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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
STATUTORY REGULATIONS
and
ORDERS

31 Elizabeth II

Chairman
Mr. Peter Fox
Constituency of Concordia



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON STATUTORY REGULATIONS AND ORDERS

Tuesday, 15 June, 1982

Time — 8:00 p.m.

CHAIRMAN, Mr. P. Fox: The Committee will come to order. We have a quorum. We still have Mr. Ron Klassen to finish off his brief.

Mr. Klassen, please.

MR. R. KLASSEN: Thank you, Mr. Chairman. The Committee will recall that this morning I made some suggestions with respect to broadening the definition of the word "tenant," as well as the word "party," in the legislation. I also suggested that tenants be allowed to designate other people to act for them and to receive notices and raise objections and to bring procedures forward under the Act on their behalf.

I also encouraged the Committee to consider adding educational and an advocacy assistance function, either to the Director's office or else to ensure that these functions are provided through some other branch of the government or possibly through Legal Aid or some combination thereof.

I also suggested that a tenant who was a new tenant and who receives a notice of rent which is also an increase which has not yet been decided upon by any procedure under this Act, be given an opportunity to object at that time.

Another suggestion that I made was that the procedure before the rent regulation officer be possibly at the option of one or the other party, but possibly also, just as a matter of course, an oral hearing where a person who does not feel able to or is, for some reason or other, prefers to deal with the material by way of an oral presentation would be able to appear and make his position known that way; suggesting that was probably perhaps an easier thing for many a tenant to do than to prepare the paper that would be required.

I believe the last two comments I had made, I believe, related to the appeal period from the rent regulation officer's decision being a very short one and would, in our opinion, be at least, on occasion, a hardship for tenants and that we thought that a longer appeal period, or time for filing an appeal, would probably be beneficial to the tenants in that it may take them longer than two weeks to get an appeal in.

I believe the last comment that I made at that time was with respect to the rents that are payable between the time when the new rental period comes into force and the time when the rent regulation officer, or the appeal panel, as the case may be, makes the decision which ultimately determines what the rent is. It was our suggestion that monies in those cases should, as a matter of course, with the possibility of the Director making an exception it, be payable to the Director and that when it is paid out that it be paid out, whether to the landlord or to the tenant, within interest.

At that point the Committee recessed and I will pick it up from there.

Section 29 of the Act, as proposed, provides for a rollback procedure in those situations where the landlord is found to be overcharging, that is, where he is charging a rent that is in excess of the amount that is permitted or, if one reads it in conjunction with the

following sections, where he has withdrawn services without a concomitant decrease in the amount of rent charged. The provision that is there is that the Director may apply, if he is of the opinion that this is the situation, on the basis of information he has himself obtained or information that he has obtained from a tenant. What is very interesting there is that there is no provision there for the tenant himself to make an application and frankly, we do not understand why there is this omission. It seems that this is a situation where, as it were, a legal right is being granted but no remedy is being given. There may be the possibility for the tenant to approach a County Court and ask for a judgment in the effect that the monies should be paid back to him, that is a possibility and that might be a remedy that would be available assuming that the Director would choose not to act. I believe one of the criticisms that was made at the proposal of the previous administration that rent control would be replaced by some form of program whereby an administrator would have the choice of taking on his own initiative certain action. The comment was that this action might not be taken and that situation, I would submit, would still be the case here. It is hard to see a justification for not giving an individual the right to bring an action on his own behalf in a situation where something should be done. Where there is a legal right there must always be a remedy and, I would submit, a remedy that that person himself can take in the simplest, most expeditious way that is available.

We are therefore suggesting that 29(2) should therefore be amended by adding words or by altering the wording to state something to the effect that "an application for an order under this section may be applied for by (a) any affected tenant or (b) the Director where he believes" and then perhaps the rest of what was put in the original subsection could be appended there.

Going on to Section 33 of the proposed bill, this is the section where the landlord is permitted to apply to an appeal panel for an approval to a plan of rehabilitation. The procedure as it is set out is that he applies through the Co-ordinator of Appeals who sets up a panel and basically as I read the proposed bill, he presents his plan and the appeal panel can either reject it, accept it or suggest alterations. There is going to have to be some investment by the landlord before he gets to this point and he will then have to implement the rehabilitation that has been approved. He does not know what his payoff will be at the end, and I believe that was a comment made earlier. The tenant who is living there who may wish to continue living there in the future does not know what kind of future he faces either.

From the tenant's point of view there would seem to be two reasons why the procedure as it is set out now, which is I would suggest, sort of an overcautious procedure, isn't at its best. Landlords will be hesitant on the one hand to rehabilitate their buildings if they have no idea what reward will be there for them at the other end. I think that if we're going to dangle a carrot in front of their noses, as it were, they'd better be able

to see just how big the carrot is. The tenant, on the other hand, does not know what the future with respect to these premises will be. Will there be decontrol for four years? Will there be decontrol for one day, which is the minimum amount that the legislation now would require that he be given? I wouldn't expect that ever to be given but the range is simply total.

In order to preserve the incentive aspect and to increase the efficiency and the certainty available to all parties involved, it is our suggestion that the initial panel, at the initial application should, first of all, look at the plan and determine whether or not it is such as to merit the exemption that is in view in the section that we're dealing with. Then tell them, if you complete this rehabilitation project satisfactorily, you will then receive an exemption from rent regulation of such and such an amount; X months or whatever it will be.

At the end of that time, an inspector could certify that the modifications or the rehabilitation has been done as required and, upon the receipt of that certification and perhaps a certain appeal period for either party who is unsatisfied with what has been done and who wishes to present a contrary opinion, if that appeal period passes and no objection is raised, then the original appeal panel's decision could simply be put into force. I would believe that this would be a more certain procedure, a simpler and a cheaper procedure and more expeditious in the long run.

Moving to Subsection or Clause 35(1)(c) This is the part of the penalty or the prohibitions section where it states - I'll leave out a few words - "no landlord shall, indirectly or directly, employ, use or attempt to employ or use any subterfuge with a view to avoiding or defeating any provision of this Act, etc.."

I don't know what the word "subterfuge" means in this kind of a context. As far as I can tell, neither will any court. It seems to me that this subsection, as it stands, is not an effective prohibition. It's sort of kind of a word saying that you're not supposed to be a bad boy without really defining what a bad boy is.

It is our suggestion that, rather than have it here as a prohibition, that the concept of a subterfuge perhaps be included as one of the criteria available to the rent regulation officer and to the appeal panels. For instance, a wording may state, a rent regulation officer or the appeal panel, as the case may be, may disregard any expenses or the effects of any transactions to the extent that he finds, or they find, such expense or transaction to be a subterfuge or a colourable device intended to avoid the regulatory effects of this Act.

If more certainty would be required, it could be part of the regulations to indicate just what was considered as a subterfuge or a colourable device. This would have the advantage of placing it in a different part of the Act where the rent regulation officer perusing the expenses presented by a landlord, can say, ah, but this expense here is not really a bona fide expense, therefore, we will not accept it even though it would otherwise be a pass through cost that could otherwise be added to the rent.

It would seem that kind of a way of dealing with the idea of someone trying to avoid the legislation and the regulations supporting it by means of some technical device that might fit the letter of the law but really

doesn't adhere to the spirit or the intent of the Statute and regulations would find that his efforts, although perhaps very crafty, might not be very fruitful.

I would also point out, as has been pointed out by some others, that the bill which is before the committee at this time is really a hollow shell. It is intended that way and it is intended to be filled in by the regulations. The Act is essentially a procedural Act; it provides the context within which the specifics of the regulations will be placed. If the regulations are good the Act will be effective; if the regulations are defective the Act, as such, isn't really going to provide any relief or any benefit.

This time, therefore, we would like to emphasize with respect to one particular point and I'm assuming that, by and large, the regulations as they will appear under this Act when it is passed, will be very similar to those that were in existence under The Rent Stabilization Act. We'd like to emphasize that there is a further common problem that has been encountered in Ontario that the way the legislation is set up will have to be countered in the regulations. It is our understanding from press releases and so on that it is the intent of the administration to counter those and we would just like to emphasize that, in our opinion, that is very necessary, and that is, in this situation where a person uses the means of remortgaging or refinancing or where as a group there is the practice of selling, having transactions, the ultimate effect of which is to raise the cost.

An example cited in the Sunday Sun in Toronto is that a person owned a block and he had a pretty high equity in it. He sold it to his children, financing it to the hilt. What happened to his equity? It wound up in his account in some financial institution, his costs were increased immensely and the way the Ontario Statute was drafted, it seemed unlikely that they would be able to catch him. Therefore, it would be imperative that non-arm's-length transactions be open to review and that not all expenses as a result of refinancing under a non-arm's-length transaction be an allowable cost.

Similarly, if a purchase is made on the basis of speculation where a person feels that, yes, if I purchase this property I'll be able to raise the rent so much because my financing costs will be so and so high and on that basis there is a price which might be higher than that justified by what the rents are actually producing by way of revenue. This buyer then when he refinances would be in a position to ask for higher costs. A transaction such as that which is a trading transaction which, on an individual instance, may not be so terrible, but if there be any number of these it would have the result of again bypassing the effects of the legislation, and that it would increase a certain kind of costs which, at least, on the surface and even on perhaps the second glance as well, would be a bona fide cost. And the regulations would have to be drafted in such a way, we submit, that would make profit taking of this kind more difficult and less advantageous. Again, I would indicate that I have looked at The Rent Stabilization Act regulations from several years ago, I don't think that the way they are set up would do it, although I do understand that some other form of passing through financing costs will be introduced by regulations rather than a simple looking at the books and passing them through automatically.

Finally, I would like to make a comment which

doesn't relate specifically to this Act as much as it does to the position that rent regulation takes in the housing situation in the province. It is indicated, I believe, that the reason for the rent regulations at this time is that the marketplace does not provide the kind of competition that would keep an orderly and a reasonable rent system in place and that therefore regulation is required to do what competition is not doing. Hopefully, of course, the market will sooner or later open up again at which time the rent regulations would become less of an urgent matter and may be dealt with in numerous ways. However, it is clear, I would submit, that the rent regulation will deal with the effects and not with the cause of a situation where the market is not providing the control that we need.

The Provincial Government has a housing responsibility. I would submit that this housing responsibility must be dealt with in the same context where the rent regulation is being dealt with. I understand that there is a fair amount of money budgeted for housing by this administration. If properly used, this budgeted amount may go a great distance to relieving some of the problems that are now forcing the imposition of rent regulations.

In addition, I would point out that any effort at housing renewal is going to have a significant impact, for instance, on the City of Winnipeg and is a form of urban renewal. So that program, as well, must be dealt with by the province in some kind of co-ordination with rent regulations and with the housing program. If these three areas are not meshed, if they are not dealt with a conspectus of the whole picture of all three of these areas, by the people making the decisions in those three areas, we're going to have a form of chaos without concerted effective action and then we will be facing this kind of problem again and again and we'll not have come up with an effective solution for the benefit of tenants in the long run. Therefore, it is our suggestion as well, that the people who are in charge of the rent regulation scheme be in close contact with the people who are in charge of the housing program of the province, as well, as in close contact with the people who are involved in urban affairs, particularly with the City of Winnipeg but also, obviously, with any other urban centre in Manitoba. It might be possible to have them in one department of the government or at least to have some one person acting as some form of communication between them.

Those are the submissions that I have for the Committee at this time. If there are any questions I'd be happy to try to answer them.

MR. CHAIRMAN: Thank you, Mr. Klassen. Are there any questions?

Mr. Kostyra.

HON. E. KOSTYRA: Thank you, Mr. Chairman. I'd like to thank Mr. Klassen for the presentation on behalf of Legal Aid.

You made mention of Section 29(2) of the Act and you expressed a concern that there is no provision for a tenant to initiate a complaint with respect to application for a rollback of rent increases, with respect to Section 29(1). Section 29(2) provides for an investigation to be undertaken by the Director, either on receipt of information from a tenant or undertaken on his own

initiative. Do you not feel that would give the necessary protection for a tenant to lodge a complaint with the Director who would then undertake the investigation to determine whether or not there was an increase levied that were not in accordance with the Act?

MR. R. KLASSEN: I would feel that the provision in Section 29(2) would not provide that kind of protection. The information can be given by the tenant to the Director. The Director then has the option of having an investigation or not having one. Having made the investigation, even if he does find that the landlord has overcharged, he is not in any way obligated to take any further steps. You have two stages where there is discretion in what is an administrative person who has, I would suggest, no duty to act according to the rules of natural justice which stand between that tenant and some form of hearing where the rules of natural justice would apply. It may well be that if the subsection were reworded to say that a tenant who believes that there is overcharging may refer the matter to a Director who shall undertake an investigation and, if the investigation reveals that there is substance to the complaint that he then shall bring the matter forward. That would be something of a different matter. However, it seems to me that we're two steps away from the tenant being able to bring the matter forward in a satisfactory way.

MR. CHAIRMAN: Mr. Kostyra.

HON. E. KOSTYRA: No further questions.

MR. CHAIRMAN: Thank you. Any other questions? Thank you, Mr. Klassen.

The next brief presentation, Lakeview Realty. I have two names here. Alan Borodkin or Sam Linhart.

MR. S. LINHART: Mr. Chairman, my name is Sam Linhart and I'll speak on behalf of Lakeview Realty.

MR. CHAIRMAN: Thank you.

MR. S. LINHART: I'm the President of the Lakeview group of companies.

MR. CHAIRMAN: Do you have a written brief?

MR. S. LINHART: No, I don't. I don't have a written brief. I have some notes which I'll speak from.

MR. CHAIRMAN: Thank you. Proceed.

MR. S. LINHART: We are a fully integrated development company. We're headquartered in Winnipeg and we have subsidiary development offices in Denver, Dallas and Phoenix. We established our U. S. offices in 1977 and we've been in business in Winnipeg since 1964. We employ over 100 people of which at least 75 percent of those are employed in Winnipeg. We're fully integrated and fully diversified in terms of product line and the type of development functions we perform. By fully integrated and diversified, we start with the land acquisition, site selection, marketing, construction, design, leasing, financing and property management.

Tuesday, 15 June, 1982

In terms of our products, we're very active in apartment buildings, at least, have been 'till the last few years. We develop office buildings, industrial buildings, and shopping centres. Since 1970, we have developed and still manage in the City of Winnipeg over 2,000 apartment units. Some of these buildings are probably well-known to some of you. They include Holiday Towers, Kenaston Village, Kenaston Estates, Roblin Oaks, Colony Square, Moray Village and Meadowlark Green. We've also developed the Courts of St. James and Towers of Polo Park, although we no longer have a financial interest in them and we don't manage them.

In terms of development value, what this might constitute in 1982 dollars, I would say that we're probably talking of about \$150 million of developments in Winnipeg, apartment-oriented and about \$30 million of equity. A lot of the equity money that we raise is raised from private individuals and small private companies in amounts from as low as \$10,000 to very substantial amounts. We also, of course, put in our own capital and our own credit. So, when we mention fairly large amounts, we only do it basically for effect because we are a developer, we are a mobilizer of capital, but we're not what's so-called a fat cat. We have a lot of influence we think on people making investment decisions, but the final decision is theirs and we don't control the capital.

Many of the projects that we have developed and still manage are operating at very minimal cash flows today; many of them are still in cash deficit. When you relate that to \$30 million of equity value, you can appreciate with today's cost of money and in today's economic environment that's not very attractive. Real estate is a cyclical business. It has ups and it has downs, it's not stable. And projects, particularly some of the larger ones that we develop, take a long period of time to mature.

It takes two years to plan a project; a year-and-a-half to two years to build it; two years to lease it up at low rents because you have to be competitive. Probably another three or four years to bring those rents up to a level where you can recoup losses and get a reasonable return on investment and, hopefully, you can maintain that return on investment by increasing rents according to increased costs. But, it's a six to seven year process to bring the buildings up to a point where they make some economic sense.

There's some front end tax benefits but, to a large degree, that takes care of the losses that the investors are incurring while the buildings are being developed, so it's a trade-off.

What investors really look for in the long run is a proper return on capital commensurate with what's available in the marketplace and long-term investment values. Capital or investors are very mobile and they're very sensitive. If they feel they're not wanted they go somewhere else. They're not just profit-oriented. I think when we look at what's happening in Canada today; when we look at what's happening with many of the American companies that took their marbles and went home and what kind of effect it's created in Canada, what's happened to our dollar, I think it's pretty evident that when you control a situation and you restrict the mobilization of capital, the long-term effects are devastating. The next thing that

we're going to hear is that the Canadian Government is going to want to encourage all this foreign money, who sold out at the top with an 85-cent dollar, to rush back into Canada with a 75-cent dollar to buy back in at the bottom because we need jobs and our dollar is falling apart.

So, it's very important to make that point because I'm extremely concerned about the long-term supply and the long-term development potential in this province and there are many alternatives available.

Without going into a major philosophical dissertation about rent controls - because I accept the fact that they're probably here, hopefully not to stay - I think there's a lot of negatives about them and I'll briefly go over some of them.

First of all, they're very costly to administer; they don't really protect the tenants in the long run. The general trend in North America is to get away from them and most of the provinces in Canada are gradually eliminating rent controls in one form or another. Most of the cities in the U.S. who have had them are trying to get out of them.

In Minneapolis they recently had a referendum on rent controls and 70 percent of the people voted against them. That was very unusual because Minneapolis has traditionally been a liberally-oriented city and they've been very restrictive on developments. They've been very control-oriented and when they put the test to the people they voted them out.

The same held true in San Bernardino, California; in San Rafael, California and Ventner, New Jersey. All recent referendums; all voted heavily against rent controls by the people, given the choice.

So, everybody's trying to get out of them and we're getting back into them. I have great difficulty with that. They distort the markets terribly and they discourage long-term supply of products. People will stay in rent controlled apartments when they should be moving into either higher rent apartments or single family housing because they've got a deal, why should they move? People will not upgrade if they don't have to and, therefore, those people who should be getting into those cheaper apartments can't because the people who can afford to live elsewhere stay in the rent controlled apartments.

They obviously hurt the single family market - and I'm sure you've heard from some single family people already - because if people have no incentive to move from apartments into single family homes they don't move. They inhibit the potential sale of a project because investors are very reluctant to buy buildings that have rent controls; there's no long-term potential. They just frighten the devil out of lenders and investors. The experience of rent controls, generally, across North America has been very poor, in fact, the Rand Report that was recently produced in Los Angeles indicated that they did very little for tenants and they greatly hurt supply and quality of housing.

I realize that there are a few situations, maybe 10 or 15 percent of the people in Manitoba need some protection and they should be looked after, but to go after an industry and devastate it because you're trying to protect 10 or 15 percent of the people, just doesn't make any sense to me.

Many of the development companies in Manitoba who are still active in apartments have been the same

companies that we've had for the last 10 years. There have been very few new ones and there have been many who have moved out of the province. It's the same group of people and the one thing that they've learned is to do business in other provinces and in the U.S. They've had to, to protect themselves and to protect their long-term survival. As a result, many of these companies, including ourselves, have other opportunities for new development and so have our investors.

We realize that we're locked in with existing legislation and there's not very much we can do. If we've got a frozen investment we'll just have to live with it, but I can assure you that in the future it's going to be very difficult to induce, either our company or I know many other developers and many of the small investors, to develop new projects here.

What are some of the solutions that I see? Bearing in mind that we're probably going to have some form of control.

First of all, I think you should free up vacant suites for control. I don't see any need for having rent control on vacant suites. The market is plenty mobile here; there's lots of supply and people are very rent sensitive. Although our projects are full, we have 40 percent turnover and if our rents go up more than what our tenants consider reasonable, they're out. So, at least free up vacant suites so we can ultimately get to a position where the market can dictate rents.

I think that all projects built after 1975 should be exempt. In the first place those projects still have fairly high vacancies. The problem is in the older projects where people have lived there for many years and are on low or fixed incomes. They need some protection, but certainly not the newer projects. Also, many of the newer projects were built under the government's MURB, Multiple Unit Residential Buildings, and ARP, Assisted Rental Programs. Once again, those projects are regulated by CMHC. The return on investment is limited so they don't have to be controlled and it's just going to be a bureaucratic nightmare to start controlling those projects where you've got assisted rental program payments being reduced, and ultimately eliminated, and rents required to not only make up for those reductions in the rental payments but also operating costs and increased financing costs.

I think you've got to recognize increased financing costs. I mean, it's a fact of life. The world's changed in last two years, for the worst as far as financing is concerned. You can't get money for more than five years today and at such horrendous rates, who really wants it. The fact of the matter is that many projects are coming up for refinancing; interest rates are being doubled. Interest is the largest single operating cost in an apartment project and if that's not going to be recognized, virtually every project in Winnipeg that's coming up for refinancing is going to be in a horrendous deficit.

So, I think that those projects certainly should be considered for exempt purposes and refinancing should obviously be considered as a pass through, although it'll be impossible to pass through refinancing costs in one year.

If there is going to be a ceiling, at least it should be tied to the CPI, Consumer Price Index. I think 9 percent is a very arbitrary figure and really bears no

relation to reality.

I think the main concentration and emphasis, on an overall basis, should be to figure out how to create more supply, not less. The City of Winnipeg is very anxious, and I know the province as well, to create some downtown residential. If there's no environment for new development, no matter what you do or what the grants are, what the financing is, or whatever, people are just not going to invest in apartments in downtown Winnipeg when there's no long-term potential.

That's really all I have to say. I thank you for your time and I'd be prepared to answer any questions you may have.

MR. CHAIRMAN: Thank you, Mr. Linhart. Are there any questions?

Mr. Kostyra.

HON. E. KOSTYRA: Thank you, Mr. Chairman. I thank Mr. Linhart for his presentation on behalf of Lakeview Developments. I just would like to discuss with you your comments with respect to the rent-up period and the amount of time you're of the opinion that it would take to get to a position where you would only need increased rents in line with operating costs. I believe that you had said that you saw about a five-year period in order to reach that level.

MR. S. LINHART: That's correct.

HON. E. KOSTYRA: Is that given today's market conditions?

MR. S. LINHART: That's not given today's financing environment, because I don't think you could make sense on any kind of project with today's interest rates. But given a normal interest rate environment that we had in previous years, I would say at least five years from start of construction to reach a level that would give a reasonable return on investments. That might be a little shy but I think that's probably reasonable for a good project.

HON. E. KOSTYRA: You also discussed the increased cost of mortgage and the pass through. Would you not agree, given your statements about the mobility of tenants, and given that each complex has different debt equity ratios, different periods of mortgages, that you would not be able to pass through all of the costs in one given year of increased interest rates due to mortgage refinancing?

MR. S. LINHART: That's probably correct. Of course, it depends on what the original rate of interest was on the mortgage and what the new rate of interest is, but assuming that mortgages that we could get five years ago at 10 percent have to be refinanced today at 19 percent, I would say that it would probably take two or three years to effectively pass that through. Not that we don't want to do it in one year; we have to or else we run a cash deficit but the market won't accept it so it has to be phased in over a period time. That's in addition to increased operating costs and probably reduced our payments so there are tremendous pass throughs that have to be picked up, that probably

can't be picked up in the market.

HON. E. KOSTYRA: What are the general level of rent increases that you have implemented or are proposing to implement with respect to your properties at the present time?

MR. S. LINHART: Between 12 and 16 percent. We need more but we think that's all the market was prepared to accept.

MR. CHAIRMAN: Mr. Penner.

HON. R. PENNER: Mr. Linhart, you made statements at one point that you thought that there were only about 10 to 15 percent of renters who needed controls. Did you make that statement?

MR. S. LINHART: Yes, I did.

HON. R. PENNER: Who are you talking about when you talk about those 10 or 15 percent, what particular group? And why does this group need controls?

MR. S. LINHART: Well, I think once again, controls maybe a bit of misnomer, I think those people probably need protection and I'm thinking particularly of older people or people on fixed incomes who can't increase their incomes to pay the extra rents that might be required. And I think that those people need some protection. I don't think they're mobile. I think a lot of people are mobile even if they don't have the incomes if they're young because they can double up, they can stay at home, they can do a lot of other things. If I can relate to my experience in the U.S. markets when there's a recession and things get tight even in growth markets with no building, vacancies go up. So demographics are very interesting when there is economic adversity. But there are some people that just aren't mobile and they need some kind of protection.

HON. R. PENNER: Let's see if I understand your answer. Are you describing people who are not mobile or people who are on fixed incomes or both as being in this group in the rental market who need some protection?

MR. S. LINHART: I would say people who are both not mobile and on fixed incomes need some protection. I think people who are mobile can do other things, I think they can double up they can go back home, they can do a lot of other things that have to be done, like everybody does. We all tighten up our lifestyles when things are tough as they are today.

HON. R. PENNER: So that the situation you're describing is one in which because of fixed income they're unable to meet the uncontrolled market if the market exceeds their static income. That is if there's an increase in the market without protection or without control of 5, 6, 7, 8, 10 percent whatever it might be, being on fixed incomes they're left short that 5, 6, 7, 10 percent.

MR. S. LINHART: That's correct. As I say, if they're

not mobile, if they can't pay the increase and they can't move, I think they've got a problem and I think that problem has to be addressed.

HON. R. PENNER: Let me just carry that one step forward. So that where, for example, in the fall of 1981 the general level of salary increases was running, let's say, 10, 11, 11.5, and there were rent increases of 20 and 25 and in some cases 30, there would be a gap, would there not, just as much as if your income was fixed.

MR. S. LINHART: That's correct. I don't believe that there were increases of that nature on newer projects, projects that have been built since 1975 or middle-priced projects. I think the market has always been in very good balance at those levels. I'm not completely familiar with the older projects where the rents have been extremely low for a long period of time.

HON. R. PENNER: You talk about the market being in balance yet I understood you to say that your own projects which, I take it, are somewhere in the middle range, are full.

MR. S. LINHART: That's correct.

HON. R. PENNER: There's not much of a vacancy rate in your own projects.

MR. S. LINHART: That's right. That's because, I think, we manage well; we're efficient; we build a good product and we're sensitive to our tenants and we try and keep them. It's very costly to lose them. Even so, we have 40-percent turnover a year and we try and keep our rent increases reasonable because we want our tenants to stay.

HON. R. PENNER: Finally, Mr. Linhart, would you not agree that mobility which might make the market somewhat fluid, has been adversely affected by the sorry state of the housing market either in terms of supply - that is for people who want to purchase housing - or what is equally disincentive, the high rate of mortgage money? That has cut mobility severely.

MR. S. LINHART: I don't know if it's cut it severely, it's certainly cut it. It's certainly a factor.

HON. R. PENNER: Thank you.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Thank you, Mr. Chairman. I wonder if I could ask Mr. Linhart - he indicated that the emphasis in today's market should be how to create new supply. Given the circumstances of very high interest rates, what does he see as the answer for creating new supply in today's market?

MR. S. LINHART: I don't think there is much of an answer in the short run until interest rates come down. But as I mentioned before, it takes two years to think about and plan a project and I think that generally, you start thinking about projects when things are not very good because you're not busy doing so you're busy

thinking and you wonder where you're going to do your next project. If the environment here isn't that attractive, we're going to be thinking about doing a project in Dallas or in Calgary or wherever because we're not going to be very excited about doing something new here. In terms of creating immediate supply, I don't really see a solution because I don't think either the Provincial or Federal Government have the kind of money it takes to subsidize the interest rates and create the right rental structure.

MR. G. FILMON: What you said in terms of the environment not being good here and creating construction elsewhere, the interest rates surely are going to be the same whether you're building in Houston or Dallas or Vancouver or Calgary or Winnipeg.

MR. S. LINHART: Well, that's probably true right now for Canada; it's not quite true for the U.S. In the U.S. there's some very creative financing approaches that the savings and loans are using to create housing and, in fact, in Dallas and Houston which represent 25 percent of the U.S. starts in 1982, just an unbelievable figure, they've had particularly Houston has had, its best year in 10 years. It's hard to believe, but it's true because the environment is attractive and the financial institutions are getting involved both in the equity end and in the financing end. The Canadian institutions aren't yet geared to get into the equity end of housing, but they certainly are in the States and one of the reasons is because the markets are relatively free and the potential is relatively good, so they've been getting into that field.

MR. G. FILMON: So the fact that the markets are free and the potential is good, is what you mean by the more attractive environment.

MR. S. LINHART: That's correct.

MR. G. FILMON: No further questions.

MR. CHAIRMAN: Finished? Mr. Kostyra.

HON. E. KOSTYRA: Yes, thank you, Mr. Chairman. Just one final question.

Mr. Linhart, when you met with me back, I guess it was in the middle of February, I think you'd indicated that Lakeview Properties has developed and constructed over 2,000 apartment units since about 1973-74 in the City of Winnipeg?

MR. S. LINHART: That's correct.

HON. E. KOSTYRA: Could you tell me how many of those units or projects were assisted by the various Federal Government programs?

MR. S. LINHART: Virtually all of them.

HON. E. KOSTYRA: Thank you.

MR. A. KOVNATS: To Mr. Linhart. Can Mr. Linhart advise - and I'm sure he wasn't threatening because there's no reason for him to be threatening - but would it be the intention of Lakeview Realty, of which you are

the President, to withdraw any contracting or supplying of rental units at this point?

MR. S. LINHART: No, I don't think we're saying that. I'm saying that if we were going to get into new housing it probably wouldn't be in Manitoba right now.

MR. A. KOVNATS: Well, rather than housing, I know that you are in apartments also.

MR. S. LINHART: By housing, I'm sorry, I mean apartments. We're not in single family housing, we're only in apartments.

MR. CHAIRMAN: One moment please. Mr. Kohnats would you get closer to your microphone please so we can get you recorded?

MR. A. KOVNATS: How's that. I'm just trying to establish at this point whether Mr. Linhart, if these regulations come about, are you saying that you will not be doing any more developing in the Province of Manitoba? Would it be your choice to develop in another area, rather than Manitoba?

MR. S. LINHART: I think - I hate to say never because circumstances change - but I would certainly feel better about developing apartments in an area where there's no rent controls than where there is rent controls and with limited capital we have to make the choices. I think we'd go to a more attractive environment. That's for new development only and that's only as it pertains to apartments. I mean, as far as the other forms of development, office buildings or industrial, we'll respond to opportunities whether it's Manitoba or Alberta or Texas; but housing definitely it would be a very negative thing as it relates to other places. I mean if everybody had rent control, fine, then we're on an equal footing. If we're the only place that has rent control and we're going to go into apartments, I don't think we would be looking at this area.

MR. A. KOVNATS: Thank you, Mr. Linhart.

MR. G. FILMON: Mr. Chairman, I forgot to ask Mr. Linhart, I had written down one of the comments he made and he can correct me if I'm stating it incorrectly, but he said that rent controls are probably here, hopefully not to stay, and I'm wondering if he's aware that the Minister has said - and the Minister can correct me if I'm not expressing his position correctly - but the Minister has said that this system of controls is designed to be in place permanently.

MR. S. LINHART: Yes, I am aware of that.

MR. CHAIRMAN: Any further questions? Thank you very much Mr. Linhart.

Before we go on to the next one, I'd like to suggest to the Committee members that they co-operate with the Chair. If they would address their questions through the Chair so they can be recognized and also the person who's making the representation can be recognized. Otherwise, the transcribers will not be able to attribute who said what and I think it's essential that we not be misquoted. I'd like to ask the co-

operation of the Committee members.

Mr. E. Hiller, Landmark Agencies. Mr. Hiller? Very well.

Danita Onyebuchi, Crystal Properties.

MS D. ONYEBUCHI: I have a brief here, Mr. Chairman, if you'd like it distributed.

MR. CHAIRMAN: Yes, please. We'll have our Clerk distribute them.

MS D. ONYEBUCHI: Yes, my name is Danita Onyebuchi. It's spelled wrong so it's not your fault.

MR. CHAIRMAN: Thank you. Would you kindly spell it for us, so we'll get it right? Is it just the "k" wrong, an "h," is that right?

MS D. ONYEBUCHI: That's right. The "k" is an "h."

MR. CHAIRMAN: Thank you. Proceed.

MS D. ONYEBUCHI: Mr. Chairman, I would like to preface my comments concerning Bill 2 with a few general statements about rent controls. It is commonly believed that rent controls protect the poor and improves their housing conditions. But individual tenants frequently have incomes which are higher than property owners, particularly where rental housing has been invested in as a type of retirement plan, and represents the owner's life savings. Even if tenants' incomes were systematically lower than landlords, rent control would still be a very inequitable method of assisting the poor because benefits would be available only to those families able to obtain a rent controlled unit. Newcomers to an area always find it extremely difficult to obtain such units and mobile low income groups are thus effectively shut out.

Although rent control does make housing cheaper, it does not necessarily improve the housing conditions of the poor. Indeed, it is well known and documented that rent controls result in poor maintenance and, therefore, a serious deterioration in the quality of rental housing. Faced with a rate of return on investment that is too small, many landlords recoup their losses on a current basis by allowing the physical stock of units to depreciate at a faster rate, through neglected maintenance and repair. From the property owner's point of view, rent control reduces the capital value of the buildings supplying the housing service, since capital value is determined by the expected revenue from rents in the future. The extraction of capital in the form of repair and maintenance foregone is a rational way of equalizing the rent controlled rate of return with the expected rate of return before rent controls. The ensuing depreciation of rental units reduces tenant benefits by providing them with less housing services for a fixed rental price. Higher rents, on the other hand, would lead to additional rental units and - via filtering - result in better housing for the poor.

We often hear, as the Committee heard last night, that housing should be for people and not for profits. But profits attract investments to the areas most desired by consumers: they are the means through which entrepreneurs try to anticipate future demands

There is no dichotomy between profits and needs, desires and aspirations of the people. It is only by finding out what people's demands are and catering to them in minute detail, that the businessman can earn a profit. The real estate developer in the private sector earns profits only insofar as he provides the kinds of housing people want at the lowest possible price.

Co-op housing was established in Manitoba through Canada Mortgage and Housing Corporation. Fifty-year mortgages were provided to these non-profit organizations at just 8 percent. It was interesting to note last night, however, that these non-profit co-operatives were granted a rental increase by CMHC of 10 ½ percent, and this was to cover operating expenses alone. Yet, private investors may be held to a 9 percent increase or less, despite the fact that many property owners are faced with substantial mortgage rate increases.

Detrimental effects of rent control include erosion of the tax base and subsequent shifting of the tax burden to homeowners. Rent control reduces the value of rental property, and with a given revenue requirement, governments that rely on the assessed value of property as a tax base, must increase the tax rate on all property. Since the assessed value of owner-occupied housing will probably rise during the rent control regime, the burden of property tax is gradually shifted to homeowners. Why should shelter costs for renters be fixed at the expense of homeowners while housing costs for homeowners are unpredictable and escalating?

Reduced mobility is a further consequence of rent control in two ways. First, to the extent that it reduces construction of new rental housing and leads to lower vacancy rates, residents will be deterred from moving because of the increased difficulty of locating a vacant rental unit. Second, residents of rent-controlled units will be particularly discouraged from moving because in so doing, they must forego the subsidy associated with tenure. There are several disadvantages associated with this reduced mobility. First, it tends to result in a misallocation of the existing housing stock. Young, growing families will be inclined to endure crowding rather than relinquish their subsidy, while older neighbours hold on to larger units as their family size declines with older children leaving home. A second problem that is likely to result from reduced mobility is an increase in unemployment. Most labour markets are characterized by rapidly changing job locations. As a result, many employees find it necessary to move frequently to keep their present job or to find a new one. Any obstacle to this mobility makes it more difficult to match job seekers with available positions. Alternatively, tenants of rent-controlled units may choose to travel great distances to their job rather than relinquish a controlled unit. The detrimental results of unnecessary commuting range from increased fuel consumption to less time spent with family.

Investors in rental housing are motivated by profit considerations. Even advocates of rent control seem to accept this notion, for they are not hesitant to condemn what they perceive to be the greed of landlords. This being the case, any legal change which has the effect of reducing the profitability of rental housing will result in a reduction in its construction. This will

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ultimately result in a severe housing shortage. Accompanying this lack of construction activity will be an increase in unemployment, an issue which must certainly be of concern to any government.

Public housing is not a viable alternative to this problem. The case against public housing is as thorough as it is devastating. The gigantic 2,900 unit development in St. Louis, which cost \$36 million to build in 1956, became a "vertical slum" of such staggering proportions that it had to be completely demolished less than 20 years later - by the same authorities that had built it. Nor is this case unrepresentative. Public housing projects, in their short history, have become synonymous with crime, abject poverty, hopelessness and a prison-like atmosphere. Thousands of such units have decayed, been boarded up and eventually abandoned. The unattractiveness of this alternative can be witnessed in Winnipeg. While public housing suffered extensive losses to vacancy, suites in Limited Dividend projects, which were constructed under section 15, and 25 percent of which were allocated for use by Winnipeg Regional Housing subsidized tenants, had a long waiting list. What is lacking in public housing is not good ideas and skillful executives but a process whereby innovation and competence are rewarded and their opposites punished. This is precisely what obtains in the ordinary workings of the free market - in the absence of rent control - through the profit-and-loss system.

Rent control was born from noble motivation - that of concern for the well-being of low-income households. However, rent control is far from the best way to express this concern. If aid to such families is in the public interest, then equity requires that the cost of providing it be spread among concerned families. There is no justification for requiring almost the entire cost to be borne by the small proportion of the population who own rental property. Furthermore, there is no justification for providing aid to middle and upper-income families as is typical of rent control. The vast majority of renters who can afford to pay their fair share for shelter should be made to do so, and at levels which reflect today's costs.

Despite our objections to rent control in general, and given that the imposition of rent control in Manitoba now appears to be an inevitability, I wish to address several specific issues contained in the proposed legislation, with the goal of minimizing the unavoidable and detrimental effects of such legislation.

There are numerous well managed buildings in Manitoba with relatively low interest mortgages which continue to lose money for many years following their construction. It is for this reason that even in the absence of rent control the Federal Government found it necessary to implement tax deferral measures to encourage private investment in residential premises. Since elimination of these measures, there remains no motivation to produce rental housing in Manitoba, and a severe housing shortage may result. Even the promise of high demand for rental accommodations as vacancy rates diminish will not be sufficient incentive unless rents are permitted to reach levels which will service debt and operating costs. As was shown in data presented by the Manitoba Home Builders Association, it is unlikely that economic

rents can be achieved in just four years. The attached table demonstrates the economic inviability of new apartment construction in Winnipeg in a free market. When existing stock is under rent control, the problem is exacerbated.

Under the Assisted Rental Program of 1975-76, aid was granted to rental property owners during the early years of their projects when rental income is far below its potential due to vacancies and low rental rates. Subsidies granted to such property owners decrease by a fixed percentage to offset anticipated rental increases.

Should rent control deny these owners rental increments required to meet the annual step-up in debt service, they will find it necessary to extract capital in the form of neglected repair and maintenance. This will ultimately result in a serious deterioration in the quality of rental housing in Manitoba.

CMHC has recently developed a Residential Rental Assistance Program, (RRAP), aimed at rehabilitation of specified core areas. Under this program the property owner will provide 50 percent of the cost of rehabilitation, with CMHC providing the remaining 50 percent, to a maximum of \$2,500 per suite. Rental rates of these premises will be under the control of CMHC for a period of 10 years and will be based on a break-even budget with an, as of yet, unspecified percentage of return on investment. However, since proposed legislation grants exemption for a maximum of just 4 years after approved rehabilitation has been completed, such property owners would be under conflicting controls. Their agreement with CMHC will be meaningless.

In light of the foregoing, we support the proposals made by the Manitoba Home Builders Association, that all residential rental premises constructed from and after January 1st, 1976 be entitled to a minimum of 15-year exemption from the date of first tenancy, and that buildings built under the ARP Program in 1975 and 1976 also be exempt. In addition, we propose that all buildings whose rents are controlled by CMHC be exempt from provincial rent control legislation until their agreement with CMHC expires.

The acceptability of any measure designed to produce and maintain rental housing is likely to decrease as the complexity of administration increases. Similarly, disincentives are likely to be greater where the cost of administration is not controlled. Administration of the proposed legislation is most cumbersome and costly. If the bureau is to be provided with information concerning rental rates of each individual rental unit in Manitoba since January 1st, 1981, and in some instances two years prior to that date, it will be inundated with paperwork. The task of dealing with applications for and notifications of current rent increases alone will be overwhelming, not to mention that of increases imposed prior to implementation of the bill. This is certain to result in costly delays for property owners and government alike. A more logical role for the bureau would be that of arbitrator in those cases where tenant objections to rent increases meet specified criteria.

I think it unnecessary to reiterate all of the very valid objections which have already been raised. It should be obvious to the Committee that Bill 2 as it now stands poses some serious problems. I will repeat,

however, that since tenants objecting to rent increases are not made responsible for providing any justification for their objection, it is obvious that both the Rent Regulation Bureau and property owners are going to incur a great deal of expense dealing with unwarranted disputes. Criteria should be established to determine what constitutes a valid objection to a given percentage increase and objecting tenants should be required to demonstrate that these criteria have been met.

Similarly, it is simply unfair to expect property owners to refund rent which six months later is deemed to be excessive. Rents at January 1, 1982 may be used as a basis for determining what the allowable increase should be after a percentage has been arrived at in the regulations, but it is a blatant injustice to force property owners to refund money, which was collected in accordance with existing legislation, particularly when that money has already been spent on property taxes and in the operation of the rental property.

Finally, since full administrative procedures are yet to be determined, we join others in urging the Minister to consult property owners and managers prior to formulation of the regulations so as to reap the benefit of their experience and practical considerations.

Thank you.

MR. CHAIRMAN: Thank you, Ms Onyebuchi. Any questions.

Mr. Filmon.

MR. G. FILMON: Mr. Chairman, I would like to ask Ms Onyebuchi what level she would think would be reasonable in today's market as a cutoff point to exempt suites from controls. The level proposed in the Act is \$1,000 and a number of people have made comment on the fact that there are probably only a handful of suites in all of Manitoba that are at or above \$1,000 a month rent. Does she have any recommendations on that?

MS D. ONYEBUCHI: I personally don't have the statistics at my disposal but on reading the Act for the first time it was fairly obvious that the \$1,000 cutoff - well it wasn't obvious it was simply mystifying why it was ever put in - because it is unrealistic and it doesn't apply to the Manitoba market at all. I believe that people far more qualified than myself have pointed to a \$400 cutoff point.

MR. G. FILMON: Does Ms Onyebuchi have any suggested criteria, the matter of frivolous objections or being able to sift out objections, particularly those that are for rent increases below the guideline suggested of 9 percent, does she have any suggested criteria that may be used in other jurisdictions that would be used to determine what constitutes a valid objection to a percentage increase, say, applying them at least to those below the suggested tideline.

MS D. ONYEBUCHI: I personally can think of no possible reason why a 9 percent increase should be objected to, but I assume that, since it has been allowed for in the legislation, the people who set that 9 percent guideline, or at least have voiced it, must have

thought that it was a fairly equitable amount and they must know of reasons, which are a total mystery to me, of why an individual could possibly object to a 9 percent increase or below. I personally can think of none though.

MR. G. FILMON: Well, let's assume that, because of the person's equity position being large in a suite and the percentage of variable costs, the percentage of their total costs of which the variable cost is small - let's say that they have a fixed payment that has to be made on a mortgage and were getting, as of last year's rent, a fair return on that and the only variable is their operating maintenance costs - let's say, and their utilities and a few other things and maybe that only amounts to say 30 percent of the overall costs and those were going up by 12 percent but the rest of their costs were fixed and so, therefore, there might not be a justification for going up any more than 6 percent under those circumstances; it is conceivable that that could be the case.

MS D. ONYEBUCHI: I suppose it could be conceivable, although I already pointed to non-profit co-op housing where tenants are, in fact, owners and probably take more of an interest in the maintenance and care of their property and, even in those situations, CMHC has allowed an increase of 10.5 percent. So I really find it very unlikely, given that most tenants have absolutely no interest in ownership of the rental accommodations, that you would find where it would be less than 9 percent.

MR. G. FILMON: I have no further questions, thank you.

MR. CHAIRMAN: Thank you Ms Onyebuchi. Mr. Barry Matthews. Miss Lori Bell. I understand Miss Bell has a brief that will be distributed.

MS L. BELL: I hope you can all see me, my name is Lori Bell, I'm a community worker for St. Matthews-Maryland Community Ministry. The staff of the St. Matthews-Maryland Community Ministry has, for a long time, been concerned about the future of tenants in the province, specifically those living in the inner city of Winnipeg, this being the main focus of our work. For many years we have helped hard to place tenants into rental accommodations. We have also talked with many tenants who have had difficulty with housing due to high cost and hidden prejudices. We have come to you, the Standing Committee on Statutory Regulations and Orders, because of our support for rent regulations and also to suggest specific changes in the proposed Act which we feel would be of benefit to the tenant without being prejudicial to the landlord.

With regard to Bill 2, The Residential Rent Regulation Act, there are a few sections which cause us some concern which we would like to draw your attention to. The first section that is of concern to us is Section 28(1). We foresee many problems and hardships on tenants that are on low or fixed income or social assistance if they must pay an amount in excess of the regulations without a decision being first made as to whether this increase is justifiable. Already this year

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we have been involved with tenants who have been forced to move or relocate out of their area because they could not afford the rent increase on their apartment.

It is important to further point out to this Committee that these rental increases have as yet not been justified by the landlord. We would like to see this section changed so that the tenant shall only have to pay an increase at the amount set out in the regulations until such time as a decision is made and only then have to pay the increase. By doing this the tenant, if he so chooses, can stay and fight an unfair rent increase without undue hardship to him or his family, or find an adequate place to move without having to relocate in an undesirable area.

Under Section 21(3) we strongly recommend that any decision that is made on one particular apartment be applied to the entire complex. Through our work with tenants we have experienced the frustration of having legislation apply only to one tenant and one landlord as The Landlord and Tenant Act does because it does not benefit the greatest number of people. It is our concern that if this section does not apply that some landlords, and I stress the word "some," may use this section to evict tenants who would object to a rent increase and only keep those who will not. Sometimes because of frustration with the system people tend not to fight for what is rightly theirs and if someone else, perhaps not as frustrated, is willing to fight we feel the greatest number should benefit from this action.

I would also like to comment briefly on Section 16 of the Act dealing with frequency of rent increases. Again, through our work with tenants, we have at times seen a particular suite in an apartment block increase as many as three or four times in a six or eight-month period without the landlord making any changes in the apartment. There must be some protection for new tenants so that they will not be charged exorbitant rents for what is, in the majority of cases, deplorable housing conditions. A tenant should not have to be subjected to rent increases that are unfair solely because the landlord is aware of how difficult it is to find housing in particular areas of the city. For this reason we would like to applaud this section of the Act and urge the Committee to leave it intact even after they have heard arguments against this section.

A final note of concern is found in Section 33, Sub-section 1. We agree with the landlords that upon application for renovation, they should get approval or not at this time. However, we feel the rent increase should only come into effect after proposed renovations have been completed and an inspection done by the rent regulation officer to ensure renovations are complete and done adequately.

In conclusion, we, at St. Matthew's-Maryland Community Ministry support the need for rent controls in the Province of Manitoba and would like to applaud the Minister, Eugene Kostyra, for his concerns for tenants in this province.

Thank you.

MR. CHAIRMAN: Thank you Ms Bell. Are there any questions?

HON. E. KOSTYRA: Thank you for your presentation on behalf of St. Matthews-Maryland Community Ministry.

I'd just like to give a couple of comments on your presentation and this one question. You made reference on the first page at the bottom with respect to Section 21 (3) of the Act. The reason that section is in the Act is precisely for the reasons that you outlined that allows that in situations I could describe, that the Bureau can enjoin other suites in a review of rent increases in that particular block. So, I'm not certain of your concerns as to whether or not you feel that would be implemented or there was misinformation.

The other area that I just wanted to get some further discussion from you on, is dealing with Section 28(1). Quite frankly, this was a difficult area for us in looking at with respect to the payment of the higher rent level until such time as a determination is made. Yesterday, in response to similar concern, I indicated that, hopefully, the decisions would be made prior to any rent increases being implemented. However, in the interim, there may be some difficulties with that when the legislation is first proclaimed and is being administered.

I guess the difficulty that I would have with your suggestion is that because of the kind of problems that you're talking about at the time of the actual rent increase, if the increase was granted at the level that was first requested or something close to that, then the problem for the low-income tenant would be compounded by the number of months that go past that they would not be paying the higher rent increase.

MS L. BELL: Unlike a suggestion that was made earlier that they pay it back afterwards, we're not being quite as wishy-washy. We'd just like to see a 9-percent increase until such time until the decision has been made and never having to pay back, if it is justified. Just a straight 9 percent until the decision has been made.

HON. E. KOSTYRA: So then, you're suggesting that they would pay the higher rate at the point in time when the increase is approved?

MS L. BELL: That's correct.

HON. E. KOSTYRA: I see.

MR. CHAIRMAN: Mr. Corrin.

MR. B. CORRIN: Mr. Kostyra made both my points, Mr. Chairperson.

MR. CHAIRMAN: Thank you. Mr. Filmon.

MR. G. FILMON: Yes, thank you, Mr. Chairman. I'd like to ask Ms Bell, in the preamble to her brief, she indicates that as community workers, they have talked with many tenants who have had difficulty with housing due to high costs and hidden prejudices and have come to us because of their support for this Act. I wonder, is the implication that this Act will, in some way, reduce the hidden prejudices or address that aspect of them, Ms Bell?

MS L. BELL: Perhaps.

MR. G. FILMON: I wonder if I could ask Ms Bell in what way she sees this Act as removing hidden prejudices from the marketplace?

MS L. BELL: It's a good question.

MR. G. FILMON: I'm sorry, I don't mean to put you on the spot. I know that the concern is in providing affordable housing for those who are in need in the province. I wonder if Ms Bell could answer the question, do you really think that the same kind of legislation is needed for people who are paying \$900 a month rent, as for people who may be in the circumstances who you're dealing with in the inner city in very low income and low-rent areas.

MS L. BELL: I don't know of anybody who pays \$900 a month for rent, so I really don't think I'm in a position to answer that.

MR. G. FILMON: Alright. If you have the concern - as I think most of us do - that the issue in the rental market is affordability, would you see an adequate system of rental supplements as perhaps addressing your concerns for the affordability for the people you serve?

MS L. BELL: I don't understand your question.

MR. G. FILMON: I mean supplements that are available under some government program that would serve to reduce the rents that they pay.

MS L. BELL: Such as CRISP, like the CRISP Program?

MR. G. FILMON: Well, CRISP is supplements for children; for child support but for rental support, let's say.

MS L. BELL: I don't know.

MR. G. FILMON: Well, I thank Ms Bell for her presentation.

MR. CHAIRMAN: Mr. Penner.

HON. R. PENNER: Just a brief comment relating to the question that Mr. Filmon had asked. As I understood the preamble to the brief, it simply gave a background with respect to the areas in which the staff of St. Matthews-Maryland Community Ministry has been working and mentioned two kinds of problems they had encountered, one being prejudice, the other high costs and then the rest of the brief just went on to talk about high costs. I don't think it was suggested in the opening paragraph at all, either expressly or implicitly, that rent controls would deal with the question of prejudice.

MS L. BELL: Thank you, Mr. Penner.

MR. CHAIRMAN: Mr. Kovnats.

MR. A. KOVNATS: Just two questions. First one, as a staff of the St. Matthews-Maryland Community Minis-

try, is that a paid position?

MS L. BELL: Yes it is.

MR. A. KOVNATS: Fair enough. I would think that the type of work that you do particularly with the presentation that you have made - an excellent presentation - and I think that through the church organizations that they do a lot of good work particularly in looking after the people who can't look after themselves.

Complimenting the Minister for bringing in the bill - now, just on the alternate part of it, would you think that the payroll tax that the Provincial Government is bringing in on all organizations

MR. CHAIRMAN: Order please. If you wish to discuss the payroll tax, discuss it with a politician. I think it's unfair to ask the witness who is making presentation in respect to a bill to discuss a political issue which is really not to the bill. Thank you, Mr. Kovnats.

MR. A. KOVNATS: Mr. Chairman, I think that everything that goes on at this meeting is political and I am trying to make a point.

MR. CHAIRMAN: That's true, but the payroll tax has nothing to do with this particular bill and that's my ruling. You wish to challenge it, you have that right.

MR. A. KOVNATS: No, I don't think I'd wish to challenge your ruling, Mr. Chairman, if that's your ruling. No matter what happens, I don't have enough support here in Opposition to challenge your ruling but I think that freedom of speech has just been curtailed. I think that the public should be aware of it and I thank you very much.

MR. CHAIRMAN: Order please. You're reflecting upon the ruling of the Chair and you know better than that.

Are there any further question of Ms Bell? Mr. Corrin.

MR. B. CORRIN: I just have a brief comment with respect to the question Mr. Filmon addressed to the delegation respecting hidden prejudice. In that regard, I would ask Ms Bell whether she's had the opportunity and when Mr. Filmon put the question to her, she seemed a bit surprised but upon reflection, I would ask whether she's had the opportunity to reflect upon the provision in Section 35(1)(a) that prohibits landlords attempting to or actually collecting from tenants, commissions, bonuses, penalties or key deposits which indeed may have an effect with respect to landlords who attempt to exact those sorts of premiums in order to discourage tenants from occupying their premises. That isn't the only purpose of that particular provision, but I just draw to her attention that there is a clause in the legislation that may well deal with the question of prejudice in some of its inferential circumstances and situations anyway.

I'd like to thank the delegate for a fine presentation. I enjoyed it very much.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: In your Brief, when you make

reference to Bill 2, Section 28, and as you go along you say it is important to further point out to this Committee that these rental increases have, as yet, not been justified by the landlord. I think you're inferring that the person or the tenant had to move before the new rent decision was made. Am I not correct?

MS L. BELL: Partly, and just as a point of reference that because of just frustration with the system, a decision was never made on whether the increase was justifiable or the person did not file for any type of appeal because of a frustration with the system.

MR. F. JOHNSTON: Well, then you were aware and when you were advising tenants that a tenant who made a protest to the Committee automatically had the right to stay in that apartment at the rents that were being paid until the decision of the Board or there was a decision of agreement between the tenant and the landlord in the previous legislation. That was fact. They did not have to move until a decision was made. Were you aware of that?

MS L. BELL: Well, in one particular case, she chose not to go through official channels and therefore just moved.

MR. F. JOHNSTON: Well, that is the choice of the person, then. Thank you.

MR. CHAIRMAN: Thank you, Ms Bell. Mr. Martin Bergen.

MR. M. BERGEN: Mr. Chairman, Committee, actually I have a question and a statement. Why do we need rent control? To me, it does not make sense since I feel it ruins the whole housing industry through artificial market manipulation. Sorry, I'm not a lawyer, so I am a bad reader.

MR. CHAIRMAN: Take your time, Mr. Bergen.

MR. M. BERGEN: If your goal is to protect people who cannot afford to pay the fair market value for rental accommodation, then the simplest method of looking after them is to implement programs like the SAFER program, which would directly benefit only those people who actually need the help. Rent controls benefit the poor and the rich alike. The Government of Manitoba owns 14,000 units out of 80,000 rentable units in Manitoba at a cost to the taxpayer of an excess of \$50 million a year. Now clearly, that should take care, I think, of all the tenants which have representation here at this meeting.

There hasn't been any representation here at this Committee from tenants. The only presentations were here from people who really need help and I think that's why the government built. At least, that was what we were told in the past by the previous government and previous to that. We built those units for the needy ones? If the government builds subsidized housing and civil servants, Manitoba Hydro workers live in them, then there is something wrong or the government doesn't pay their civil servants enough money and the Manitoba Hydro alike. Well, they

should have a raise then or they should be forced to move into accommodation in the private sector so that the people who were represented here by the previous speaker could have those units without being discriminated, without anything to live in. I fully agree that they need help, but not all the tenants of Manitoba.

Rent control discourages people who can afford it from buying a single-family house. Why should they, when they can live cheaper in a rental unit? In the 1950s a house sold for \$12,000 with monthly payments of \$87, and a two-bedroom suite at that time rented for approximately \$135.00. It would therefore, in my view, be much wiser to stimulate the single-family housing market. So that means at that time a two-bedroom suite was more expensive than a house.

So therefore, people as soon as they could afford or as soon as they saw their way through, they would be better off to have a down payment of \$2,000 and then move into a house with \$87 monthly payments. At least, it became theirs with time. Today, we protect those tenants with cheap rent so they sell their house and move into a rental unit.

In Saturday's paper I saw ads which advertise houses as low as \$45,000 with a down payment of \$15,000.00. If the government were to subsidize the down payment by \$10,000, there would be sufficient funds in the \$50 million which the Provincial Government has allocated to stimulate housing construction for 5,000 single-family houses, which people with \$5,000 down would be able to afford. The balance of \$30,000 would be a mortgage at 18 percent with a monthly payment of \$436, which would be very close to a rental thing. I'm sure that with today's wages and everything 80 percent of the work force can save \$5,000.00. If the government would not benefit so much on the high interest rate, it could go to Europe and borrow money at 8 percent, give the homeowners a mortgage at 12 percent. The 4 percent would then at least give the government as much income as it benefits on high interest rates. The monthly payments would be \$302.00.

Now, why I mentioned high interest rates is, one of the Committee members here, to my surprise, admitted that it's foolish for a person to go to the bank and invest this money at 14 percent and think he's going to get 14 percent out of it when, in reality, by the time it comes to the end, he only gets 3 percent out of it because the rest the government takes in taxes. That's why I mentioned high interest rates here. So I think it came from a Committee member here that the government benefits out of it and what I've been telling, of course, long ago to everybody.

This proposal would eliminate all the problems we have with the housing economy. It would put people back to work; it would make it possible for renters to move into a single-family homes as is natural, thereby vacating apartments and re-establishing a competitive market. Controls would not be needed as the industry would look after itself. Government should stay out of building and owning anything which it does not already own.

Nonprofit housing is not a solution either, since it only puts a heavy burden on the taxpayer. (See Schedule A). When you look at Schedule A, I give you an example there. The latest house on Henderson Highway was built with government help. The rent there

are \$230-\$320 for a one-bedroom suite; \$350-\$360 for two bedrooms. Now if you look on the right side there are five apartment blocks listed there which are privately owned, also for senior citizens, and the rent is comparable with them. So are the suites.

The non-profit housing that costs the taxpayer \$467 per suite a month subsidy and that's going to be for 50 years. Surely that is not the solution. If we already have 14,000 units in this province which cost us \$50 million a year subsidy, plus some more coming on the market every year, one of these days even the taxes are going to run out and we could not afford that either.

You will see that the free-market rents are comparable to the rent in non-profit housing. Governments should stay out of all giveaway programs with the exception of the one which will stimulate the move by families, from rental to single family dwellings. What I'm saying here is that government should stimulate single family housing because then the people look after it and it's not a burden anymore to any government and they also pay taxes to look after it and they look after the property. It's better than having apartments and any other rental units.

I have just returned from a country where rent controls have been in force for the past 40 years and no increases have been permitted during that time. Of course, repairs have not been done during the same period either. Suites are passed down from parents to children and kept in the family for generations, because there simply are no new ones available to accommodate new families. Property owners are unable to pay for maintenance and, therefore, it just doesn't get done. If major repairs are required, like a new roof, the government has the work done, pays for it and then seizes any property the owner has to cover payment. In this manner it is only a matter of time before every piece of land and building is owned by the government.

The government, before building any rental unit requires the following from each person who wishes to live in the units. Like the gentleman, Mr. Martindale, considered co-op housing, they build co-op housing but before they get permission or before they get accepted to be able to have a suite in there they have to pay \$2,000 cash down payment and 600 hours of free labour which he can provide in whatever manner he sees fit. This method, if applied to a \$3.5 million, 200 suite apartment building in Winnipeg would look as follows, and there's the table. It's 200 suites at \$2,000 is \$400,000 would take care of the land, engineering, design and all that kind of thing; 120,000 hours at \$12 an hour would give you another \$1,440,000 to a total of \$1,840,000 paid toward construction by applicants. Now that is what I would call co-op housing.

The balance of \$1,660,000, which is material cost, could be reduced to \$1,160,000 as frills such as carpets, fixtures, appliances etc., would be the tenants responsibility to supply. Therefore, the monthly rent per suite would be \$88.80 and that at 19 percent for 30 years. Of course, there are no property taxes and maintenance and utility costs are looked after by the tenants.

As a landlord with extensive experience, without and with rent controls, I see a massive bureaucracy

created to gain absolute control of the industry and turn it into a public utility.

Since the proposed Act will permit tenants to object to any increase, even if it is only 1 percent, and to draw the rest of the tenants into the action, at the same time, I can predict that all rental units in the Province of Manitoba will be subject to a total review of expenses and revenue. No industry has ever been subjected to so much scrutiny.

If I may say, through past experience we have, where there was class action allowed, it was people like the first speaker we had this evening who went to an apartment building with 150 suites and it took him three days to canvas the whole block. In three days he found one person who went along with him and said, "Okay, you can appeal if you think it's right as long as it doesn't cost me anything." They made an appeal and I had to go before the Board. They made it a class action and it was so cheap that the Board members at that time, and the lawyers and the tenant who was involved in this thing, argued that I didn't have to have two telephones. I didn't have to have a telephone in the block and I didn't have to have a telephone in my office. It was excess expense. Now if you have a million dollars expense a year and you argue about the telephone bill that goes too far, I think, and I think this class action which, to my luck at that time, was turned over by the courts and was not allowed; I hope it will not be allowed this time either by the courts since I think the precedent was set by the judges that it cannot be allowed and I hope that the Human Rights will really look after this; that there's no way that one tenant can create a class action and pull all the other tenants with him. That is the most dangerous bad legislation that's in here. If a person, over 18, today, cannot stand up for his own rights with all the education and the advertising we have, then I don't think he needs anybody from Legal Aid, lawyers, to go to knock on his door and persuade him to come and file an appeal. I think those kind of lawyers should be disbarred.

I feel that if the government sees fit to set a percentage increase of 9 percent it should not be permitted, on the part of the tenant, to object to this figure. Past experience has shown that tenants will object to anything if the provision is there. The possibility of one tenant's action, out of 321 on one building, being responsible for voiding his neighbours' lease agreements would appear to go against a tenant's basic right. Most tenants feel a sense of security once their lease is signed and their dwelling secured for 12 months.

A Central Registry, as proposed, also violates the basic rights of a tenant whose movements will now be traced from suite to suite throughout the province.

Section 16 provides that rent cannot be increased more than once in a 12-month period on the unit. This, I think, has come up a few times so I won't read that section.

Section 21(2)(ii) states that a rent regulation officer shall consider increases in the actual expenses incurred by the landlord.

I don't know about other landlords, but I do not know my actual expenses for 1982, until my year end, in January 1983. Therefore will I have to wait until then to have my application for 1982 determined? It would

appear to me that budget figures should be accepted and determine increases by a rent regulation officer. If a property has no increase in expenses but is still losing money, an increase must be permitted. I think I should say see Schedule B. I can discuss that later when it comes up once more and then we can discuss Schedule B.

I also understand that financing costs of capital expenditures and mortgage rollover will not be recognized as an expense and the return on equity has not even been considered. As it is, property owners are finding it increasingly difficult to meet high interest financing and with rent controls we have no hope of future recovery. This will inevitably result in foreclosures and return of property to the mortgage holders.

For example: I have a building which is at an age that it needs all appliances replaced at the total cost of \$150,000.00. This is a capital expenditure which would probably be amortized over 15 years. Therefore, I could be permitted to write off \$10,000 to expenses in the first year and finance the balance of \$140,000 at the rate of 23 percent over the next 15 years with the monthly payment of \$2,665.00. How can you possibly handle those payments at a time when your mortgage becomes due and renewable at a rate of 19 percent? With the proposed rent controls I am not permitted to earn any money on equity which could be used to cover some of the expenses. I feel that if a 9 percent threshold is set, it should be permitted. If a landlord can only justify an increase of 6 percent, he should be able to get another 3 percent for reserves, financing costs, income, call it whatever you will, but at least he will be given a slight margin to work with. (See Schedule B.)

New construction should be exempt for at least a period of 15 years. This, given with a realistic interest rate would create a climate favourable to rental housing construction. Rent controls, which do not permit any return on equity or realistic rent level, only further the negative aspects of construction today. Given a tight market and an economic rent level in the province, would be an immediate stimulus to multi-family housing construction. (See Schedule B.)

So if you discuss Schedule B, you can see that it is an actual statement from an apartment building, a townhouse complex with 64 units, a 10-year project. Now, as you see, we lost money in 1980 and we only had an increase of 3.9 percent in expenses, but we increased the rent 14 percent that year. From 1980-82, we increased the our rent 10 percent; our expenses didn't increase at all because we went down with expenses; we did not put in so many new carpets or painting and things like this. Now, in 1982, our increase will be 7.97 percent on expenses and we would like to have an increase of 12 percent and you still will see that we will lose \$8,000 on this project. This is a project which we have to refinance in May of this year, and the interest rate today is 19.5 percent. We made an application to Royal Trust for refinancing and they came back to us and they said, we don't want to have it refinanced, we want our money back. Now, I didn't deal with Royal Trust the first time, therefore, I told him where they could go and find their money; I haven't got it. They are going to take a mortgage and I pay them 19.5 percent or they're not going to get

anything. So the results of it is, if they're stubborn in Montreal, they'll probably take the property.

But you can see that the increase in one year from \$83,724 mortgage payment to \$136,000 - now surely nobody could expect that that is not an expense. I do not increase the mortgage; I leave it at the same amount as I took it 10 years ago. I paid 9 percent on that mortgage; after 5 years I had to renew it to 10.5; that was bearable. But then, going to 19.5, you see what it does. So I think if you look at a statement like this, surely you have to be convinced that a 9 percent ceiling plus, I'm taking here a 9 percent threshold rent whatever you call it plus 3 percent for extra financing. I think if a mortgage goes up by 9 percent at 3 percent a year, it would take me 6 years to the point again where that 3 percent every year would be the balance between the \$83,000 and the \$136,000.00. So in 5 years we don't know what the interest rate will be; maybe by that time at the way we're going it could be 25 percent. So I think there should be some allowance for refinancing if it's legitimate financing I'm sure that is the easiest way to look for anybody if you monkeyed around with your figures and refinance, or if you didn't. To allow an extra 3 percent on a total rental roll is not asking too much.

Thank you.

MR. CHAIRMAN: Thank you Mr. Bergen. Are there any questions?

Mr. Filmon.

MR. G. FILMON: Mr. Chairman, I wonder if Mr. Bergen could comment on the ceiling of \$1,000 per month rent, what he would consider would be a more appropriate ceiling for . . .

MR. M. BERGEN: I surveyed that rent today in North Kildonan and what we have there with other apartment buildings, out of 3,500 suites we have 70 suites over \$400, and I can tell you out of the 70 suites over \$400 that half of them are senior citizens. My building on Oakland Avenue which is a senior citizens' building and that's all full of senior citizens over \$400, 39 of them are senior citizens, the rest are townhouses. In this complex as you see there are some over \$500 and I think if you look at this townhouse project, we have suites there for \$190 going up to \$213, and that's a one-bedroom suite, surely enough for any tenant who today earns \$800; it would be 25 percent of his income. If you protect the person who pays \$566 and his goes up to \$630 or \$650, he doesn't need any protection because some of them earn more, probably, than I do. Therefore I think 400 should be sufficient, anybody in this province who can afford \$400, he probably earns enough that he can pay the increase and if not, there's always the way open for him to get into a house where he can live cheaper.

MR. G. FILMON: I wonder what way Mr. Bergen would consider would be a fair method of considering return on equity. Does he feel that there should be an assumed debt equity ratio as an average applied to every project regardless of what the actual is?

MR. M. BERGEN: I don't think I'm that fussy about return on equity. I think that each project should be

allowed to make all the payments, that much we should at least get. We always have said if we make 2 percent to 3 percent on our money invested, be satisfied.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: No further questions, Mr. Chairman.

MR. CHAIRMAN: Anyone else? Thank you, Mr. Bergen.

Mr. Peter Thiessen. Mr. J. P. Borowski.

MR. J. BOROWSKI: Thank you, Mr. Chairman. I don't have copies of the brief. I have a few pages of things I would like to say regarding this bill. First of all, I am here to speak because I consider the bill to be unjust, unfair and discriminatory in the extreme. I am not a landlord, nor am I a tenant, but I must say one thing, I do have one tenant in the back of the store and so I say this for the public record so I cannot be accused for coming here and speaking for private, personal interest. We have good friends living in the back. I don't expect to raise their rent even 1 percent this year, but I am concerned about what this bill is going to do to people who invested a lot of their money and are, in fact, depending on their rental units to give them a fair living.

I am also concerned about the constitutional rights of the people involved. Everyone knows there is a grave crisis in this country thanks, in part, to the Liberal Government and their incompetent handling of the economy. Prices for goods and services are increasing faster than income and the areas where people are most severely hurt is the cost of food and shelter, utilities and the cost of operating a family car; but nothing compares with the cost of shelter, be it rented unit or home ownership. We are told by the politicians in Ottawa that approximately 40,000 people will lose their homes this year. That is an incredible number of people. I suspect that if anybody did any research on that they would find that probably has not occurred since the depression years.

These families will lose their homes. For many of them their lifelong savings will go with that. Compare that with people who are renting. What do they lose? I am not suggesting that they don't have a problem. They have a problem that everyone, I'm sure, sympathizes with, but the people who are renting will lose a roof over their head and one month's deposit. I find it strange that there is so much concern shown by the government for people who are renting and so little concern shown for people who have their life savings tied up in homes.

Governments are taking steps to help those who have homes. I notice in Saskatchewan, the Conservative Government won the election, I believe, because they said they would give 13.5 percent mortgages for people who have difficulty financing. Of course, I am sure the reduction in the price of gas by 29 cents a gallon had a great deal to do with it. I know this government is also taking steps to help, in some small way, for people who are homeowners. I received this brochure with my bill from my municipality and in it there is a program that provides direct subsidies up to \$275 to homeowners facing mortgage, principal, interest and property tax payments of more than 30

percent of the household income. Unfortunately, there are very many limitations in this thing here and a lot of people are still going to lose their homes in spite of this halfhearted effort by this government.

The government has a program for various other groups. I know there has been a considerable debate about government involvement in cow-calf operations, beef operations. There are subsidies and various programs to help various groups in our society because they are in financial difficulties - through no fault of their own. All of that is borne by the taxpayer, by the general treasury of the government, and I am wondering how the government can bring in legislation saying to one group that you are going to be penalized for the actions of some other party, perhaps an international party.

The banks and the trust companies and the insurance companies who make obscene profits, Mr. Chairman, that are embarrassing to their most staunch supporters, these people are allowed to raise their rents - and I call them rents even though they're mortgage payments - anywhere from 50 percent to 100 percent. They do so with impunity. This government, I submit, doesn't seem to have the courage or the backbone to tackle those money interests. Indeed, when they pay this money which I just talked about, they really are subsidizing the banking interest, the insurance companies and the trust companies and the money barons; but when it comes to the landlord, when it comes to people who are renting, what is the government doing?

They are saying to a small group, unpopular and perhaps deservedly so but very unpopular, they're saying that we're going to make you the goats that take the rap for the problems in our economy. We are going to impose an indirect tax on you - because that's what it amounts to. When you turn around and say to a select group of citizens, in this case the landlords, that out of all the people in this province, with all the difficulties we have, you guys are going to carry a special burden because the tenants are having difficulties of meeting those payments. I think that is terribly unfair; I find it offensive and I am surprised that this government, of all governments, should bring in such legislation.

I recall, when the Federal Liberals brought in price controls a few years ago with no controls on anything else, on any other commodities. I know that the unions and the NDP screamed the loudest in this country, and rightly so. They said, it is unfair to put controls on workers and not controls on management, on businesses, on professionals, and they were right. Just as they are dead wrong today when they select a small group in our society - and I don't know how many landlords there are. I am not a member of them, I don't associate with them, I don't know their workings, but perhaps there are several thousand of them. This government is doing the very thing that they condemned the Liberal Government in Ottawa several years ago, except they are doing it in reverse. At least the legislation that Trudeau brought in had some sense of uniformity in that it affected working people. In uniformity and fairness, if one can use that, there was some measure of fairness because I believe there was an appeal board and if the increase was too low, then you could appeal to that board. I recall the

workers in the International Nickel who went on strike over that thing because they felt that the increase was unfair. As I understand this legislation, even that type of provision is not going to be included.

It seems to me that if a government can find money, Mr. Chairman, to subsidize all these other programs from the public Treasury, then I think that they should be able to find some money to subsidize whatever amount of tenants there are who are going to be faced with the difficulties and I am sure there are going to be great difficulties. The gentleman who just spoke before us indicated his mortgage rates are going to just about double. Now, where on earth is that man going to get the money? Is it fair for the government to say to him, we don't care about your financial affairs. If you lose your property and if you lose your suite, we are going to put a ceiling of 9 or 10 or whatever it is and if you lose it, well, that's just too bad, but we are going to do it.

I think that is a cruel, inhumane and heartless approach to take to a small group of citizens who are unable to defend themselves. I would be opposed to this by any government, but I particularly find it offensive because I happen to have been a member of this government at one time and I know that we have acted frequently as holier than thou and we're always concerned about the rights of the various citizens, all citizens. I know that this bill, although I haven't read any more of it than what I've read through the press, is riddled with anti-discriminatory clauses and that's good. I think a government should bring in legislation that makes it fair for everyone.

They went to great lengths to make sure that landlords cannot discriminate against people who are going to come, whether they are welfare recipients or homosexuals or some other deadbeats in society and the government wants no discrimination, but yet this bill is a masterpiece of discrimination. I consider this bill a masterpiece of discrimination because you have selected the landlords in Manitoba and have imposed a special tax on them. I know that if this government increased the sales tax from 5 percent to 10 percent and say, but only the landlords will pay it, I think everybody would scream. But this thing is worse, Mr. Chairman; it is worse in terms of actual financial clout.

Those who have a large number of suites, it is certainly going to cost them a lot more money than if you raised the sales tax from 5 percent to 10 percent. You are doing it on this group and this group, I must say, seems to me like they are almost hypnotized when they come up here and they're pleading for a little fairness under this section, and maybe a percentage point on there. What they should be saying is, we cannot accept legislation which makes us the scapegoats, which picks us, which makes us the Negroes as there were in the United States or the Indians of Canada, and say, you guys are going to be second-class citizens. We have fought that and we have eliminated that to a large extent, but it seems to me now you are bringing it back against the landlords.

There is a new Canadian Constitution and there is a Charter of Rights and I would urge the landlords and those people who are concerned about civil rights of everyone to challenge this legislation all the way to the Supreme Court. I think the legislation is terrible, and it should not be allowed to stand on the Statute

books, regardless of who brings that in. If this Legislature passes it and since the government has a majority, I suspect that they will pass it and I hope that everybody in the Opposition will oppose it and give good reasons why, but I hope that the landlords will immediately hire a good lawyer and I can suggest to them one lawyer, Dr. Morris Shumiacher, who is the best constitutional lawyer in Canada, who is handling my abortion case. I would recommend that they start up a fund and challenge this legislation all the way to the Supreme Court. I believe that all the rights that are given under the new Constitution, the Charter, that this government would lose that.

I urge the landlords not to take this lying down and to tell this government that you are not going to pick on us and make scapegoats out of us and make political pawns out of us. This thing was a cheap election gimmick and you are now paying it off. I think politicians should keep their election promises, but I also think politicians should be careful of the kind of election promises they make.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Borowski. Any questions?

Ms Karin Warkentin. Proceed please.

MS K. WARKENTIN: Members of the Committee: As property manager for 268 apartment units in Winnipeg for the past two years, I have seen the effects of rent controls. How is that possible, you ask, since rent controls have not been in effect for the last two years?

It is because, once rent controls were lifted, its damages were clear for all to see. Tenants who could not afford the realistic rents now set by owners had to seek housing more in line with their income. Many could not understand that although rents were now going up, new carpets and other cosmetic amenities they felt they were entitled to were still very difficult to obtain and the hostility towards the old "cartoon" image of the landlord became very apparent. At the same time, the frustration of the owners was also apparent. Since pass through costs were not allowed at that time, the government with its rent controls had forced them to subsidize the tenants' rent by obtaining loans so they could keep their buildings. Many barely kept afloat during this period of time and the buildings suffered from extended deferred maintenance since the money was simply not there. Once rent controls were removed, the slow process of bringing the blocks back up to the standard at which they should have been maintained had the finances been there, was begun. On July 11th, 1981, the Winnipeg Free Press, Consumer and Corporate Affairs Minister, Gary Filmon, stated that the results of a department survey - it was in the newspaper - showed no massive across-the-board increases and that he felt most landlords has acted responsibly during the first year of rent decontrol and that the transition had been smooth.

Naturally, it was smooth. That's only good business and the landowners of Manitoba are in the rentals business. To have unhappy tenants is not good business and, for this reason, increases in rent were fair and reasonable as they would continue to be without rent controls. For those businessmen who were not fair and reasonable, vacant suites would result.

The NDP Government's reason for wanting to implement rent controls is that they are concerned about the vacancy rate in the city. Naturally, when this was introduced as part of the election campaign, virtually all housing projects slated for Manitoba were frozen. Now, we do have a low vacancy rate. Despite this, without rent controls, rents would still be maintained at reasonable rates due to the following factors.

Mortgages are not created equal: all new interest rates are. This would be a large factor in the amount of rents that would have to be charged. The location: rents have always been affected according to which area of the city they are. The amenities that the block has access to, as well as the safety and desirability of the selected area can cause landowners in less populated or desirable areas to lower their rents as an incentive to renting. The tenants: as in all businesses, apartments would not exist were it not for the tenant and all landowners realize this. The rent cannot be raised above reasonable levels because the tenants will move out. The Rentalsman's Office is also still available for arbitration and yet the rents should cover the going interest rates of both mortgage and the owner's equity. New construction: at present, with rent controls pending, new construction is not feasible. Even though they would be exempt from rent controls, they are not able to set their rents at reasonable prices for return due to the low rents that rent controls would impose. If rent controls were banned, I feel new business would come to Manitoba and our economy overall would grow instead of suffering the depression now felt by everyone and getting worse.

This time, though, passthrough costs are going to be allowed or so the Honourable Eugene Kostyra has stated at a May 6, 1982 meeting of the Landlords Association with Mr. Kostyra. However, he stated that not all pass through costs were going to be allowed because when the city vacancies were high, all the landlords had to keep their rents low and, in some cases, subsidize the tenants because they wanted to keep their vacancies as low as possible.

Question: does this mean that because apartment owners carried costs in the past, they are expected to carry them again? Where was the government when there was this hardship on the landowners of Manitoba and they needed subsidizing? Will the government also put similar restrictions on other businesses so that we may purchase our supplies and have our services at the same price as we had in the past? Will the government see to it that the interest on our mortgages are frozen at the lowest rates and/or rolled back? Will the government do the books and rebating for the landlords while they continue with their already full schedule of operations? Will they pay for the excess labour costs they have imposed on the landowners of Manitoba in processing the rebates? How can the government justify a 13 percent cost-of-living increase for its own employees and yet allow landowners only 9 percent? How can the government, with the knowledge of 17 percent in City taxes; 33 percent in gas heating increase and a mortgage interest increase of approximately 10 percent, then only allow 9 percent for landowners?

Finally, I must ask this question. Why have you selected the apartment-block owners of Manitoba to be the investors which you are going to place all of

these unjust and uncalled for restrictions and losses on? Why do you cause a few investors to shoulder indirect taxation? That responsibility, in fact, belongs to the government of the day. I maintain it to be constitutionally wrong.

As a tenant myself, I can see many people going through hardships, with employment being difficult to find and getting to a point of nonexistence, and elderly people not being able to get by on their own pensions. I do not, however, feel that it is right to point at one section of the private sector and make them responsible for these people's problems. They are already paying their own taxes. It is the government's duty to provide these people with low-income housing or to increase pensions, etc., not the landowner or the clothing store or the grocery store, but the government to whom we pay to do these things. How can the government justify hiring people, renting office space, spending more of the private sector's tax dollars while imposing low-income rent restrictions on the private businesses? They should use that money for the pensioners and in setting up support programs for pensioners living in apartment blocks. As a government, you are responsible for the people and were elected by the people. It is your duty to do what is best for all of the people of Manitoba and not necessarily what they feel they want at the expense of others. For me, as a tenant having \$5 to \$10 more in my pocket now won't change my lifestyle. But, to the landowners, when multiplied by X number of suites, it can make a difference in terms of property improvements and his right to profit in his business.

I trust that you will use your position wisely in making a decision in regard to rent controls, not only for the effect it will have over the next year or two, but what the long-range effects will be, which are unknown. I submit that the rent controls should be abandoned and discarded completely for the short- and long-range benefits for all.

Thank you.

MR. CHAIRMAN, P. Eyler: Thank you, Ms Warkentin. Are there any questions?

Mr. Kostyra.

HON. E. KOSTYRA: Thank you, Mr. Chairman, I'd like to thank Ms Warkentin for her brief on behalf of Dart Holdings. I just have one question through you, Mr. Chairman, to Ms Warkentin. On the top of Page 2, you suggest that when the rent control issue was raised during election campaign virtually all housing projects slated for Manitoba were frozen. Could you tell me which projects that were proposed, were frozen at that time?

MS K. WARKENTIN: No, I'm sorry, I can't.

HON. E. KOSTYRA: Are you aware of any projects that were frozen at that time?

MS K. WARKENTIN: I have heard from various people but I have no specific names or anything at hand. Sorry.

HON. E. KOSTYRA: No further questions.

MR. CHAIRMAN: Any other questions? Thank you, Ms Warkentin.

Mr. A. Sekundiak.

MR. A. SEKUNDIAK: Mr. Chairman, Committee Members: I'm a small investor. For the last 28 years I have bought smaller units, modernized them, and put them back on the market. Now, I see that my investments and my lifesavings seem to be in jeopardy due to rent controls. What is it all about?

We, as investors, invest money in these smaller units as a small investor which at one time provided approximately 60-65 percent of the housing in Winnipeg. Now, what is happening is that we cannot really turn around and say that we're losing X number of dollars, because we can't afford to lose X number of dollars. I recognize the fact that there is a severe problem for many tenants, that are on fixed incomes, such as the elderly, low-wage earners, single parents and in certain cases, there are individuals are out for a free ride and are trying to get something for nothing. The problem is not alone for tenants, it is also a problem for many small landlords.

They have invested their lifesavings and into rental units and now are seeing their investment dwindling away. In many cases, landlords have subsidized tenants for a few years where, in some cases, this is what the government should have been doing. I do believe that the tenants have rights but also should the landlords. In both cases, this should be specified by government legislation. Unfortunately, there are more tenants than there are landlords.

You would get fair legislation if you had equal amount of tenants and landlords. I'm deeply annoyed by being called a gouger by certain politicians. Example: I had a unit where my rental income was \$10,891.00. There are no capital cost allowances, no depreciation or anything. There was just a basic insurance-mortgage-interest-power-realty tax. My total expenses were \$10,258.00. After a year's work and investing \$15,000, I ended up with \$633.21. That's gouging? That's nonprofit housing, I'd say.

It is about time that landlords and tenants did get together as to why the rents are excessive. If rents must be controlled, the costs of operations must also be controlled. Landlords should be allowed a fair return on their investment. Percentages are not a true estimation of increases. This contributes to the increase in many cases to rents, because in a lot of cases when there's allowance, say, for example, of 9 percent that is allotted by the government now, possibly, a certain individual that has his property paid off and he would be satisfied with 6 percent. But, he says heck, the government allows us 9, we'll increase it to 9. So, I feel, that this in many cases, contributes to rent increases.

Also, a percentage increase is not fair. As the example as I've used previously is where, say, a unit is valued on the market for \$200 - we were talking about gougers - they've been renting them for 250 where the guy that sort of has to play catch-up, he was renting it for \$150.00. At 10 percent, the one individual is getting \$15 per month, the other one is getting 25; the differentiation is getting larger and larger.

There's also a great human outcry at the increases and exorbitant rents. As an owner, I do agree. But this

is not entirely the owner's making. He is not making great sums of money. The owner has become a collector for mortgage companies, tax departments and public utilities. An example: the taxes alone in one year have increased \$1,500.00. Also, an increase in fuel in this particular building is \$320.00.

The mortgage payments have increased from 13 percent to 19.5 percent which in terms, is \$6,430.00. Now, 9 percent isn't going to cover this, because per unit, I have to get approximately \$40 now. Without having any fair return on the invested money that I have and this is a mortgage that has been there for the 15 years, as time progresses, from 7.5 to 9, 9.75, 10.75, and the mortgage amount has not been increased at all.

If controls must be, it should be based on a yearly financial statement and owners must have a cash flow to be able to operate apartments properly. There are many abandoned units in Winnipeg in the last few years, due to high cost of operations, and people just could not stay in business, so they were abandoned. The City is losing taxation on this. Also, the investors will not invest unless there is some type of return or some type of stability that they can foresee in the future as to what is in line for them. The tenants tend to stay in apartments because it is cheaper now to stay in apartments than it is to buy homes due to the increase in high interest rates.

Dissension has been created between landlords and tenants. My tenants were quite content and we were one big happy family. Now, they feel that they're paying exorbitant rents and it is true. I agree that they're paying much higher rents than what they should be, but it's no factor that I have contributed to; it's the condition and the economics that are contributing to this.

Also legislation should be provided to protect fair landlords from the unscrupulous ones; also the destructive tenants from the good tenants. I had a destructive tenant at one time where there was a few hundred dollars damages. I phoned the Rentalsman. Well, he said, increase your rent. Now, why should 16 other people or 17 other people be penalized for one tenant that did the damages; I feel this is unfair.

There should also be less government interference in rent increases. Ontario, if there's a complaint from the tenants, the tenant should complain to the owner first. If they cannot settle their differences, then they should approach the Rentalsman and let the Rentalsman be an arbitrator.

There are also unforeseen costs where we have to actually give notice three months previous. These rents are binding for 12 months. So this means that there's 15 months. Now, if we have unforeseen costs such as a leaking roof or heating problems, or whatever, we have to carry this financial problem for the next 15 months and there's no way that we can recoup our losses. As I said previous to this, percentages do not give you a proper increase in rents.

Unfortunately, when legislation is brought in, it's a universal thing. It applies to the same type of owner as Mr. Borowski mentioned; he's got one person; same as another individual where they have assets of \$150 million. Now, we're the type of people that are sort of squeezed in between and I feel that we're sort of being discriminated against. Stating that, well, we have to

protect the poor tenants. Poor landlords cannot protect the poor tenants because they do not have the cash flow and if you don't have the cash flow, it might be a matter of a few dollars, but our sums are not that great.

Also, we have a problem in the city of Winnipeg with a lot of abandoned buildings, slums, and I feel this is exactly what is happening is that people like myself, who are small investors where we used to buy these places, fix them up, put them on the market and they looked respectable. Now, people cannot afford to do these things so they're abandoned. They're abandoned and the city's losing taxation on this where previously they were renovated and they were still on the market. There were a lot of units that were taken off the market.

I also have a very interesting article here. I sort of dug it out of my scrapbook. The book compares rent control effects to war. Fraser Institute found a novel and grisly way of illustrating an aversion of rent controls in a book published by the Vancouver based Research Organization. Readers of the rent control myth and realities are shown photographs, urban devastation and at the beginning of each chapter invited to guess whether the damage was as a result of bombing or rent controls. Some of the pictures were taken in Hiroshima, Nagasaki and Japan. The rest are from the Bronx and different areas in the States. The purpose of the exercise was to dramatize. The Institute believes that rent controls can lead landlords to abandon properties and, ultimately, to vandalism and related disasters that can destroy entire neighbourhoods or as Asor Lindbeg (sic), the Swedish economist professor once wrote, in many cases rent controls appear to be the most efficient technique presently known to destroy a city, except for bombing. The Institution study enlists the help of a number of economists and looks at rent controls in Canada and five other countries and in observation it concludes: the right to decent housing is nothing more than a disguise and an assiduous demand for wealth; landlords are sometimes poorer than those who are often accused of gouging; rent increases are more apt to be determined by apartment vacancies, rather than other factors; rent controls tend to lead to other forms of government intervention and housing; decontrols don't necessarily lead to huge rent increases.

Canada's recent experience with rent controls dates back to 1975 when the provinces agreed to temporary controls as part of the Federal Government Anti Inflation program. In most areas the controls have continued, however, little of the Institution study deals specifically with the impact of rent controls on this country and several of the articles on controls dated back to 1930. The basic argument repeated throughout the book is that a number of apartment units available at any given time and place, and the rents charged for those units are largely a function of supply and demand. Respective landlords look at the return that they can get on the rental property compared to other types of investment and decide accordingly.

Even in a perfect market the argument goes, a shortage of apartments means higher rents. That, in turn, a reduction in demand for apartments and an increase in supply and sets the stage for lower rents on the

downside of the cycle. The book describes rent controls especially to form housing subsidies and that is paid by landlords. It questions the fairness of deciding Canadian tax statistics that show that half of the rents reported in 1973 were earned by landlords with incomes of less than \$13,000.00.

Basil Alcam (sic) on the University of Toronto Faculty of Management Studies uses other federal statistics to show that the rents in Toronto increased less quickly than the overall cost of living from 1963 through to the beginning of the rent controls. Calman (sic) also found that the size of rent increases was highest when the vacancy rate was lowest and he concluded that the rent controls increase the number of apartment starts and depends on the government subsidies to 91 percent in 1977 from 13 percent in 1974.

"Michael A. Walker, a Director of the Institute has a list of books "Main Argument for Decontrol." His analysis of rents in the United States after the Second World War concludes that the decontrol need not lead to sharp and immediate increases in rents but he concedes that it is difficult to predict how much rent would increase in different areas of the country and the controls were eliminated.

The Fraser Institute makes no apologies for presenting only one side of the argument on rent controls. The reasons for this, as the Institute said, the economists are virtually unanimous in their assessment of rent controls. The only real support for the concept comes from the politicians, journalists, and social critics.

Thank you.

MR. CHAIRMAN, P. Fox: Thank you, Mr. Sekundiak. Any questions?

Mr. Johnston.

MR. F. JOHNSTON: Thank you, Mr. Chairman. Mr. Sekundiak you and I have known one another a long time, in fact, I believe you have apartments in my constituency.

You mentioned at the beginning of your statement that you had put your life savings into the buildings that you owned. You have another vocation and you took the savings that you had and invested it in apartment blocks for an investment for yourself in the future. Am I not correct?

MR. A. SEKUNDIAK: That is correct, Sir.

MR. F. JOHNSTON: You and your wife, in your spare time, work very hard at those blocks and keep them in the best condition that you possibly can with your own initiatives that you're capable of doing. Naturally, you have to call mechanics in some cases, but am I not correct that you work very hard to keep those blocks in good condition?

MR. A. SEKUNDIAK: Yes, I do all my own maintenance which is another thing that is not allowed, even under The Income Tax Act, or no provisions are made under Rent Controls. Well, I do my own managing, maintenance and everything else. I had to call a plumber the other day. It cost me \$32 for 15 minutes work which I didn't have the equipment to do it myself.

MR. F. JOHNSTON: Under the previous rent controls, you were able to hang onto your investment that was your lifesavings by putting money from your present job into it was the only way you could survive with them, if I'm not mistaken.

MR. A. SEKUNDIAK: That is correct because on an investment of \$15,000 I got a return of \$633.21. I was going to upgrade the property and, hopefully, increase the rents, but this happened back in 1974, and in 1975 I got caught by rent controls, I went through the whole process. Finally I pinned down the review officer where he said, well, if you were losing money in 1974 you should be losing money in 1975-76. So this was the answer unless legislation was changed.

MR. F. JOHNSTON: Under the present legislation that you have just come up to make a brief about, you could be in a precarious position again of losing your investment, is that correct?

MR. A. SEKUNDIAK: There is a possibility. Mind you, I subsidize it by working on another job.

MR. F. JOHNSTON: But you did buy these for your retirement fund.

MR. A. SEKUNDIAK: That's correct.

MR. F. JOHNSTON: Mr. Sekundiak, you have been associated with landlords' associations, I'm not sure whether you're a member or not but I know you know a lot of them. In your estimate are there a lot of hardworking people like yourself and, of course, the Attorney-General doesn't like factual questions but hardworking people like yourself that do own apartment blocks and have made investments, do you feel there is a lot of them in this province. I know a lot personally of very hardworking people like yourself that have made investments. Do you know that there is a lot of these in the province?

MR. A. SEKUNDIAK: At one time it used to be approximately 60 percent of the total housing was more or less small investors. Now the percentages have changed due to a lot of them that have given up their properties; others have been bought out very cheaply because they could not virtually carry on while we were told that we were mismanaging the properties. I couldn't see how much better we could manage them, when we did our own maintenance and there were no labour costs involved.

MR. F. JOHNSTON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Johnston. Anyone else? Thank you, Mr. Sekundiak.
Mr. Ray Williams.

MR. R. WILLIAMS: Mr. Chairman, my name is Ray Williams and I've lived here for all my life - 70 years, roughly. I worked hard, started as an electrical apprentice and became an electrician. I'm a private investor, I should have said that first. I have no Brief; I've just come up with a few thoughts on rental controls.

Now, in our portfolio, in addition to some other things, we have five apartment blocks, two of them are recently quite large ones, 40-odd suites, but we have three older blocks. These blocks are all in Frank Johnston's . . . they're all out in St. James, in his territory. Now, we are not too bad because we built these blocks, the old ones, 20 or 25 years ago and some of our tenants have been with us 20 years. We've got a lot of them that have been 10 or 15 years in there and during that time, you get to know them and you just increase the rents a nominal amount, just a little bit each year and the ones that come in new, well then, you put them up at the market price for these rents. Now, the problem right now is that as these people move out, and they only move out because they get old and their families have to look after them or they die and they go to heaven, most of these people, because they're good tenants; they don't have any more rental problems up there. But we have the rental problems and I'll tell you how. Someone will move in off the street and if that apartment is set at that low rent, these people who come in off the street and we have to rent it to them at that low rent; that hurts us, of course, but it also causes a lot of trouble in the apartment building because the fellow that's been in there three or four years is paying a higher rent than these. So all I would like at this time is to suggest that, would you take that into consideration when you're setting this thing up - if you've been a good landlord try and not penalize us. You think that's a fair question to ask you? That's what I think.

Now, the next thing is, as I see developing, which is pretty important. On these three older blocks that we have - as they become less profitable it then becomes more profitable for us to knock them down like they're doing on Portage Avenue or on Broadway out here. They knock some pretty fine blocks down and it becomes more profitable for us to knock those blocks down. We then do not have to pay the depreciation that we would so that we would have the property left to develop as a commercial setup. They're on Portage Avenue and it's quite easily done. So you can see what happens. If you don't allow a decent return on these things, well, you'll have less and less housing. As an investor you must know that no one in their right mind would ever build an apartment block here right now, and even if you guaranteed five years of not increasing, no one would still do it because they wouldn't trust what could happen.

One other point I just thought of. When you're setting up this Committee to look after this thing, would you consider having a representative of the Landlords' Association on there to put some input in so that - now it won't be my kids but my grandkids - when my grandkids get married and come up they will have a suite that they can live in? Would you consider that also? It seems reasonable, that's what I have. Are there any questions from me?

MR. CHAIRMAN: Thank you Mr. Williams. Any questions? Thank you again, Mr. Williams.

MR. R. WILLIAMS: Thank you. What a session, eh?

MR. CHAIRMAN: Mr. Peter Thiessen.

MR. P. THIESSEN: Mr. Chairman, and Members of the Committee: The hearings are obviously beginning to run down and the things that I'm going to be commenting on are not going to be any of great substantive nature but I think a few concluding comments are in order.

I've seen the Minister and members of this Committee come out here for four sessions now and I get the impression that the Minister and the members of the Committee are attentive; they've been willing to listen to other points of view and I think that this bodes well for any government and members of the legislature, if that is the attitude with which landlords are being treated and perceived. I know that our elected member for our constituency is here and I wish to thank him that he personally informed me and invited me to make a small presentation. I know that at least one of your members is also a small landlord and would know some of the frustrations that are involved; he is not here today.

But I do view with a certain amount of concern, when members of your Committee begin making economic postulates as to what an investor will do, given that he has a certain amount of money that has been drawn from Harry's mattress. Because it isn't only a matter of investing in apartment blocks or in rental housing or putting the money on the market to determine whether it's going to get 13 or 17 percent. The astute financier is doing what has been alluded to several times before; he is knocking down his investment along Broadway Avenue and thereby reducing the amount of rentable housing.

I'd like to suggest also, that if I, as a small landlord, perceive a certain process through the paper and that is this: that is, I see the government employees are getting 13 percent wage increases, guaranteed 1.5 percent above the cost of living for next year; doctors are being offered 10 percent or thereabouts, after months of negotiations. Then we go ahead and read in the paper that the Minister is going to make a pronouncement in regard to the percentage of increases allowed landlords and I don't believe that he is anymore related to Smith Brothers Cough Drops and a secret recipe than anybody else. But, then he comes up with a certain percentage; in this case nine percent, to be followed three days later by the release of the City of Winnipeg taxation level, which wasn't taken into consideration, obviously. Then, only within a week it was followed by an employer tax of 1.5 percent on all the employees that the landlord faces. I'm not critical of this as such, but in terms of a process, it seems to me that the larger the union that you're working with or the professional organization, the better off it is to be part of that organization, rather than part of a disjointed Landlords' Association or a Homebuilders' Association.

I'm suggesting that for our future techniques or processes, I would believe that from the presentations made by the Homebuilders' Association that it would be a good thing to have ongoing contacts and if I make a suggestion that the once-a-year increases in rents or decreases in rents could actually be worked on at least twice a year rather than once a year only. That would be in consultation with the Homebuilders' Association. In conjunction with this, I think that the level of Briefs that you have heard has risen tremend-

ously as compared to several years ago. I think this is because we are developing in Manitoba, a professional group of individuals who have professional input and they identify themselves quite readily with the Homebuilders' Association as distinct from the Manitoba Landlords' Association.

I believe that the entire function of management in apartment blocks and in landlording in general, should be greatly encouraged. I would suggest to the Minister and those people who draft the regulations, that in the drying up of regulations, the function of management be stressed. As an adjunct, you know we have the technology today to build the world's biggest apartment blocks in Winnipeg, but we haven't developed the human mechanism to landlord properly as yet. We can do quite well with 150 suites, after that, there are certain techniques of management that are being developed through universities but we haven't developed them to the point that other cities have developed them and we're running short in the human element. Many of the problems that have been identified, aren't as a result of rent controls, but are as a result of poor management techniques.

I'm going to be identifying through a personal anecdote. I went to the Rentalsman and asked, in which area do you experience the greatest number of difficulties in terms of landlord and tenant relations. He began to identify certain areas north of Portage and along Notre Dame. I said, no, that's not what I'm looking for; I'm looking at size of units. He said, once you begin to hit over 10 units per landlord or 10 units in one block or building, you have less problems. I would suggest to you that what he was telling us is that as people begin to have larger number of units under one roof, certain management techniques take place as a result of business attitudes, as distinct from personal volitions which the individual says, I have a house; if I have two, I'm a landlord. The vast number of problems come up with small landlords with small number of holdings. They are the ones that the Manitoba Landlords' Association is identified with and they have real concerns, because to them the problems of landlording and not knowing specific management techniques are very real.

I'm suggesting, as I've done in a Brief to the Minister before, that we consider or that you consider people who have four or six and I'm not tied up as to where it is, that although they should be considered under the regulations, they shouldn't have to go through the onerous task of going and forcing each individual to have a signed agreement, a copy of which will be sent to the Minister or to the Director of Rent Controls. The reason is that the people who are in that kind of business are generally immigrant people. They're generally less informed than others and I believe that the problems relating to identifying these and in very many cases embarrassing them, just isn't worth the bother. If, on the other hand, tenants want to lay complaints about high levels of rents, that is a different matter.

I want to compliment the proposed legislation in one major area. Unlike other cities in Canada, Winnipeg is identified as an older city in which the percentage of older apartment units and that is, built prior to 1930, is much higher percentage-wise than any other city percentage-wise. The amount of decay that goes

on in those units before proper electrical units were installed, plumbing facilities installed and the like, the upkeep is much greater. I compliment the legislation in anticipating that the renovation of these older suites will exempt them from the rent control legislation. I'm surprised that it hasn't been picked up as really one of the better features of this rent control legislation.

I think one other last area is, I believe, that landlords should be allowed as we have right now - for example, we have tenants have certain kind of monies invested with the landlord, we call them damage deposits or they have been vested with the landlord and so, in other words, there's an identifiable sum of money. In the same way, landlords, over a period of time should be allowed to develop a surplus of monies for the purpose of unexpected expenses.

We have an apartment block, and others have the same thing, in which one unexpected, unanticipated expense can run in terms of \$25,000 without difficulty. Some people have problems with an indoor pool; others have problems with air conditioning that breaks down. There is no anticipation of any kind of development of a surplus over here, because a surplus is identified as profit, and profit, obviously, we shall just be able to work on a cost-plus basis or a small margin that will allow the status quo and a development or creation of a surplus.

For those of us who are somewhat versed in economics, I think the great breakthrough in history was a time when a surplus could be created in any economy so that economies could improve through historical development. I believe that unless you develop a surplus, which is identified as a surplus, and which, when not used becomes part of the operating profit over a period of time, that that surplus should be identified and should be there in case of emergency. Because, as your legislation stands right now, if I incur costs it becomes the basis for next year's increase in costs, increase in rents. But that, as you will see very well, really punishes next year's tenants, or the tenants that are going to be in the block next year, for an expense that took place this year; and if there is a major expense of that nature I have to pass through that expense to those tenants, rather than be able to distribute it evenly over a number of years. I think that is an element that could be considered as your department looks after the changes.

In conclusion, I don't think that my comments are going to make a great deal of difference as to what is happening. You've listened very patiently over the last 10-20 hours and I want to commend you for your attitude and your performance and we, as landlords, are a very hardy group of individuals. We will survive in spite of rent controls. Some of us, in fact I got into the business because of rent controls, for the simple reason that small time investors get into the business when large ones vacate. I got into it because there were rent controls and I haven't done well with it but I haven't done poorly. I left a profession that had treated me quite well and I find this as an important service to mankind and I believe that this committee is sitting because they, too, consider the legislation of extreme importance to society, which they are representing.

With that, Mr. Chairman, I thank you.

MR. CHAIRMAN: Thank you, Mr. Thiessen. Are there any questions? Thank you again. Is there anyone else who wishes to make representation that may not have been on the list for Bill No. 2?

That concludes the representations on Bill No. 2.

We have three indicated representations on Bill No. 19. I believe two of the people are here. I'm not certain about the third. Does the Committee wish to carry on and finish them? (Agreed)

BILL NO. 19 - THE LANDLORD AND TENANT ACT

MR. CHAIRMAN: Mr. Doug Martindale, Bill 19.

MR. D. MARTINDALE: Thank you, Mr. Chairperson. Before I speak on behalf of the Winnipeg Housing Concerns Group Incorporated I'd like to speak as Rev. Doug Martindale since some of my colleagues may not endorse what I have to say. I appreciate the remarks of my predecessor, Mr. Thiessen. I would suggest that his theology is one of reconciliation which he is then applying to the system of negotiation between landlords and the Minister.

My theology, or the school to which I adhere to, is liberation theology which, as some of you may know, is based on a Marxist economic analysis which suggests that there are only two groups of people in society, the oppressed and the oppressors. I feel I must comment on the landlords who are crying the blues here. I think the difference between landlords and tenants is power. The landlord has the power to raise rent, the power to raise it beyond the 9 percent, because he can hire an accountant, he can hire a lawyer, a tax lawyer if necessary, to justify his expenses. He can drag out his books, his bank statement, his receipts for repairs, upkeep and renovations. He has the power to snow a panel or a director or the rentalsman with piles of documents and the tenant can protest or move. They need the protection of legislation like Bill 2 and Bill 19. They need all the help they can get from the Human Rights Commission, from the Rentalsman, from Legal Aid, from tenants associations and, ultimately, from organizing rent strikes.

I couldn't disagree more with Mr. Borowski and other landlords. It's not landlords who are discriminated against since they have the power, but tenants who must fight for everything they can get and, often as not, they run rather than fight.

The Winnipeg Housing Concerns Group Incorporated consists of tenants and community workers who have been meeting weekly for the past three months at the Indian Metis Friendship Centre. It's significant that we're meeting there and that about half of our membership are Native people because they tell us, and I think with justification, that Native people live in the worst of the worst accommodation. We banded together for group action as a result of the frustration of dealing as individuals with slum landlords, the Rentalsman's office, welfare workers and the City Health Department. Furthermore, all of us were encountering, on a daily basis, the same problems over and over again: Welfare workers referring people to slum landlords; discrimination against Native people; persons on social assistance using food money to pay the rent;

inadequate fines for landlords; confidential blacklisting of tenants by landlords; plea bargaining by the Crown to reduce the number of charges against a landlord; and the list goes on and on.

Our bias is obviously in favour of tenants and we make no apology for that. We are quite sure that landlords are capable and have the money to have their concerns heard here and elsewhere. We are grateful that Manitoba has Legal Aid so that from time to time we might get assistance which otherwise would be unavailable to us.

The Winnipeg Housing Concerns Group Incorporated supports the general thrust of Bill 19. The changes to The Landlord and Tenant Act are basically good ones.

Here are our specific suggestions for improvements to Bill 19 as it now stands.

No. 9: We oppose the proposed amendment regarding Sale of Chattels from three months to two months since there may be extenuating circumstances which require a longer period of grace for the tenant.

A section which isn't in Bill 19 but which would fall between 11 and 12, and that is an amendment to 98(3), Failure to Fulfill Obligation. We suggest an obvious amendment here which has been overlooked. It is unfair, in our view, that a tenant give 30 days notice to vacate on or before the last day of any rental payment period but the landlord may terminate on only five days notice. We recommend that either the landlord be required also to give 30 days notice or that Section 98(3) be amended to allow only five days notice for tenants also. We would agree that tenants should be prohibited from giving five days notice for frivolous reasons. The same restrictions should apply to landlords.

A recent example of the occasional need to vacate on short notice comes to mind. A single parent with two young children lived in a third floor suite. One of the children learned to open a window but there was no screen and the mother was concerned that the child might accidentally tumble to the ground. Our community worker, Mrs. Phyllis Keeper, had the family moved into much better accommodation in Lord Selkirk Development and our Ministry picked up two weeks rent since this family is on social assistance, and this is not an isolated example.

One of the reasons and one of the frustrations got me going to organize this committee was my involvement with a landlord who refused to hook up an electric stove. On two occasions we went to the house; he promised it would be hooked up the same day; it wasn't. We obtained a work order from the Rentalsman's Office; we went to welfare and got some help filling it out. We were about to have it mailed in or deliver it ourselves, went back and the tenant had moved. You can hardly blame this family, they didn't speak English; they spoke Cree. They'd been there for two weeks without any stove and the landlord was not about to comply. This landlord does not hand out his phone number; you have to go to his house and he spells his name differently to the tenants than to the welfare office. This same landlord is listed in a document that I have, Minutes of the Planning Committee of the Winnipeg Housing Committee from 1972, so some of the same characters are still kicking around.

I'd also suggest an amendment to 98(7). Failure to Supply Services. There seems to be a loophole here which is being exploited by slum landlords, or unscrupulous as they've been called here. We don't believe in euphemisms. If a landlord, at present, say in winter turns on the heat once a day, he or she would be technically fulfilling their legal obligations under the Act. But tenants need, want, have a right to and pay for: heat, water and electrical services 24 hours a day, not just at 11 a.m. only to have it shut off again. Therefore, we recommend that 98(7) be amended to add the simple but delightful word "continuous" after "provision of" and thereby read, "The landlord is responsible for the provision of continuous heat, water and electrical power services." We will also make a similar recommendation to change the City of Winnipeg Health by-laws.

No. 15 104(1) should not be amended in our view and the word "personally" shall continue. No. 17 repeal of 108(4) and (5) Manner of Service of Application, we recommend that 108(4) and (5) remain since without these sections there is no definition or specific directions for "served" above Section 108(2).

I'd be happy to answer questions.

MR. CHAIRMAN: Thank you. Are there any questions? Thank you, Mr. Martindale.

Miss Lorraine Whiffin.

MISS L. WHIFFIN: Mr. Chairperson, I am Lorraine Whiffin. I am a private citizen, also a tenant. I wish to speak of the nuisance Act which is a strong responsibility of the tenant towards the landlord but it is being used to the advantage of landlords to evict tenants for minor infractions of the Act. I would like to see the section changed so that the Act is clear enough to the landlord and the tenant. Every tenant in this province is subjected to this section being used against them at any time. Even what seems to be a stable tenancy such as signing a year's lease, becomes unstable because of this section. Tenants are being evicted for minor infractions of the Act. A landlord uses it to his advantage to evict a tenant in five days. It is detrimental to the tenants to the degree they lose the feeling of security in their home. This Act is being administered on the strength of one man's opinion. For instance, if a tenant is a good rent-payer and they have children and many landlords dislike having children in their buildings, under The Human Rights Act they cannot refuse people with children. Therefore, many landlords will keep people's children under surveillance and nit-pick them and then they'll find an excuse to classify them as a nuisance.

Now, under the nuisance Act it doesn't specify what a nuisance is and therefore I have seen it happen on several occasions in the dwelling that I live in, every tenant who has been evicted has been with five days' notice and these people are naive people they don't know any better. They just have to settle for anything and it has happened many times.

So, in conclusion, I would like to see this section amended to avoid landlords from abusing the section.

MR. CHAIRMAN: Thank you Miss Whiffin. Are there any questions? Thank you again.

Ms Lori Bell.

MS L. BELL: Hi, Mr. Chairman, hello, again. I feel quite a bit more confident with this bill than I was the last one so if Mr. Filmon has any questions, I'll be able to answer them. I'm winging this section because I thought that we would go late tonight and this would be put over 'till tomorrow, so I hope that you'll bear with me while I just go through my brief notes that I have.

As far as Bill 19 is concerned we would like to see Section 2(1) changed. Right now, as it is, they want notice served personally on any adult in the premises. We would like to see this changed so that it's like in the original Act Section 104(1) where it has to be served personally on a tenant. We don't feel that if it's just served on an adult in the premises that it might always get to the tenant and we feel that it should be served personally on the tenants of the apartment block.

As far as Section 86(21) we'd like to emphasize that security deposits are not getting back to tenants at the present time and there must be strict enforcement of this amendment if it's to be any good. It's a good change in the Act, but it has to have strict enforcement by the Rentalsman's Office in order to be of any effect. We also support Mr. Martindale and the Housing Concerns Group in their concern about Section 98 in which a landlord is allowed to give five-day notice to the tenant but the tenant is now allowed to do this in return if he is not provided with services that he should have. We feel that the tenant, if not provided with adequate services or for other reasons finds more adequate housing, should be able to give five-day notice to the landlord and we'd like this added to the amendments.

Section 98(7) of the original Act is not amended in any way in Bill 19 and it is our experience that the Rentalsman's Office passes on complaints of failure to supply services to the Health Department and there is no continuity between the Health Department and the Rentalsman's Office. Since there is a section already in the Act dealing with failure to supply services to a tenant, we feel that there should be stricter enforcement of this section and, if need be, that it be included in the amendments to be strictly enforced by the Rentalsman's Office. We have dealt with numerous tenants who it took 8 to 10 months to get services supplied to them that they have signed for in their tenancy agreement because the Rentalsman's Office has refused to act on the services. When you're looking at a tenant who is not being supplied the service of heat in the winter time for periods of four to five months, you're looking at an extreme situation and the Rentalsman's Office has failed to act on these situations.

As far as Section 98 is concerned we would just like to re-emphasize the point that Miss Whiffin just made, that right now, as it stands, the landlord is using these sections against tenants that they don't want or are undesirable in their apartment block. I would just like to give you one specific example that I know of, where a tenant was trying to organize a tenants' association in their apartment. The landlord considered this to be creating a nuisance and disturbance when she was just trying to obtain rights for the other tenants in the block, and she was therefore given a five-day notice to evict. She has since fought this and she hasn't had to move yet, but I don't think that she should be sub-

jected to this kind of harassment by a landlord.

The Honourable Minister has seen fit in Bill 2 to make a suggestion that when a rent increase is applied that it should apply to an entire complex, rather than to one apartment in the complex. We would like to see some sort of suggestion of this in The Landlord and Tenant Act, that it apply not to one landlord and one tenant but to one landlord and one building. As it stands right now, if a tenant complains about the condition of their apartment and is forced, through harassment from the landlord - which has been our experience - to move, the complaint is then dropped by the Rentalsman's Office and has to be picked up again by the new tenant who is coming in. If the Rentalsman's Office thought the complaint was justified enough to act on in the first place, they should continue this action even if the tenant is forced to leave or chooses to leave of their own free will. So we would like to see this included in the amendments to The Landlord and Tenant Act and that's about all I have to say on this section.

MR. CHAIRMAN: Thank you Ms Bell. Are there any questions? Mr. Filmon.

MR. G. FILMON: I was just wanting to report, Mr. Chairman, that Ms Bell did such a good job of stating her concerns even though she was winging it, that I have no questions.

MS L. BELL: Thank you very much, Mr. Filmon.

MR. CHAIRMAN: Anyone else with questions? Thank you Ms Bell. That, Ladies and Gentlemen of the Committee, concludes the representations that have been requested.

Shall we go through the bill clause by clause?
Mr. Filmon.

MR. G. FILMON: Mr. Chairman, I wonder if the Minister is considering any amendments to any of the bills and if he would consider letting us know that or letting me, as critic, know that because we are considering bringing forth some amendments and it might help the process if we were aware of things that he was going to be bringing in and avoid duplication of consideration on it.

HON. E. KOSTYRA: Yes, Mr. Chairman, we are planning to bring forth some amendments and, once we have them finalized I would be willing to share them with the . . .

MR. G. FILMON: I assume that, in view of the fact the Minister has a majority, the amendments are going to pass that he brings forward and so therefore there's no point in my beating my head against that.

On the other hand, we may have some other amendments, or he may have all the amendments that we're considering covered. I'd be happy to learn of them whenever he's able to . . . When is the next meeting of the Committee, then?

MR. CHAIRMAN: Well, it's not been scheduled yet, but I think Monday is probably the first opening for morning. Thursday we have Law Amendments and

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Wednesday is unavailable.

MR. G. FILMON: At the risk of censure from my own colleagues, what about Friday afternoon?

MR. CHAIRMAN: Well, if that's the will of the Committee.

MR. G. FILMON: Most of us are urban members and I forgot about the Member for Brandon West.

MR. CHAIRMAN: Well, it'll be announced in the House. Is that okay, Mr. Filmon?
Committee rise.