 28 percent that was announced, and I have documents here that say the 1976 increases will be 28 percent, I question that because I haven't received the cost after one year of operation, it could very well be 40 percent for all I know. So how can you project anything?

MR. MINAKER: Through you, Mr. Chairman, to Mr. Spletzer then. With all these additional costs that were unexpected, what kind of return are you getting on your investment with the limited dividend housing?

MR. SPLETZER: Well, limited dividend, eventually I will get my ten percent as guaranteed by our agreement.

MR. MINAKER: But in the past couple of years experience what in actual fact have you been getting?

MR. SPLETZER: Well on some it was ten percent and others it was just hopefully to break even.

MR. MINAKER: But in the comparison of the two or three or four hundred units would you say you're getting an average of five percent return . . . ?

MR. SPLETZER: Well I have only two projects on L.D., the others are private and

MR. MINAKER: But it looks like you're getting your break-even point on one unit and possibly ten percent on the other.

MR. SPLETZER: But there's a catch-up time hopefully that they will realize and if you run into deficit that can be applied for the next year to recover. There's a recovery clause in there as well.

MR. MINAKER: Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Your L.D. project, your one now, will not be affected by the rent controls, your main problem is to get increases justified to CMHC?

MR. SPLETZER: That's right. I think CMHC at this time is not surprised anymore by any increases suggested by the landlord or so on. They're taking a very level-headed look at it and saying well yes, it could be 28 percent again.

MR. CRAIK: So we're going to have two sets of standards here, a set of standards where CMHC is not involved, like in L.D. housing, and a set of standards controlled by the provincial legislation, basically you're going to have two types of things happening in the rental market, those that have no control on them because they're under limited dividend programs . . .

MR. SPLETZER: Well, they're all under control.

MR. CRAIK: . . . And where in fact limited dividend becomes a misnomer, because the rent will be maximum dividend in comparison to what's happening under the provincial legislation.

MR. SPLETZER: I think what we're doing with all the legislation is we're wiping out the interest in providing accommodation.

MR. CRAIK: So that unless some sort of program is mounted by the provincial government, the full weight of future development's going to fall on such as the limited dividend program under CMHC.

MR. SPLETZER: It's not available.

MR. CRAIK: And there's no money available under . . .

MR. SPLETZER: No money available. Section 15 has been abandoned, it's not there anymore. There is ARP program, which means Assistant Rental Program.

MR. CRAIK: There is a program similar to it that loans you the money and makes it recallable at a certain point in time.

MR. SPLETZER: That's right. Now can you imagine that. If anybody goes in there he must be . . . he's providing his own rope to hang himself after a few years.

MR. CRAIK: This is a pretty key factor then the abandonment of the L.D. program?

MR. SPLETZER: That's right. That has become obsolete.

MR. CRAIK: Was it non-existent and this other watered down version of it, that just happened in '76 too, hasn't it?

MR. SPLETZER: That's right, as of January 1st, 1976 you can get an Assistant Rent Program loan that you have to pay back. The setup is that the cost at this time is so high that no one could pay the rent on the investment of a unit. A unit costs \$25,000. If you build a unit at \$25,000, pay hydro, pay taxes, as they are going right now and what they are at \$600 per unit or \$550 per unit of taxes, which is expenses nobody can dream of, you need \$350, \$400 for a one-bedroom suite to pay for all the taxes and costs plus your mortgage, and maybe with a ten percent return on your investment. Now the federal government said we will help you, we will assist you, we will give you another loan that's sort of second financing. It will be interest free for ten years whatever it needs, they will check it, each year you have to provide documents and give all the facts about it. And if you go into that program and it becomes that you don't need anymore assistance, or loan, it's not assistance at all really, you again start paying back. Now I can't, for one, see that this will work.

MR. CRAIK: Would the LD program as it existed prior to January 1st, if it was in existence still would it ease the problem that we're facing now with the cut-off of private development?

MR. SPLETZER: Providing that we don't have to face another government to deal with and provide them with documents of what our increase is and so on, I believe there could be some interest in Section 15, yes. If it would be available.

MR. CRAIK: Thanks very much.

MR. CHAIRMAN: Mr. McKenzie.

MR. MCKENZIE: Mr. Chairman, Mr. Spletzer, would you support the concept that this legislation be terminated when the federal guidelines are phased out as well?

MR. SPLETZER: Oh definitely.

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MR. MCKENZIE: That's all, Mr. Chairman.

MR. CHAIRMAN: Is that all? Thank you, Mr. Spletzer.

MR. SPLETZER: Thank you very much.

MR. CHAIRMAN: Is there anyone here representing Bayview Homes Limited?

Mr. and Mrs. Michael Furby. Mr. Sekundiak.

MR. SEKUNDIAK: Mr. Chairman, Honourable Minister, Committee Members, I would like to present this Brief, on my behalf, to inform you as to the problems I'm faced with as a landlord if Bill 19 is passed in its present form.

I recognize the fact that the government is trying to do something about inflationary economy. At one time I was extremely proud to be a landlord and strongly motivated in improving my property and keeping my tenants satisfied. I feel my rights as a landlord have been eroded and the tenants have more protection than the landlord. The government seems concerned about the low income and elderly people. I, too, have compassion towards these people since 75 percent of my tenants are senior citizens. They have been with me for several years. In the past years I kept my increases but this happens to be and has proven to be poor management, but yet if I increase my rents in accordance with Bill 19, I will not be able to recover the costs of operation.

I fail to see why July 1st, 1975 was picked in accordance with Section 13 as a retroactive date for rollbacks in rent when rental incomes and statements are usually prepared on a yearly basis, from January 1st to December 31st of every fiscal year. In accordance to this Section 13, going back to July 1st, 1975 plus 3 months notice of increase in rent as is Subsection 116 part 1 of the Landlord Tenant Act, brings me back to April 1, 1975. From April 1, 1975 to October 1, 1976 gives you 18 months. In this period I am faced with two realty tax bills, one in May 1975 and another in May 1976, which is supposed to take another hefty increase. We are always a year behind increasing rents but my taxes have to be paid ahead of time plus all the utilities and unforeseen costs. But the rollbacks in rent have to go back in my case 18 months, yet all the utilities can go up 50 percent with only two weeks notice. An amendment should be made to have the Review Board hear the cases of a registered complaint first before the rollbacks are carried out and judge increases on a yearly basis, retroactive to January 1st of every year. This would give the Board a true picture and avoid a lot of confusion.

Mr. Chairman, let me emphasize that all I am asking for is a fair return on my investment, the real villain in most cases is not the landlord, it's the rising costs of operation. If I cannot get a fair return on my investments, the value on my property will increase immensely.

I have been informed by an insurance broker that my insurance will be terminated before the expiry date as of July 1, 1976. I certainly hope this is not an indication that I'm a poor risk as an apartment owner.

I have a suggestion I feel is reasonable and can be applied in the review of rents when legitimate complaints are registered by tenants. It can be based on a statement as prepared by accountants for income tax purposes. At the end of each year, taking your total rental income, subtracting the total operation expenses which gives you the balance of operating income. Now basing it on the going rates of mortgages or any other fair return, for example which may be ten percent, a fair appraisal value of your investment property. If this figure is below the operating income of the landlord, should be their fair increase. If this figure is above the figure, the rollback should be made. Now what I'm referring to if your cost of operation you take the ten percent off your fair investment, if it's over and above the ten percent, rollbacks should be made. If it is below, I feel the landlord should be entitled to increase his rents to that figure.

In conclusion, I hope the Amendment Committee would see fit to make changes to Bill 19 what could be a reasonable piece of legislation to both the landlord and tenant. Thank you very much.

MR. CHAIRMAN: Thank you Mr. Sekundiak. There may be some questions some of the members have. Mr. Minaker.

MR. MINAKER: Mr. Sekundiak, you indicated that 75 percent of your tenants were senior citizens. Is there a big turnover in your leases or are they long time residents?

MR. SEKUNDIAK: They're long time residents, most of them are elderly ladies,

(MR. SEKUNDIAK cont'd) young working couples - the 25 percent what I'm referring to - and they have been with me for quite a few years and I am not on leases. I don't believe in leases because if a tenant is not satisfied, he should feel free to move.

MR. MINAKER: I see. And what kind of increases have you had in your rent to your tenants in the past two years?

MR. SEKUNDIAK: In '74 they were \$124; as of July 1, 1975, they went up to \$135; March 1st, I was forced to increase it to \$150.

MR. MINAKER: And these would be one-bedroom suites?

MR. SEKUNDIAK: One-bedroom suites, right.

MR. MINAKER: Do they also include - I guess if they were mostly senior citizens they wouldn't necessarily need parking as such.

MR. SEKUNDIAK: Parking is extra, I was charging \$5.00 for parking but you don't see that any more, in fact, they could use up more power for car warmers and block heaters.

MR. MINAKER: Mr. Chairman, through you to Mr. Sekundiak. In your suggestion that someone strike a fair investment value of your property, and then after you have taken into account your rental income and subtracted your operating expenses, that you compare the balance left to the investment value to see if it's in the order of ten percent. Would you consider that a fair return?

MR. SEKUNDIAK: To me it would be. Possibly to other people it wouldn't. It should be up to the Amendment Committee to set a fair rate.

MR. MINAKER: Also would you consider in your operating costs the mortgage payments or would they be separate?

MR. SEKUNDIAK: They would be separate.

MR. MINAKER: The interest charges, would they be separate too?

MR. SEKUNDIAK: Basing it on a fair investment you cannot include your interest rate. Because you'd basically include your fair - subtracting your expenses. Now say there's accounting, advertising, caretaking, fuel, insurance, maintains power and lights. In my case, I don't even have a management because I operate it as a family operation.

MR. MINAKER: So that the interest charges on mortgage payments would be subtracted as part of the operating costs.

MR. SEKUNDIAK: No, not in this case. Because what you do, you take your fair appraisal value of your property, you subtract your basic expenses, then say in the ten percent that would be - and if you got a fair return of ten percent or the going rate of your interest rate, this would be included in your operating income.

MR. MINAKER: Right. So if we use as an example - say the fair market value arbitrarily is a million dollars and your operating expenses, not including any mortgage payments or any interest charges came to \$900,000, you're left with \$100,000.

MR. SEKUNDIAK: Right.

MR. MINAKER: That would be a fair return and then out of that would be taken the interest charges and so forth.

MR. SEKUNDIAK: Exactly.

MR. MINAKER: Thank you very much.

MR. CHAIRMAN: Mr. Toupin.

MR. TOUPIN: Mr. Chairman, through you to Mr. Sekundiak. You operate an apartment block of how many suites and you indicated that you received notice of termination by an insurance company that's insuring your block . . .

MR. SEKUNDIAK: Right.

MR. TOUPIN: . . . no reasons stated.

MR. SEKUNDIAK: I tried to find out what the reasoning was and they didn't give me any satisfactory answer. My insurance expires in 1977 and as of July 1st, 1976, apparently it's terminated. Also I'm faced with refinancing as of October, 1976.

MR. TOUPIN: How many suites do you own and operate?

MR. SEKUNDIAK: I have one unit that's 17 and I purchased another unit that's six. Twenty-three units all told.

MR. CHAIRMAN: Mr. Henderson.

MR. HENDERSON: Yes. Mr. Sekundiak, I noticed you said something that was a little bit different from anybody else. You said you didn't have leases.

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MR. SEKUNDIAK: No.

MR. HENDERSON: That you thought if a tenant wanted to move he should do it.

MR. SEKUNDIAK: Right.

ME. HENDERSON: Well surely when a tenant goes in you have an agreement of some sort. You just mean you don't write it out. But you do have an agreement.

MR. SEKUNDIAK: Just a verbal agreement.

MR. HENDERSON: You have a verbal where you state that he has to give you at least one full month's notice and this sort of . . .

MR. SEKUNDIAK: Exactly.

MR. HENDERSON: You probably find that leases, occasionally you have them work to your disadvantage because if they want to go they go anyway. Is this . . .?

MR. SEKUNDIAK: Exactly. If they create enough problems for you, you are sort of forced to let them go.

MR. HENDERSON: Yes, it's not whether you're forced to let them go or not. If they want to go they go and you can't find them and you can't get rent. The agreement really turns out to be binding on you when you have a poor tenant and not on them.

MR. SEKUNDIAK: Right.

MR. HENDERSON: I understand that I think.

I was just thinking about your apartment and this fire insurance policy that you had cancelled. Have you not had any - I know the question was asked but this really seems puzzling to me because I can't see how they would notify you it would be cancelled without really giving you some reason.

MR. SEKUNDIAK: Well it's my intention to go down to their office and find out as to why and have them give me the reason for it.

MR. HENDERSON: You've bought more apartments. You must feel that it's been a good investment in some ways. Are you looking at it as a good investment because of capital gain only I presume?

MR. SEKUNDIAK: No, I was sort of forced into it. I had a unit in Fort Rouge and not knowing, you know, what the laws and rules were I was trying to get out of it and I was forced right back into it because I was forced to recapture the depreciation. What I was going to give out in recapturing the depreciation I more or less put as a down-payment on the other unit and just see what lies in store for me. Right now it doesn't look too bright. I was more or less compelled back into it.

MR. HENDERSON: Thank you.

MR. CHAIRMAN: Thank you, Mr. Sekundiak. There are no further questions? Thank you very much.

MR. SEKUNDIAK: Thank you.

MR. CHAIRMAN: Professor Edith Nickel.

MR. HENDERSON: Could I have Mr. Sekundiak back just to ask one more question that I forgot. When you go ahead with your verbal leases that you do with people, do you get a deposit?

MR. SEKUNDIAK: Yes.

MR. HENDERSON: Thank you.

MR. SEKUNDIAK: In fact we're supposed to take a half month's rent. Normally I just take \$50.00 as a sort of a token more than anything else.

MR. HENDERSON: You're a rare . . .

MR. SEKUNDIAK: I am, believe me. And right now I'm getting hurt, believe me, because --(Interjection)-- That's right. In fact a lot of the elderly ladies, I tried to keep their rents down because they were good tenants. Now I was more or less forced to equalize all the rents as of 1975 because according to the books - and I have the statement from the accountant right here - I wasn't making any money on it. So as I say, you sort of forget about your compassion and you try to run it as a business.

MR. CHAIRMAN: Mr. Osland.

MR. OSLAND: Mr. Chairman, through you to Mr. Sekundiak. Just two questions. One: what percentage of your units are new and what would you say is the percentage of bad tenants that you would have had?

MR. SEKUNDIAK: Well both apartments are between 18 and 20 years old. They're older blocks.

(MR. SEKUNDIAK cont'd)

As far as bad tenants, as I say 75 percent usually stay. You get that 25 percent where they sort of just can't settle down and every so often you get an elderly lady and they stay until they're forced to go into a nursing home. As far as bad tenants go you get one every so often. What the percentage would be I don't know. But they're the ones that are costing us money though.

MR. OSLAND: Thank you.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, to Mr. Sekundiak. We're trying to sort out what proportion of increased rents are due to and it's different in every case. In your case if you were guaranteed that there wasn't going to be any increase in taxes or hydro or gas or water or those other services that come from a utility, whether it's government or gas company or whatever it is, if you were guaranteed that those services to your building were not going to increase, how much increase in rent would you have to impose?

MR. SEKUNDIAK: In the future?

MR. CRAIK: Yes, in the future.

MR. SEKUNDIAK: Really you cannot say. Because I think basically that most investors or small landlords like myself, all we want is a fair return. Now when I say ten percent what I am referring to is ten percent or the going mortgage rates. This should be a maximum. Now if somebody wants to operate on a five percent return that should be their business, that should be their right, that should be their privilege, if they want to. It's poor business but previously I wasn't showing ten percent.

MR. CRAIK: If you carried on the way you were and even take it back a year or two years and say that those things, your taxes had remained steady, which are set by government; your gas is set by the gas company and utility board and your hydro set by a Crown corporation and so on, if those remain flat, what would have happened to your rents in the last two years and next year.

MR. SEKUNDIAK: They would have been stabilized.

MR. CRAIK: No rent increase.

MR. SEKUNDIAK: No rent increase because I was taking a percentage of my costs and, as the previous gentleman that submitted his brief, usually I increased my rents, if I had to, around June, July. Now for 1976 I figured I was going to be real wise and I was going to increase them in February or March. Now I'm hitting this 15-month period of two increases but actually I'm a year behind. I'm a year behind with all my rentals because I'm trying to play catch-up. This is where the problem is created.

MR. CRAIK: What you're saying is basically in your case that you run your own block and do your own caretaking presumably and other things and do most of the things yourself and also some of your repairs. You're a case where we might be able to tie this down. That's why I'm asking you what is the impact of the utility increases and tax increases itself. You're saying here that you're needing somewhere in the order of ten to 15 percent just to cover those.

MR. SEKUNDIAK: Exactly. Basically this is where the problems are. I think everybody wants to get a fair return but where most of your problems are coming in now is with your utilities, with your increase in taxes and also your mortgage rates. As I say this fall I have to refinance and I'll be faced - presently my mortgage rate is $9\frac{1}{4}$. Now I've been sort of shopping around and it's up to 11-3/4, 12 percent.

MR. CRAIK: Your term is up then on your mortgage.

MR. SEKUNDIAK: Exactly.

MR. CRAIK: So you've got to accommodate that as well.

MR. SEKUNDIAK: Exactly.

MR. CRAIK: So that would add something, another factor in addition to your utilities, which would be a fairly important one too.

MR. SEKUNDIAK: But if things could be stabilized as far as the cost factors are concerned, I think basically you'd see very minute increases in rents.

MR. CRAIK: There seems to be a rough rule of thumb that is used by some people that it takes three months of rent to pay for taxes. Is that roughly what yours is?

MR. SEKUNDIAK: I really haven't sat down and figured it out.

MR. CRAIK: Three months out of the year, out of 12.

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MR. SEKUNDIAK: Yes, it would be approximately that.

MR. CRAIK: That's all I have to say.

MR. CHAIRMAN: Thank you, Mr. Sekundiak. Professor Edith Nickel. Mr. Joe Sipos.

MR. JOE SIPOS: Mr. Chairman, I'm not prepared for today's meeting because I didn't figure so many people would be missing.

MR. CHAIRMAN: All right. I'll put you at the bottom of the list then.

MR. JOE SIPOS: Would you please. Thanks very much.

MR. CHAIRMAN: Mr. R. J. LeClare. Mr. R. J. LeClare. Mr. A. J. Springman.

MR. A. J. SPRINGMAN: Mr. Chairman, Honourable Ministers and the Committee.

I have a very short brief, in fact I've got no brief. All I'm going to read to you is some statements on a 42-suite apartment block that I opened in March. Let me get the right one here.

Opened March 1, 1971 to December 31st, 1971. Rental income as we were going along to get it filled was \$48,666.50. Expenses for that term was \$39,503.24. Now to get this thing rolling and the extra costs that we had through that period it brought the total of expenses on this building - and I will say that I did take depreciation on it of \$16,000 - it came to \$74,152.64 which left me a nice little deficit of about 25 grand. For an individual that sold his business and invested in an apartment block for a pension, I am a pensioner, it was pretty rough.

Now 1972 was a full year. The income for this block was \$70,642.40. The expenses, naturally all those increases, \$59,583.11. I took depreciation on it too, on the equipment and all. I had a total loss in 1972 of \$9,874.24. Now these are audited statements that I paid income tax on.

I couldn't find 1973 so I have to jump that one. In 1974 my income rose to \$73,000 from \$70,000 the year before because I raised a little rent. But my expenses for that year were \$63,735.86. After taking depreciation of \$13,936 I had a loss that year of \$6,261.71.

I just pulled off the 1975 statement which really upset me. Of course it's not, as Mr. Green mentioned, that he could be embarrassed because he's a poor businessman I noticed in the paper, otherwise not. So I'm saying the same thing too. I could be embarrassed because I'm a poor businessman. In 1975 my income was \$79,780.84. My expenses for this last year was \$75,000. Taxes have gone up something just crazy, \$582.77. I took depreciation again \$13,239.70 which had a nice little cost leaving me with a \$12,233.50 loss which I don't know where I'm going to get it from to carry on. --(Interjection)-- Well that might be so. I haven't in my lifetime, I'm 69 or 70 years old, ever taken a dollar from any government except my old age pension which is \$132.00 and some odd cents. --(Interjection)-- Yes.

Now what I'm trying to bring out to the board here is this. I opened this block up with \$135.00 for one-bedroom suites including heat, light, carpet throughout, cablevision and air conditioning and drapes. All they had to do is bring their furniture in and a telephone that they had to pay for. \$135.00 and \$155.00. This was in 1971. We didn't realize that all these utilities were going to go crazy like they did. So we picked up \$5.00 a year and today's rents that we're getting - I have it right in front of me here and I think that there's a copy over there, I'm sorry I didn't make a lot of them - one-bedrooms we're getting \$155.00 which we only raised \$15.00 in about four years or something. We're getting \$175.00 for a two-bedroom suite. So we've increased that by \$20.00.

Now our dates of leases are all mixed up. They start from, oh I don't know, March to September maybe. They're a great big mixture. I like it that way because then I don't have a lot of them coming due at one time in case somebody decides to move, which they do anyway. When they move by the way they leave all the garbage behind like smashed doors, bashing up bathrooms, chipping out tubs. When you go to collect your deposit and you say: here, we've taken off - the plumber cost me \$25.00 and this cost... You give him a list and you say you've got \$20.00 coming from your deposit or maybe nothing, maybe you're out. They go to the Rental Board and they dispute it. I've had a few of those and the Rentalsman says, you send me the \$75.00 and we'll take care of it which I have done of course and I never got a dime out of it. All I got out of it was a

(MR. SPRINGMAN cont'd) chipped tub, a chipped sink, a smashed in door, like a hole in it like a head went through or a fist which cost me something like \$25.00 or \$30.00 to replace. The whole door. This is what I've been going through.

Now I'm not going to make a long speech about this. This is real facts. If anyone wants to see my books they're here to look at. I look at this Free Press ad a few weeks ago, this makes me shiver. Twenty percent hydro; 31 percent gas - which I don't have in that particular one - city taxes 15 or 20 percent; water 50 percent. Everybody uses water in the block like it's, you know, like the tap is open all the time. Every room that you walk into has got lights on if you need them or not. The sun shines in the window, the lights are all on anyway because they never close them off. Except during the night maybe when they go to sleep and then I doubt that too because I'm not there.

I've been a pretty good landlord, I'd say, because I have had a few letters come to my office from the people that have moved out, you know, that moved away to Toronto or B.C. or some place. I get letters from them saying that they appreciate everything I did for them and it was very nice living - I could have brought those letters by the way if you wanted them - living in your Lady Sarah Apartments. So I think I'm a pretty good landlord but I think I'm a bit stupid too, because I've been too good a landlord and I just can't afford to take these beatings.

Now according to my list over here and the way this Bill 19 is written today - except that I think the Minister has adjusted the date I think --(Interjection)-- beg pardon? Not yet. I'm looking for a rollback; I'm going to have to have a rollback. Well, if I have a rollback I don't know where I'm going to get the money from, you know, to pay it back. --(Interjection)-- A rollover.

So here's a whole lifetime of an investment. Now I was in the grocery business, saved a few bucks, sold it, and I was lucky by the way to be able to sell it as most people tell me. I turned around and bought this piece of land and I held it for two years because I couldn't get a half decent rate of interest. Finally I got tired paying taxes on the land and I decided to go ahead at $10\frac{1}{4}$. Very good. I built this block. Fact of the matter is I subcontracted myself because I was retired and I didn't have anything else to do and I knew something about this business.

January 1, 1976, I got a nice little letter from - should I mention the people that have the mortgage, or shouldn't I? Doesn't matter. Credit Foncier. Doesn't matter anyway. "We are increasing your mortgage two percent. In case you have other ideas" - I just forgot how they worded it - "we'd appreciate to know if we should send you out a form for you to sign. It'll be $12\frac{1}{4}$." Which increased my costs to that particular building which is \$300,000 that's left on it of \$6,000, just in new interest alone. This is nothing to do with the losses that we had in 1975. Let me read you a small little statement that my auditor just gave me; a quick one which I asked for.

This is from January, February, March. Rental that I picked up there was \$20,709.00. Expenses \$18,844.64. That's heat and what goes in there. A lot of people have already said it, there's no use me repeating the whole thing again. Rental fees, \$1,035.00. Insurance increased, just for the 3 months alone, that's what kind of a jump it was, \$218.00. I used to insure that thing for 500 and some odd bucks now I don't know what it's going to be. It's \$218.00 for 3 months. If somebody's got a quick machine down there, you can tell me. Mortgage Interest increase for the 3 months, just the increase, \$588.00. That's the two percent I'm telling you about. Now my expenses is \$20,685.64. In other words I come up with \$23.36 for the three months. This is an audited statement from my accountant which is Rubin and Rubin. Anybody wants to check it is quite welcome.

Now I won't tell you that I took depreciation in the 3 months, it doesn't make sense anyway because it doesn't mean anything. A gentleman just told you the reason he's in the block business, he sold one and his depreciation was going to kill him so he went to work and bought another one. So that really ruined him. Now he's in real trouble. That business don't work because you can't beat the government nohow, no matter which one. Because if you sell one you have to pay the pick-up, you either throw it into another one and then you really get clipped under Bill 19.

Now I haven't too much else to say except that if somebody wants to pass this thing along - I'm sorry I didn't make more copies. I don't have a machine and I guess

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(MR. SPRINGMAN cont'd) my auditor he's either too tight or didn't have time, I don't know which it was. I think he didn't have time because I got him to do it pretty fast. --(Interjection)-- Beg pardon?

MR. BILTON: Everything you have said is being recorded.

MR. SPRINGMAN: Oh well that's good. I don't think I have anything else to say. All I know is that I just can't carry on like this unless I get an increase.

A MEMBER: That was very good what you said.

MR. SPRINGMAN: Incidentally, gentlemen, I'm going to tell you what I did. I decided to be a bad guy because you know . . . Wait. First I have to tell you that at one time I was a manager of a baseball team in Lac du Bonnet. I was told by a lot of people that good guys never win any ball games. I think that's true. I decided not to be a good guy any more because we don't get too many thanks for being good guys. I think all our landlords that build accommodation for tenants are doing a big favor to two things, to two peoples. One is the government, for shelter to shelter their population properly and all they're looking for is a fair return on their investment. Incidentally I invested in this block \$150,000 and I expect to get \$15,000 so I can eat and I don't eat very much because one meal in a half a day is about all I need.

So there isn't too much more I can tell you. Oh I was going to tell you what I did but I forgot. Just one minute. Changing my character from a good guy to a bad guy I increased my rents to \$220.00 and \$197.00 for one-bedrooms. That gives me a total - I've added it up here - gives me a total of \$84,690.00 projected for 1976. You know I won't have them all rented at that because the dates are all mixed up here. If this works out according to my 1975 one I'm just going to barely break even. That's providing the power doesn't go up and the taxes don't go up and a few other things don't go up. I've projected this and this is still not enough.

Now everybody knows, that's sitting in this room, that a man's entitled to something on his investment and besides there's a lot of headaches in this deal, in this business. You get phone calls at any time of the night, good ones or bad ones. Caretakers get a leak in the roof of a brand new block. Spent \$800 last year. I don't know why there's no guarantees to them. Last week he phones me the roof is leaking again. What are you going to do? All you can do is fix it. My bank manager has gone out on a limb for me.

So I don't know how you're going to draw this agreement but what I'm asking right now is that whatever you do just make sure that you keep the landlords in business and don't destroy them. Because if you do you're going to have a lot of bankruptcies and the only people that are going to own these blocks are the insurance companies. Thank you very much.

MR. CHAIRMAN: Thank you, Mr. Springman. Mr. Wilson had a question.

MR. WILSON: . . . concern, and I certainly applaud his presentation. I wondered if he might consider delving into or possibly making available to certainly myself the problems he's having with the tenants pertaining to damage and non-payment. If you were a good businessman, would you not pass these on to the stable tenants? In other words, would you not pass your losses from damage and from non-payment on to the stable tenants?

MR. SPRINGMAN: I just got through saying that we are a bunch of do-gooders. The landlords - I'm talking about the small ones. I can't speak for the large corporations because I don't know nothing about them, but for the small ones we just can't pass on any damage to the next guy, it's not fair. We have to take the rap ourselves. I have to give you a little example. Alongside of the caretaker's suite, there was a man and wife moved in and they looked very very good. We're pretty choosey too, by the way, we think we are. All of a sudden, there was a split up there. The wife moved out and she took some of the furniture with her. We didn't know what was going on. And this man moved to Killarney, we found out through the Mounties . . .

A MEMBER: They got their man.

MR. SPRINGMAN: No, we didn't get him. We knew he went there. He left the suite during the night, and he had a bit of furniture left because she took most of it, and we didn't get a month's rent which was \$135.00. This goes back a few years. Imagine a brand new block that I treasure so much because we keep it right up to snuff. It was

(MR. SPRINGMAN cont'd) practically new when he went in there, and when we went after he moved out, we went through there with a pass key and took a look to see what happened down there, he'd made one dickens of a mess of that suite. Now we can't charge that, you know, to the neighbors on both sides, that wouldn't be fair. We just had to take the rap. Now I did have \$65, a deposit which he didn't even claim or bother to go to the Board or nothing. I wrote this man in Killarney, I knew he was working down there for some company, but I never got an answer to this day. The Mounties tell me that he is there but he doesn't answer.

MR. WILSON: Mr. Springman, when you have this damage deposit and the Rentalsman asks you to send it in to them, has your experience been a happy one or an unhappy one.

MR. SPRINGMAN: Very unhappy one. Incidentally, I didn't understand the thing first too well. So what did I do? I made up a statement and there was \$20 coming and 70 cents to this particular tenant, so I wrote a cheque and I put it with the statement and mailed it to him in the right time with seven days like it's supposed to be. So this guy was a lot smarter than I was. He cashed the \$20.70 cheque, you see, and then he went to the Rentals Board and the Rentals Board asked me to send him the \$75 so I got beat for the whole thing. It cost me \$95 instead of . . . on that particular one, and that's no joke. It's a nice joke for you guys to laugh but it wasn't a very . . . not that the \$75 or \$95 bothered me at that time so much because my costs were crazy anyway, but it's the way this thing was done. You know, I thought I was doing the right thing but I found out later that it was wrong, so now I do it different. I make up a statement, I send one copy to the tenant and I say, you sign this if you're satisfied with the deductions that I took for cleaning carpets and walls and etc. etc., and when they mail it back to me and sign it that they're satisfied, then I send them the difference if they have any coming.

MR. WILSON: Well my point, Mr. Springman, you've answered most of it except that, what are you landlords going to do if you're unsatisfied that the present setup with the Rentalsman pertaining to deposits is not satisfactory, what do you envision happening?

MR. SPRINGMAN: Well I'll tell you the truth about the matter. I can't speak for anybody else but I've learned my lesson and I do it according to the law of the Rentalsman book. Like I told you, I send them a statement and if they don't, then I would have to send it to the Rentalsman, the cheque, but I haven't had to do it after that one time. What other ones are doing I don't know. I think other people are in real trouble.

MR. WILSON: Well what do you recommend to your colleagues that they should do if they're not happy with the decisions of the Rentalsman pertaining to damage deposits?

MR. SPRINGMAN: Well I think they can go to the Board, I believe, I haven't been bothered with it because I didn't go after this guy that run away from me either, so I . . .

MR. WILSON: Once bitten, twice shy.

MR. SPRINGMAN: Well yes, this is it. So I'm kind of cautious now.

MR. WILSON: Fine, Mr. Speaker.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Springman, on your expenses for '74, what were your taxes?

MR. SPRINGMAN: '74? \$18,000 I think.

MR. SPIVAK: What were your taxes in '75?

MR. SPRINGMAN: I'll give it to you right now. \$18,152.84 in '75.

MR. SPIVAK: And '74?

MR. SPRINGMAN: 1974 - \$14,688.31. Now as I said, I couldn't find '73's so we'll jump to '72 - \$10,131.63. Now there was a partial tax bill in when I built it because it started in March, so I had a tax bill of \$7,483.27.

MR. SPIVAK: Can I ask something? Did you complete a projection of your expenses for '76, you've estimated your income . . .

MR. SPRINGMAN: Yes, well if we don't get hurt too much with the power and etc. etc., I made a list of my rentals at \$197 and \$210 or \$220, which gives me an even break on the operation. Because to tell you the truth of the matter, what we should have been doing two years before raising the rent a lot more than \$5.00 a year. I come now to the point where I have to raise \$40 in order to break even and I can't go any higher.

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MR. SPIVAK: But in your projections of '76, have you estimated what your taxes will be?

MR. SPRINGMAN: '76?

MR. SPIVAK: Yes. You've estimated your gross income on the new rental . . .

MR. SPRINGMAN: Well I don't know to tell you the truth, I'm not too - on these mills, I don't understand them too well.

MR. SPIVAK: Mr. Springman, can I ask something? The mortgage change of interest rate is this year, is that right?

MR. SPRINGMAN: Yes. '76.

MR. SPIVAK: Yes. You're going to be paying \$6,000 a year more interest.

MR. SPRINGMAN: Exactly.

MR. SPIVAK: You had a rise from the previous year of taxes of \$4,000.

MR. SPRINGMAN: Right.

MR. SPIVAK: And the likelihood is that you'll have a \$4,000 rise for sure.

MR. SPRINGMAN: Pretty well.

MR. SPIVAK: So in taxes alone, you'll have \$10,000 of a rise. Your projection on total income for '75 was I believe something like \$79,000.

MR. SPRINGMAN: Well my income for '75 was \$79,780.84 and I projected \$84,690.00, which doesn't quite make it.

MR. SPIVAK: Yes. So on taxes and your interest change alone, you'll be \$5,000 in the hole on that alone, aside from any additional costs. Now can you tell me the amount of your repairs were for the years '74 and '75?

MR. SPRINGMAN: Well let's start with '75. Caretaking and maintenance, is that what you mean?

MR. SPIVAK: Well . . .

MR. SPRINGMAN: I haven't got them split up here unfortunately. \$7,826.96.

MR. SPIVAK: And for '75?

MR. SPRINGMAN: Yes.

MR. SPIVAK: That was '75?

MR. SPRINGMAN: Now the next one, Caretake and Maintenance for '74 - \$3,495.09.

MR. SPIVAK: Can I ask, those are the extent of your repairs itself?

MR. SPRINGMAN: No, that's the caretaker and repairs.

MR. SPIVAK: Yes, but I would like to know what your repair costs were, your renovation costs, new carpeting, everything else. Do you have that broken down in any particular category?

MR. SPRINGMAN: Well I'll tell you it's very easy to break down because I can take off, you take off about \$175 a month for caretaking off of those figures for 12 months, would give us . . . anyways a fantastic increase in '75 this is for sure.

MR. SPIVAK: Well the point I want to make, and I'm not sure that it's been made before and that's why I think this would be a good place to suggest it and see whether you as a responsible person and one who has taken pride in his own building . . . Assuming the legislation is passed without significant changes, with respect to the control in the period of time before the new pass rule expense will be allowed, would you intend to conduct yourself in such a way as a landlord that in effect you will be following what would be the work-to-rule procedures that are followed by unions when they may comply with a contract with working conditions but will only comply with it to the letter of the law. In other words, is it your intention and would it be your intention to deal with tenants and to deal with the nature of repair and to deal with the nature of things that have to be done on the basis of only the minimum standards that have to be followed to comply?

MR. SPRINGMAN: Well to answer your question, first of all we don't have any money to make repairs with. Now we haven't done too much, last year '75, we did some, in '74 we didn't do so much but there's a lot of suites will need painting which we're not going to do because we just can't afford to do it. Carpets, you know, after five years, the block's five years old, some of the living room carpets are not that great any more because they really use them up, because they don't take care of them and we can't go in there to do it for them either. So I don't know what's going to be

(MR. SPRINGMAN cont'd) in '76. I know there should be a lot of repairs made but there's not going to be any. The only thing I'm sorry about is that the depreciation of the building itself is going to be to the point that I don't like it at all and I can't seem to do anything about it. This is the whole problem. If that's what you're asking . . .

MR. SPIVAK: Yes. What you're suggesting is, that you mention that because of the letters that have been sent to you and comments that have been made that you consider yourself a good landlord who has taken a pride in the building and also a pride in the fact that the service being offered is adequate and suitable. If you're put into a position whereby you are in one sense it's going to be legislated you lose money, then in effect, the pride that you had will have to be forgotten about.

MR. SPRINGMAN: Be buried.

MR. SPIVAK: And be buried, I'll use your term - and in effect what you will basically do is provide only that which is basic and that's all.

MR. SPRINGMAN: That's right. That what we have to do, we have to do, but there's going to be no painting, there's only going to be the very bare necessities done where it has to be done, that's all, because we just don't have the money to do it with. And if this carries on very much longer, especially on old blocks, that's going to be real bad because the old blocks need more repairs than the new ones by far, because I just sold one that was built in 1956 and again I was lucky. It was 15 suites but the stoves and fridges are gone in them and there's just amounts of repair to be done and tenants are moving out. If they can find some other accommodations, they're going to go, but I don't think they're going to go anywhere because there's no place to go. They're going to stay put, regardless if you paint or you don't paint, because there's just no other place to go. If they go to a high-riser, the rents are \$300, \$269. I checked them. I've spent days looking for apartment suites just to check prices, and the big ones have got to get big money to keep those things rolling, where the little guy is still suffering at \$150 like I am - \$175 for a two-bedroom suite and they're beautiful, or they were. I don't know what's going to happen in the next while.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Mr. Speaker, I just had the one or two questions. The one had to do with your remarks that recapped your depreciation. We heard one presentation on where the depreciation was killing him on the building that he sold and he had to buy another one in order to keep into it. You also made the same remarks. I'm just wondering why, I'm curious to know what advantage it would be for you to take that much depreciation when you're in a loss position in order to be killed later when you sold your block. Why would you take that much when you know you're going to have a loss, why not take less? I'm just curious about that, I'm not trying to be . . .

MR. SPRINGMAN: You have a good point. When I do that, and I have other interests, I can use that as an income, I reduce my income tax so I can stay alive, otherwise I couldn't. But the day will come if I ever sell this I'll have to pick it up anyway. I know that, I'm not quite that stupid, but there's nothing you can do about it. Everybody does it. If he has another block and it's paid off, we'll say, and there's nothing to write off on that one, you cross them.

MR. ADAM: I suspect that that's probably why you were doing this, was to cover profits in other areas or other interests.

MR. SPRINGMAN: That is correct.

MR. ADAM: So the whole picture is not as bad as what --(Interjection)-- Well it does. Well certainly it does. If you - but there's nothing, it's legitimate to do that and that's the way . . .

MR. SPRINGMAN: I have to explain something to you. I was very fortunate when I built this block because I come under that time when the government allowed me to put this one in with others, you understand what I mean? If I would have built this block one year later, it would have had to stand on its own two feet and that block would have been a loss, a real loss, and I would have to take it off of my pension in order to keep the block alive or pay the bills that come with it. And a lot of people will explain it maybe better, because in 1972 you could not bunch your stuff together, you'd have to let that particular block stand on its own two feet.

MR. CHAIRMAN: No further questions. Thank you, Mr. Springman.

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MR. SPRINGMAN: Thank you.

MR. CHAIRMAN: Mr. Gordon W. Katelnikoff. Mr. Poapst.

MR. POAPST: Mr. Chairman, gentlemen, my name is Alan Poapst. I am the current chairman of the Winnipeg Real Estate Board, and it is in that capacity that I am here to present the brief prepared by the Real Estate Board. In my commercial efforts I'm a real estate broker involved in the commercial industrial and investment field. I am also a real estate appraiser, consultant and analyst and I have had the pleasure of sitting through the hearings to this point in time and have prepared some additional material to the brief which may be of some assistance to this group in dealing with the question of rent controls. I am prepared to proceed with my brief at this time although I understand that the Committee adjourns I believe at 12:30. My report will run beyond 12:30 in the sense that it has been timed, and if it is your pleasure or will that I offer any additional assistance as far as the real estate market generally is concerned or the effects of this type of legislation on real estate investment. I'm not a property owner but I have brought along material that will illustrate the effects of recent costs on yields or on investments. I have made it a point to investigate the CMHC Limited Dividend Program and the most recent program that has replaced it. I have also brought some material which will perhaps illustrate the effect of mortgage payments on capital build-up and so on which may be of some assistance to this committee.

MR. CHAIRMAN: Well I'm just wondering, Mr. Poapst, and I'll ask the committee, whether we could adjourn at this time and have you appear at the next meeting?

MR. POAPST: If that is your pleasure, Mr. Chairman, I'd be pleased to return.

MR. CHAIRMAN: You'll be the first one up and we will start with you. I'm sorry at the present time I can't tell you the date of the next meeting. There was some hope maybe of Saturday and I hope maybe it'll be announced in the House. I'm not sure. If not I would imagine it would probably be next Monday morning.

MR. POAPST: Well I would be pleased to appear at your convenience, Mr. Chairman, and the convenience of the committee. I would sincerely appreciate an opportunity to be of whatever assistance I can to this committee in this particular field.

MR. CRAIK: . . . for the assistance of the people that are here, that will have to be decided today in the House. At any rate it would have to be announced today or this afternoon if the committee is going to meet on Saturday. It hasn't been finalized yet but I understand it'll be finalized by this afternoon's session as to whether we meet Saturday or not and the way it stands, Mr. Poapst will be the first one up when that happens.

MR. CHAIRMAN: Hopefully we will be able to make an announcement today some time. If it's not Saturday then I would imagine it would be Monday morning. Committee rise.

MR. BILTON: On the same subject, as an assistance to you and possibly to the committee to avoid what you've gone through this morning, a whole list of names and then other individuals asking you to stand their names, would it be possible for future meetings that those people according to your roster, a goodly number of them, be notified to be here because if this goes on we'll be here till Christmas.

MR. CHAIRMAN: Order please. I'm afraid that is not possible. The Clerk's Office is very busy as it is. Everybody knows the Clerk's office number. I would advise them to phone the Clerk's office.